Tamworth Regional Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2023

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

Tamworth Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

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

Tamworth Regional Council

General Purpose Financial Statements
for the year ended 30 June 2023

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Overview

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

474 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 B1-2.

All press releases, financial statements and other information are publicly available on our website: www.tamworth.nsw.gov.au.

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 28 November 2023.

Russell Webb
Mayor
28 November 2023

Judy Coates
Councillor
28 November 2023

Paul Bennett
General Manager
28 November 2023

Sherrill Young
Responsible Accounting Officer
28 November 2023

Tamworth Regional Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023	$ '000	Notes	Actual 2023	Actual 2022
	Income from continuing operations			
78,754	Rates and annual charges	B2-1	**80,458**	76,774
42,530	User charges and fees	B2-2	**48,859**	37,371
2,350	Other revenues	B2-3	**3,293**	2,683
19,962	Grants and contributions provided for operating purposes	B2-4	**37,747**	28,924
28,835	Grants and contributions provided for capital purposes	B2-4	**47,332**	52,295
3,448	Interest and investment income	B2-5	**6,906**	1,404
1,346	Other income	B2-6	**1,742**	2,138
177,225	**Total income from continuing operations**		**226,337**	201,589
	Expenses from continuing operations			
57,515	Employee benefits and on-costs	B3-1	**57,668**	52,530
33,088	Materials and services	B3-2	**66,966**	50,068
3,948	Borrowing costs	B3-3	**4,212**	3,857
37,883	Depreciation, amortisation and impairment of non-financial assets	B3-4	**44,395**	38,109
12,324	Other expenses	B3-5	**9,510**	3,727
–	Net loss from the disposal of assets	B4-1	**4,442**	1,277
144,758	**Total expenses from continuing operations**		**187,193**	149,568
32,467	**Operating result from continuing operations**		**39,144**	52,021
32,467	Net operating result for the year		**39,144**	52,021
32,467	Net operating result attributable to Council		**39,140**	52,034
–	Net operating result attributable to non-controlling interests		**4**	(13)
3,632	**Net operating result for the year before grants and contributions provided for capital purposes**		**(8,188)**	(274)

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

Tamworth Regional Council

Statement of Comprehensive Income

for the year ended 30 June 2023

$ '000	Notes	2023	2022
Net operating result for the year – from Income Statement		**39,144**	52,021
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	**270,838**	143,913
Impairment (loss) reversal / (revaluation decrement) relating to infrastructure, property, plant and equipment	C1-8	**(1,374)**	(8,195)
Total items which will not be reclassified subsequently to the operating result		**269,464**	135,718
Total other comprehensive income for the year		**269,464**	135,718
Total comprehensive income for the year		**308,608**	187,739
Total comprehensive income attributable to Council		**308,604**	187,752
Total comprehensive income attributable to non-controlling interests		**4**	(13)

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

Tamworth Regional Council

Statement of Financial Position
as at 30 June 2023

$ '000	Notes	2023	Restated 2022 [1]	Restated 2021 [1]
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	**15,262**	52,401	54,075
Investments	C1-2	**144,986**	118,500	112,278
Receivables	C1-4	**18,821**	15,133	17,243
Inventories	C1-5	**19,718**	28,332	20,538
Contract assets and contract cost assets	C1-6	**16,084**	11,981	4,484
Current assets classified as held for sale	C1-7	**50**	50	214
Other		**470**	560	471
Total current assets		**215,391**	226,957	209,303
Non-current assets				
Investments	C1-2	**35,912**	33,000	16,000
Receivables	C1-4	**424**	383	378
Infrastructure, property, plant and equipment (IPPE)	C1-8	**2,326,290**	2,001,183	1,836,554
Investment property	C1-9	**18,763**	30,615	30,025
Intangible assets	C1-10	**2,854**	2,853	2,857
Right of use assets	C2-1	**4,696**	4,693	2,131
Total non-current assets		**2,388,939**	2,072,727	1,887,945
Total assets		**2,604,330**	2,299,684	2,097,248
LIABILITIES				
Current liabilities				
Payables	C3-1	**21,327**	17,967	16,124
Contract liabilities	C3-2	**14,536**	18,586	10,215
Lease liabilities	C2-1	**1,423**	1,349	743
Borrowings	C3-3	**9,363**	9,443	8,430
Employee benefit provisions	C3-4	**11,699**	11,105	11,033
Provisions	C3-5	**2,007**	1,399	1,355
Total current liabilities		**60,355**	59,849	47,900
Non-current liabilities				
Lease liabilities	C2-1	**3,410**	3,489	1,520
Borrowings	C3-3	**71,389**	80,581	77,435
Employee benefit provisions	C3-4	**337**	360	399
Provisions	C3-5	**15,500**	10,674	13,002
Total non-current liabilities		**90,636**	95,104	92,356
Total liabilities		**150,991**	154,953	140,256
Net assets		**2,453,339**	2,144,731	1,956,992
EQUITY				
Accumulated surplus		**1,394,046**	1,354,906	1,302,872
IPPE revaluation reserve	C4-1	**1,058,608**	789,144	653,426
Council equity interest		**2,452,654**	2,144,050	1,956,298
Non-controlling equity interests	D2-1	**685**	681	694
Total equity		**2,453,339**	2,144,731	1,956,992

(1) Restated refer to Note G4-1

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

Tamworth Regional Council

Statement of Changes in Equity
for the year ended 30 June 2023

		2023				2022			
$ '000	Notes	Accumulated surplus	IPPE revaluation reserve	Non-controlling interest	Total equity	Accumulated surplus Restated	IPPE revaluation reserve Restated	Non-controlling interest Restated	Total equity Restated
Opening balance at 1 July		1,354,906	789,144	681	2,144,731	1,296,081	653,426	694	1,950,201
Correction of prior period errors	G4-1	–	–	–	–	6,791	–	–	6,791
Restated opening balance		1,354,906	789,144	681	2,144,731	1,302,872	653,426	694	1,956,992
Net operating result for the year		39,140	–	4	39,144	52,034	–	(13)	52,021
Net operating result for the period		39,140	–	4	39,144	52,034	–	(13)	52,021
Other comprehensive income									
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	–	270,838	–	270,838	–	143,913	–	143,913
– Impairment (loss) reversal relating to IPP&E	C1-8	–	(1,374)	–	(1,374)	–	(8,195)	–	(8,195)
Other comprehensive income		–	269,464	–	269,464	–	135,718	–	135,718
Total comprehensive income		39,140	269,464	4	308,608	52,034	135,718	(13)	187,739
Closing balance at 30 June		1,394,046	1,058,608	685	2,453,339	1,354,906	789,144	681	2,144,731

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

Tamworth Regional Council

Statement of Cash Flows
for the year ended 30 June 2023

Original unaudited budget 2023	$ '000	Notes	Actual 2023	Actual 2022
	Cash flows from operating activities			
	Receipts:			
78,755	Rates and annual charges		**80,511**	77,277
45,110	User charges and fees		**50,922**	39,665
3,448	Interest received		**5,597**	1,155
53,000	Grants and contributions		**62,724**	65,525
–	Bonds, deposits and retentions received		**1,298**	1,376
14,587	Other		**14,633**	14,571
	Payments:			
(57,644)	Payments to employees		**(56,975)**	(52,413)
(49,236)	Payments for materials and services		**(72,442)**	(60,566)
(3,819)	Borrowing costs		**(3,769)**	(3,444)
–	Bonds, deposits and retentions refunded		**(989)**	(1,388)
(13,556)	Other		**(3,918)**	(3,219)
70,645	**Net cash flows from operating activities**	G1-1	**77,592**	78,539
	Cash flows from investing activities			
	Receipts:			
39,635	Sale of investments		**60,602**	69,278
4,872	Sale of real estate assets		**4,830**	–
–	Proceeds from sale of IPPE		**952**	1,619
	Payments:			
–	Purchase of investments		**(90,000)**	(92,500)
(128,387)	Payments for IPPE		**(76,052)**	(54,161)
–	Purchase of real estate assets		**(4,064)**	(7,316)
–	Purchase of intangible assets		**(80)**	(85)
(83,880)	**Net cash flows from investing activities**		**(103,812)**	(83,165)
	Cash flows from financing activities			
	Receipts:			
22,700	Proceeds from borrowings		**–**	12,300
	Payments:			
(9,465)	Repayment of borrowings		**(9,272)**	(8,141)
–	Principal component of lease payments		**(1,647)**	(1,207)
13,235	**Net cash flows from financing activities**		**(10,919)**	2,952
–	**Net change in cash and cash equivalents**		**(37,139)**	(1,674)
52,401	Cash and cash equivalents at beginning of year		**52,401**	54,075
52,401	Cash and cash equivalents at end of year	C1-1	**15,262**	52,401
110,833	plus: Investments on hand at end of year	C1-2	**180,898**	151,500
163,234	Total cash, cash equivalents and investments		**196,160**	203,901

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

Tamworth Regional Council

Contents for the notes to the Financial Statements for the year ended 30 June 2023

Tamworth Regional Council

Contents for the notes to the Financial Statements for the year ended 30 June 2023

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 28 November 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (Act)* and *Local Government (General) Regulation 2021 (Regulation)*, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

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

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

Historical cost convention

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

Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying 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 the Pilot Training Facility where valuations have been made difficult due to limited observable inputs due to the specialised nature of its operations refer Note C1-9 and E2-1.
(ii) estimated fair values of infrastructure, property, plant and equipment. Particular reference is made to Council's main administration building located at 437 Peel Street, Tamworth. This building was found to have asbestos particles present in the heating /cooling systems for levels 1,2 and 3. Council needs to undertake further assessment of the contamination to fully determine the extent of the problem and its impact on remediation costs and the buildings future. For this reason it is difficult to determine the value of the building with any reliability – refer Note C1-8 and C1-8c.
(iii) estimated tip remediation provisions – refer Note C3-5
(iv) employee benefit provisions – refer Note C3-4.

Significant judgements in applying the Council's accounting policies

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

continued on next page ...

A1-1 Basis of preparation (continued)

Monies and other assets received by Council

The Consolidated Fund

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

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

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

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

The Trust Fund

Council does not maintain a separate and distinct Trust Fund as required by the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended); instead 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 but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2023 reporting period.

Council has elected not to apply any of these pronouncements before its operative date in the annual reporting period beginning 1 July 2022.

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

New accounting standards adopted during the year

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2023, non of these standards had a significant impact on reported position or performance.

B Financial Performance

B1 Functions or activities

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

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

$ '000	Income 2023	Income 2022	Expenses 2023	Expenses 2022	Operating result 2023	Operating result 2022	Grants and contributions 2023	Grants and contributions 2022	Total assets held (current and non-current) [1] 2023	Total assets held (current and non-current) [1] 2022 Restated
Functions or activities										
Our Water Security	**57,313**	51,940	**45,345**	38,870	**11,968**	13,070	**8,401**	9,291	**788,444**	685,207
A Liveable Built Environment	**10,495**	9,451	**16,124**	14,323	**(5,629)**	(4,872)	**8,479**	8,047	**105,259**	86,210
Prosperity and Innovation	**3,249**	6,748	**13,288**	11,532	**(10,039)**	(4,784)	**2,477**	914	**144,136**	128,498
Resilient and Diverse Communities	**3,967**	4,115	**10,981**	9,779	**(7,014)**	(5,664)	**2,903**	2,919	**49,152**	38,982
Connecting our Region and its Citizens	**53,330**	34,899	**60,844**	39,121	**(7,514)**	(4,222)	**36,872**	25,459	**1,064,698**	986,967
Working with and Protecting Our Environment	**24,535**	25,631	**20,394**	18,424	**4,141**	7,207	**4,856**	8,767	**319,387**	287,177
Celebrate our Cultures and Heritage	**2,007**	1,424	**6,263**	5,554	**(4,256)**	(4,130)	**399**	417	**22,072**	17,011
A Strong and Vibrant Identity	**9,393**	11,027	**3,231**	5,021	**6,162**	6,006	**4,607**	10,748	**14,991**	10,115
Open and Collaborative Leadership	**2,197**	2,437	**9,692**	6,944	**(7,495)**	(4,507)	**131**	168	**96,191**	59,517
General Purpose Income	**58,820**	53,917	**–**	–	**58,820**	53,917	**15,954**	14,489	**–**	–
Total functions and activities	**225,306**	201,589	**186,162**	149,568	**39,144**	52,021	**85,079**	81,219	**2,604,330**	2,299,684

(1) Restated Total Assets at 2021 refer to Note G4-1

B1-2 Components of functions or activities

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

Our Water Security (Focus Area 1)
- A region with a safe and secure water supply
- A region that prioritises water conservation and water sustainability
- Efficient and fit for purpose waste water management
- Our urban planning, design and operations use sustainable water and waste water approaches

A Liveable Built Environment (Focus Area 2)
- The right growth in the right locations
- Vibrant city and town centres
- More diverse and affordable housing
- Providing high quality lifestyle, recreational and community facilities such as library's, pools, park, sports facilities, arts centres and cemeteries

Prosperity and Innovation (Focus Area 3)
- Be an attractive region for new and existing businesses to invest
- Our industries are successful and create opportunities for other initiatives/business in the down stream economy
- Our community has access to higher education and skills development
- The Tamworth region is Country Australia's leading and most vibrant destination with a sustainable and dynamic visitor economy

Resilient and Diverse Communities (Focus Area 4)
- Our towns, villages and communities grow and prosper
- Our community has improved outcomes and access to community and social services that are inclusive and meet their needs and expectations
- Meet the 17 targets of the "Closing the Gap" national agreement for our community
- Improve the health outcomes for all residents
- Be a safer and more resilient community

Connect Our Region and its Citizens (Focus Area 5)
- A thriving aviation hub supporting travel and investment in our region
- A safe and efficient transport network
- Expanded public transport options to meet the needs of our community now and in the future
- Improved access to active transport options for movement between places
- Our community is enabled by technology

Working With and Protecting Our Environment (Focus Area 6)
- Increase the take up and use of affordable and clean energy across the region
- A region where sustainable design of facilities, infrastructure and development are the rule not the exception
- Reduce our waste and manage it responsibly
- We care for our natural environmental (including flora, fauna and habitat)

Celebrate Our Cultures and Heritage (Focus Area 7)
- Enhance our lives through the lived experience of arts and culture
- Our Aboriginal community's history and culture is protected and celebrated
- Our region's heritage assets are protected and celebrated

A Strong and Vibrant Identity (Focus Area 8)
- Be known for country music and so much more
- Tell the world who we are and what we have
- Show who we are when people arrive by land or air to our towns and region

Open and Collaborative Leadership (Focus Area 9)
- Conduct council business with transparency and accountability
- Our financial position is strong and able to meet our current and future obligations to our community
- Everyone in our community feels informed, heard and understood
- Our workforce is agile and future ready
- Build strategic partnerships and advocate to other levels of government to ensure our community needs are met and concerns heard

General Purpose Income
- Income that cannot be directly attributed to a specific function

B2 Sources of income

B2-1 Rates and annual charges

$ '000	2023	2022
Ordinary rates		
Residential	**27,488**	26,542
Farmland	**6,296**	6,164
Mining	**20**	20
Business	**6,806**	6,471
Less: pensioner rebates (mandatory)	**(820)**	(852)
Rates levied to ratepayers	**39,790**	38,345
Pensioner rate subsidies received	**403**	471
Total ordinary rates	**40,193**	38,816
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)		
Domestic waste management services	**10,395**	8,848
Stormwater management services	**628**	620
Water supply services	**7,891**	7,568
Sewerage services	**20,736**	20,297
Waste management services (non-domestic)	**1,123**	1,059
Less: pensioner rebates (mandatory)	**(997)**	(971)
Annual charges levied	**39,776**	37,421
Pensioner annual charges subsidies received:		
– Water	**170**	192
– Sewerage	**153**	173
– Domestic waste management	**166**	172
Total annual charges	**40,265**	37,958
Total rates and annual charges	**80,458**	76,774

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

Accounting policy

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

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

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

B2-2 User charges and fees

$ '000	Timing	2023	2022
Specific user charges (per s502 - specific 'actual use' charges)			
Water supply services	1	**11,277**	9,979
Sewerage services	1	**3,352**	2,891
Total specific user charges		**14,629**	12,870
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s608)			
Planning and building regulation	2	**1,826**	2,228
Private works – section 67	1	**780**	652
Regulatory/ statutory fees	2	**492**	741
Total fees and charges – statutory/regulatory		**3,098**	3,621
(ii) Fees and charges – other (incl. general user charges (per s608))			
Aerodrome	2	**4,063**	2,029
Cemeteries	2	**445**	460
Community Services	2	**495**	511
Parking fees	2	**420**	350
Transport for NSW (state roads not controlled by Council)	1	**10,261**	6,217
Swimming centres	2	**313**	206
Country music festival	2	**1,688**	1,544
Hire charge council facilities	2	**3,194**	1,609
Sewerage services	1	**1,199**	640
Sporting facilities	2	**634**	464
Waste/recycling depot	2	**7,662**	6,341
Venue ticket sales	2	**130**	106
Other	2	**628**	403
Total fees and charges – other		**31,132**	20,880
Total other user charges and fees		**34,230**	24,501
Total user charges and fees		**48,859**	37,371
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		**26,869**	20,379
User charges and fees recognised at a point in time (2)		**21,990**	16,992
Total user charges and fees		**48,859**	37,371

Accounting policy

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

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service 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 over the term of the licence.

B2-3 Other revenues

$ '000	Timing	2023	2022
Fines	2	**384**	364
Commissions and agency fees	2	**495**	279
Insurance claims recoveries	2	**103**	–
Sales – general	2	**631**	589
Antenna leases	1	**373**	360
Insurance rebate	2	**168**	164
Consultancy services	1	**647**	540
Sponsorship income	2	**15**	6
Container Deposit Scheme	2	**–**	88
Other	2	**477**	293
Total other revenue		**3,293**	2,683

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	**1,020**	900
Other revenue recognised at a point in time (2)	**2,273**	1,783
Total other revenue	**3,293**	2,683

Accounting policy for other revenue

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

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

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

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

B2-4 Grants and contributions

$ '000	Timing	Operating 2023	Operating 2022	Capital 2023	Capital 2022
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	**1,810**	3,360	**–**	–
Financial assistance – local roads component	2	**1,363**	2,348	**–**	–
Payment in advance - future year allocation					
Financial assistance – general component [1]	2	**7,447**	5,159	**–**	–
Financial assistance – local roads component [1]	2	**5,334**	3,622	**–**	–
Amount recognised as income during current year		**15,954**	14,489	**–**	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Astronomy Centre	1	**–**	–	**–**	8
Bushfire and emergency services	1	**769**	349	**–**	–
CCTV Security	1	**–**	86	**–**	–
Water supplies	1	**402**	–	**67**	189
Community care	1	**771**	811	**–**	–
Environmental programs	1	**10**	2	**–**	–
Library Heritage and cultural	1	**2,514**	1,055	**188**	9
Local Infrastructure Renewal Scheme	2	**15**	32	**–**	–
Noxious Weed Control	2	**109**	110	**–**	–
Fundraising Contributions	2	**6**	6	**–**	–
Training	1	**382**	133	**–**	–
Park Upgrades	1	**3**	17	**1,509**	3,223
Stormwater	1	**–**	–	**330**	4,855
Street lighting	2	**174**	170	**–**	–
Tamworth Global Gateway Park	1	**–**	–	**350**	1,384
Shared Paths/Cycleways	1	**45**	–	**1,425**	2,116
Transport (airport)	1	**671**	669	**772**	387
Transport Other	1	**124**	219	**3,308**	2,001
Transport (other roads and bridges funding)	1	**9,228**	4,084	**17,159**	11,935
Waste Facilities	1	**–**	–	**–**	–
Other specific grants	1	**463**	284	**295**	98
Organic Recycling Facility	1	**–**	–	**73**	361
Transport (roads to recovery)	1	**2,657**	3,011	**–**	–
Other councils – joint works/services	1	**645**	640	**–**	–
Transport for NSW contributions (regional roads, block grant)	1	**2,627**	2,639	**–**	–
Other contributions	2	**76**	27	**–**	–
Capital works	1	**–**	11	**1,570**	592
Sewage Services	2	**–**	80	**–**	3
Total special purpose grants and non-developer contributions – cash		**21,691**	14,435	**27,046**	27,161

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B2-4 Grants and contributions (continued)

$ '000	Timing	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Non-cash contributions					
Dedications – subdivisions (other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA)	2	–	–	13,368	16,857
Tourism	2	102	–	–	–
Total other contributions – non-cash		102	–	13,368	16,857
Total special purpose grants and non-developer contributions (tied)		21,793	14,435	40,414	44,018
Total grants and non-developer contributions		37,747	28,924	40,414	44,018
Comprising:					
– Commonwealth funding		20,023	18,951	5,387	5,486
– State funding		16,850	9,161	20,077	21,055
– Other funding		874	812	14,950	17,477
		37,747	28,924	40,414	44,018

(1) A payment in advance of the 2023-2024 Financial Assistance Grant from the Commonwealth Government was received in June 2023 and is reported as 2022-2023 income although it relates to 2023-2024 financial year.

Developer contributions

$ '000	Notes	Timing	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G5					
Cash contributions						
S 7.11 – contributions towards amenities/services		2	–	–	2,073	2,245
S 7.12 – fixed development consent levies		2	–	–	860	945
S 64 – water supply contributions		2	–	–	2,830	3,647
S 64 – sewerage service contributions		2	–	–	1,155	1,440
Total developer contributions – cash			–	–	6,918	8,277
Total developer contributions			–	–	6,918	8,277
Total contributions			–	–	6,918	8,277
Total grants and contributions			37,747	28,924	47,332	52,295
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			21,311	12,955	27,046	27,149
Grants and contributions recognised at a point in time (2)			16,436	15,969	20,286	25,146
Total grants and contributions			37,747	28,924	47,332	52,295

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B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

$ '000	**Operating 2023**	Operating 2022	**Capital 2023**	Capital 2022
Unspent grants and contributions				
Unspent funds at 1 July	**3,154**	1,508	**15,576**	8,909
Add: Funds received and not recognised as revenue in the current year	**1,963**	2,341	**6,218**	11,721
Less: Funds received in prior year but revenue recognised and funds spent in current year	**(1,635)**	(695)	**(11,723)**	(5,054)
Unspent funds at 30 June	**3,482**	3,154	**10,071**	15,576
Contributions				
Unspent funds at 1 July	**47,518**	42,090	**–**	–
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	**8,569**	8,549	**–**	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	**(10,295)**	(3,121)	**–**	–
Unspent contributions at 30 June	**45,792**	47,518	**–**	–

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

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.

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

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

Capital grants

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

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

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

Developer contributions

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

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

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B2-4 Grants and contributions (continued)

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

Other grants and contributions

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

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

B2-5 Interest and investment income

$ '000	2023	2022
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	**316**	342
– Cash and investments	**6,590**	1,062
Total interest and investment income (losses)	**6,906**	1,404
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	**253**	294
General Council cash and investments	**2,542**	413
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	**323**	46
– Section 64	**1,212**	200
Water fund operations	**889**	181
Sewerage fund operations	**1,687**	270
Total interest and investment income	**6,906**	1,404

Accounting policy

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

B2-6 Other income

$ '000	Notes	2023	2022
Fair value increment on investment properties			
Fair value increment on investment properties		**–**	590
Total fair value increment on investment properties	C1-9	**–**	590
Rental income			
Investment properties			
Lease income - Investment Properties		**808**	878
Lease income - Other Property		**934**	670
Total Investment properties		**1,742**	1,548
Total rental income	C2-2	**1,742**	1,548
Total other income		**1,742**	2,138

B3 Costs of providing services

B3-1 Employee benefits and on-costs

$ '000	2023	2022
Salaries and wages	**42,332**	40,865
Employee leave entitlements (ELE)	**10,300**	8,490
Superannuation	**5,015**	4,597
Workers' compensation insurance	**2,558**	1,914
Fringe benefit tax (FBT)	**242**	195
Payroll tax	**360**	311
Other	**331**	288
Total employee costs	**61,138**	56,660
Less: capitalised costs	**(3,470)**	(4,130)
Total employee costs expensed	**57,668**	52,530
Number of 'full-time equivalent' employees (FTE) at year end	**581**	585

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

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

B3-2 Materials and services

$ '000	Notes	2023	2022
Raw materials and consumables		**46,728**	32,717
Contractor costs		**10,090**	7,456
Audit Fees	F2-1	**201**	150
Councillor and Mayoral fees and associated expenses	F1-2	**472**	467
Advertising		**475**	396
Election expenses		**–**	359
Electricity and heating		**3,556**	3,214
Insurance		**2,395**	2,167
Street lighting		**678**	735
Sustainability rebates		**48**	105
Telephone and communications		**307**	552
Travel expenses		**926**	707
Training costs (other than salaries and wages)		**848**	754
Other expenses		**100**	120
Legal expenses:			
– Legal expenses: planning and development		**19**	9
– Legal expenses: other		**40**	83
Expenses from leases of low value assets		**83**	77
Total materials and services		**66,966**	50,068
Total materials and services		**66,966**	50,068

Accounting policy
Material and service expenses are recognised on an accruals basis when Council has an obligation for the expenses.

B3-3 Borrowing costs

$ '000	Notes	2023	2022
(i) Interest bearing liability costs			
Interest on leases		**105**	85
Interest on loans		**3,853**	3,914
Total interest bearing liability costs		**3,958**	3,999
Less: capitalised costs [1]		**(217)**	(433)
Total interest bearing liability costs expensed		**3,741**	3,566
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	C3-5	**471**	291
Total other borrowing costs		**471**	291
Total borrowing costs expensed		**4,212**	3,857

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

(1) Tamworth Global Gateway Park

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

$ '000	Notes	2023	2022
Depreciation and amortisation			
Plant and equipment		**3,741**	3,836
Office equipment		**10**	4
Furniture and fittings		**309**	304
Land improvements (depreciable)		**424**	351
Infrastructure:	C1-8		
– Buildings – non-specialised		**1,927**	1,193
– Buildings – specialised		**505**	264
– Other structures		**441**	359
– Roads		**10,142**	9,372
– Bridges		**3,529**	3,270
– Footpaths		**734**	650
– Stormwater drainage		**2,936**	2,676
– Water supply network		**6,077**	5,527
– Sewerage network		**5,805**	5,464
– Swimming pools		**180**	143
– Other open space/recreational assets		**2,154**	975
- Airport Infrastructure		**2,971**	1,090
Right of use assets	C2-1	**1,639**	1,221
Other assets:			
– Library books		**313**	286
– Other		**208**	168
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5,C1-8	**696**	1,277
– Quarry assets	C3-5,C1-8	**2**	5
Intangible assets	C1-10	**79**	89
Total gross depreciation and amortisation costs		**44,822**	38,524
Less: capitalised costs		**(427)**	(415)
Total depreciation and amortisation costs		**44,395**	38,109
Impairment / revaluation decrement of IPPE			
Operational Land	C1-8c	**669**	1,195
Infrastructure:			
– Buildings – non-specialised	C1-8c	**–**	7,000
– Roads	C1-8c	**705**	–
Total gross IPPE impairment / revaluation decrement costs		**1,374**	8,195
Amounts taken through revaluation reserve	C1-8c	**(1,374)**	(8,195)
Total IPPE impairment / revaluation decrement costs charged to Income Statement		**–**	–
Total depreciation, amortisation and impairment for non-financial assets		**44,395**	38,109

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-8 for IPPE assets and Note C1-10 for intangible assets and Note C2-1 for right of use assets.

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

Impairment of non-financial assets

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

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

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

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

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

B3-5 Other expenses

$ '000	Notes	2023	2022
Impairment of receivables			
Other		**114**	136
Total impairment of receivables	C1-4	**114**	136
Fair value decrement on investment properties			
Fair value decrement on investment properties		**5,402**	–
Total fair value decrement on investment properties	C1-9	**5,402**	–
Other			
Contributions/levies to other levels of government		**1,852**	2,041
Emergency services levy (includes FRNSW, SES, and RFS levies)		**1,537**	1,166
Donations, contributions and assistance to other organisations (Section 356)		**605**	384
Total other		**3,994**	3,591
Total other expenses		**9,510**	3,727

Accounting policy

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

Impairment expenses are recognised when identified.

B4 Gains or losses

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

$ '000	Notes	2023	2022
Gain (or loss) on disposal of plant and equipment	C1-8		
Proceeds from disposal – plant and equipment		**952**	750
Less: carrying amount of plant and equipment assets sold/written off		**(716)**	(735)
Gain (or loss) on disposal		**236**	15
Gain (or loss) on disposal of infrastructure	C1-8		
Less: carrying amount of infrastructure assets sold/written off		**(9,050)**	(1,997)
Gain (or loss) on disposal		**(9,050)**	(1,997)
Gain (or loss) on disposal of real estate assets held for sale	C1-5		
Proceeds from disposal – real estate assets		**4,830**	–
Less: carrying amount of real estate assets sold/written off		**(458)**	–
Gain (or loss) on disposal		**4,372**	–
Gain (or loss) on disposal of non-current assets classified as ‘held for sale’	C1-7		
Proceeds from disposal – non-current assets ‘held for sale’		**–**	869
Less: carrying amount of ‘held for sale’ assets sold/written off		**–**	(164)
Gain (or loss) on disposal		**–**	705
Net gain (or loss) from disposal of assets		**(4,442)**	(1,277)

Accounting policy

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

Gain (or loss) on disposal of real estate assets is not reflective of the actual gain (or loss) due to the elimination of internal transactions such as interest on internal loans and the recognition of costs incurred to develop the lots (such as roads and water infrastructure) as infrastructure property plant and equipment in note c1-8. This subdivision infrastructure is normally dedicated to Council in the form of a non-cash contribtuion (ref note B2-4) after construction is finalised by Developers.

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 28 June 2022 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

$ '000	2023 Budget	2023 Actual	2023 -------- Variance --------		
Revenues					
Other revenues	**2,350**	**3,293**	**943**	**40%**	**F**

The main contributors to the 40% favourable increase in other revenues are better than expected results in the provision of Council tourism and event income of $536k of which the rescheduling of the Thunder Motorcycle Rally was a significant contributor, better than anticipated income for the provision of contractor services ($121k), payment of insurance claims of $102k for which Council does not budget and increased revenue from fines of $90k.

Operating grants and contributions	**19,962**	**37,747**	**17,785**	**89%**	**F**

It is always difficult to predict with accuracy Council's grant income for any given year. One of the most significant contributors is the $12.7M advance payment in Financial Assistance Grant funds. Other significant grant income received included over $8.8 million for road repairs including $1.9M for roads damaged by flood in September 2022. There was also $1.6M in grant income for the Tamworth Country Music Festival to assist with the costs of the festival having to be cancelled in previous years due to covid.

Interest and investment revenue	**3,448**	**6,906**	**3,458**	**100%**	**F**

Interest and investment revenue had a favourable variation of 100% due to the significant improvements on interest rates available on investments. At the time of preparing the budget it was anticipated that returns on investments would average 1.75% but in reality the actual return for the year came to an average return of 3.23%.

Expenses					
Materials and services	**33,088**	**66,966**	**(33,878)**	**(102)%**	**U**

The 102% increase in materials and contracts expenditure when compared to the original budget has many reasons the most significant of these being a corresponding increase in expenditure funded by the increased $17.7M in operating grants and contribution income. There was also an additional $4.4M of work done under the Transport for NSW program, with an original budget of $5.8M and actuals of $10.2M whilste fleet running costs were $2.2M greater than original budget. Significant items also not included in the original budget include the Oxley Highway Country Road Roundabout had $1.2M of work undertaken $1M of relocation works due to the impairment of Ray Walsh House.

Other expenses	**12,324**	**9,510**	**2,814**	**23%**	**F**

The main reason for the budget variance of $8.2M favourable is the incorrect classification of Materials and Services as Other Expenses. If the correct classification had been applied to the expenses nominated as Other in the financial reports the Original Budget would have totalled $3.2M giving a variation of $.9M which is due to $348k of additional Emergency Service Levy payments and $170k to the Dolly Parton Imagination Library.

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

$ '000	2023	2022
Cash assets		
Cash on hand and at bank	**15,262**	52,401
Total cash and cash equivalents	**15,262**	52,401

Reconciliation of cash and cash equivalents

	2023	2022
Total cash and cash equivalents per Statement of Financial Position	**15,262**	52,401
Balance as per the Statement of Cash Flows	**15,262**	52,401

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

C1-2 Financial investments

$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Debt securities at amortised cost				
Term deposits - fixed rate	**140,000**	**19,000**	118,500	33,000
Floating Rate Notes	**4,986**	**16,912**	–	–
Total	**144,986**	**35,912**	118,500	33,000
Total financial investments	**144,986**	**35,912**	118,500	33,000
Total cash assets, cash equivalents and investments	**160,248**	**35,912**	170,901	33,000

Accounting policy

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

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for iwhere 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.

Councils objective when investing is to hold financial assets to maturity to collect cash flows on contractual dates, comprising of principal and/or interest payments. Accordingly, all investments for the reporting periods shown are classified as being measured at amortised cost.

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C1-2 Financial investments (continued)

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

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

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

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

$ '000	2023	2022
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	**196,160**	203,901
Less: Externally restricted cash, cash equivalents and investments	**(166,593)**	(171,149)
Cash, cash equivalents and investments not subject to external restrictions	**29,567**	32,752
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended loans – general	**403**	3,058
Specific purpose unexpended loans – water	**1,970**	6,434
Specific purpose unexpended loans – sewer	**1,649**	1,664
Specific purpose unexpended grants – general fund	**12,610**	17,635
Specific purpose unexpended grants – water fund	**145**	314
Specific purpose unexpended grants – sewer fund	**798**	781
External restrictions – included in liabilities	**17,575**	29,886
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	**12,190**	9,992
Developer contributions – water fund	**18,276**	23,177
Developer contributions – sewer fund	**15,316**	14,337
Water fund	**17,082**	18,830
Sewer fund	**60,678**	49,738
Deposits, retentions and bonds	**2,983**	2,696
Waste management	**22,493**	22,493
External restrictions – other	**149,018**	141,263
Total external restrictions	**166,593**	171,149

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

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

$ '000	2023	2022

(b) Internal allocations

Cash, cash equivalents and investments not subject to external restrictions	**29,567**	32,752
Less: Internally restricted cash, cash equivalents and investments	**(28,746)**	(32,210)
Unrestricted and unallocated cash, cash equivalents and investments	**821**	542

Internal allocations

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

Airport	**1,659**	1,312
Asset management provisions	**1,589**	1,335
Car parking	**850**	791
Central Northern Regional Library	**815**	708
Community care facilities	**1,013**	1,192
Cultural facilities	**378**	283
Developer contribution plans – prior need	**2,711**	2,416
Drainage levy	**1,599**	1,384
Economic affairs	**(4,055)**	(3,487)
Employee provisions	**2,058**	1,944
FAG (General purpose component)	**7,447**	5,159
FAG (Roads component)	**7,343**	6,272
Governance provisions	**2,420**	2,222
Internal loan from reserves - Cemetery Extension [1]	**(1,352)**	(1,425)
Internal loan from reserves - IT Workstations [1]	**(324)**	(482)
Internal loan from reserves - Pilot Training Facility [1]	**(10,000)**	(10,000)
Internal loan from reserves – Drainage works [1]	**(735)**	(972)
Internal loan from reserves – Street light replacement [1]	**(409)**	(608)
Natural disasters provisions	**293**	250
On site sewer management	**6**	34
Parks and sporting facilities	**742**	778
Pilot Training Facility [1]	**(3,909)**	(2,888)
Plant replacement	**2,214**	7,801
Quarry remediation	**315**	343
Quarry renewal	**105**	105
Regional Development	**3,840**	1,095
Special Rate Variation Asset Renewal	**4,923**	6,464
Sustainability projects	**202**	179
Transport provisions	**7,008**	10,005
Total internal allocations	**28,746**	32,210

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

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

$ '000	2023	2022

(c) Unrestricted and unallocated

Unrestricted and unallocated cash, cash equivalents and investments	**821**	542

C1-4 Receivables

$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Rates and annual charges	**5,288**	**388**	4,750	383
Interest and extra charges	**909**	**–**	946	–
User charges and fees	**9,226**	**–**	8,108	–
Accrued revenues				
– Interest on investments	**2,083**	**–**	397	–
– Other income accruals	**1,347**	**–**	890	–
Net investment in finance lease	**–**	**–**	–	–
Government grants and subsidies	**189**	**–**	189	–
Net GST receivable	**1,015**	**–**	794	–
Insurance claim	**80**	**–**	225	–
Contributions	**4**	**–**	16	–
Other debtors	**94**	**36**	286	–
Total	**20,235**	**424**	16,601	383
Less: provision for impairment				
Rates and annual charges	**(401)**	**–**	(362)	–
Interest and extra charges	**(147)**	**–**	(188)	–
User charges and fees	**(866)**	**–**	(918)	–
Total provision for impairment – receivables	**(1,414)**	**–**	(1,468)	–
Total net receivables	**18,821**	**424**	15,133	383

$ '000	2023	2022
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	**1,468**	1,345
+ new provisions recognised during the year	**113**	199
– amounts already provided for and written off this year	**(97)**	(13)
– amounts provided for but recovered during the year	**(70)**	(63)
Balance at the end of the year	**1,414**	1,468

Accounting policy

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

continued on next page ...

C1-4 Receivables (continued)

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. Impairment of rates and annual charges secured against a property is recognised when the amount outstanding is more than the estimated value of the property.

C1-5 Inventories

$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
(i) Inventories at cost				
Tamworth Global Gateway Park Industrial Land	**18,186**	**–**	26,694	–
Stores and materials	**1,532**	**–**	1,638	–
Total inventories	**19,718**	**–**	28,332	–

(i) Other disclosures

$ '000	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
(a) Details for real estate development					
Tamworth Global Gateway Park Industrial Land		**18,186**	**–**	26,694	–
Total real estate for resale		**18,186**	**–**	26,694	–
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		**14,994**	**–**	15,431	–
Development costs		**3,169**	**–**	11,061	–
Borrowing costs		**23**	**–**	202	–
Total costs		**18,186**	**–**	26,694	–
Total real estate for resale		**18,186**	**–**	26,694	–
Movements:					
Real estate assets at beginning of the year		**26,694**	**–**	19,378	–
– Purchases and other costs		**4,064**	**–**	7,316	–
– Transfers in from (out to) Note C1-8		**(12,114)**	**–**	–	–
– WDV of sales (expense)	B4-1	**(458)**	**–**	–	–
Total real estate for resale		**18,186**	**–**	26,694	–

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

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

$ '000	2023	2022
Tamworth Global Gateway Park Industrial Land	**16,368**	21,622
	16,368	21,622

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Land held for resale

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

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses. Council acquired the Tamworth Global Gateway Park for resale

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C1-5 Inventories (continued)

on February 5, 2016. The land aquired was funded by an internal loan from Council's Water and Sewer funds. The interest expense paid by General Fund to Water and Sewer Funds is not recognised in the Consolidated financial reports of Council. Council has capitalised interest charged by external funding bodies associated with this development having commenced activities that are necessary to prepare the asset for its intended sale.

The value of land held for resale does not include development costs for infrastructure normally retained by Council such as roads, drainage, water and sewer infrastructure. These assets are recorded as infrastructure refer to Note C1-8.

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

C1-6 Contract assets and Contract cost assets

$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Contract assets	16,084	–	11,981	–
Total contract assets and contract cost assets	16,084	–	11,981	–

Contract assets

$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Revenue from Grants where Obligations satisfied	16,084	–	11,981	–
Total contract assets	16,084	–	11,981	–

Accounting policy

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

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

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

Contract cost asset – costs to fulfil a contract
Where costs are incurred to fulfil a contract and these costs are outside the scope of another accounting standard, they are capitalised as contract cost assets if the following criteria are met:

– the costs relate directly to a contract
– the costs generate or enhance resources of Council that will be used to satisfy performance obligations in the future and
– the costs are expected to be recovered.

The capitalised costs are recognised in the Income statement on a systematic basis consistent with the timing of revenue recognition.

Refer to B3-4 for the accounting policy for impairment of contract cost assets.

C1-7 Non-current assets classified as held for sale

$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Non-current assets held for sale				
Land	50	–	50	–
Total non-current assets held for sale	50	–	50	–
Total non-current assets classified as held for sale	50	–	50	–

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

$ '000	2023 Assets 'held for sale'	2022 Assets 'held for sale'
Opening balance	50	214
Less: carrying value of assets/operations sold	–	(164)
Balance still unsold after 12 months:	50	50
Closing balance of held for sale non-current assets and operations	50	50

Accounting policy

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 and are measured at the lower of their carrying amount and fair value less costs to sell.

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.

C1-8 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2022			Asset movements during the reporting period							At 30 June 2023		
$ '000	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals [1]	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in equity - ARR)	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	98,572	–	98,572	30,304	34,372	(3,184)	–	–	(80,826)	–	79,238	–	79,238
Plant and equipment	54,569	(25,527)	29,042	3,755	794	(716)	(3,741)	–	357	–	57,063	(27,571)	29,492
Office equipment	156	(69)	87	–	–	–	(10)	–	–	–	156	(79)	77
Furniture and fittings	6,183	(5,034)	1,149	71	18	–	(309)	–	–	–	6,272	(5,344)	928
Land:													
– Operational land [2]	99,595	(1,195)	98,400	–	2,403	–	–	(669)	3,881	59,849	165,730	(1,864)	163,866
– Community land	29,470	–	29,470	–	–	–	–	–	–	17,550	47,020	–	47,020
– Land under roads (post 30/6/08)	2,590	–	2,590	–	319	–	–	–	–	805	3,714	–	3,714
Land improvements – depreciable	16,526	(5,967)	10,559	50	152	–	(424)	–	(38)	709	17,853	(6,845)	11,008
Infrastructure:													
– Buildings – non-specialised	139,064	(49,288)	89,776	1,458	294	(6)	(1,927)	–	5,609	55,731	216,580	(65,645)	150,935
– Buildings – specialised	37,137	(4,937)	32,200	–	–	–	(505)	–	–	11,413	54,465	(11,357)	43,108
– Other structures	20,391	(10,865)	9,526	24	35	–	(441)	–	152	573	21,899	(12,031)	9,868
– Roads	3,093	(1,401)	1,692	–	–	–	(49)	–	–	97	3,276	(1,535)	1,741
– Bridges	352,890	(129,365)	223,525	–	–	(92)	(3,529)	–	14,537	13,002	382,172	(134,729)	247,443
– Footpaths	46,903	(18,577)	28,326	60	952	(179)	(734)	–	1,623	1,630	51,931	(20,253)	31,678
- Transport Ancillary	31,515	(10,321)	21,194	–	–	(18)	(366)	–	1,870	1,231	35,207	(11,297)	23,910
– Stormwater drainage	313,650	(97,925)	215,725	–	4,567	(68)	(2,936)	–	20,906	16,656	363,471	(108,621)	254,850
– Water supply network	470,073	(227,619)	242,454	29	1,845	(989)	(6,077)	–	25,961	36,978	549,195	(248,995)	300,200
– Sewerage network	380,705	(124,850)	255,855	–	4,559	(542)	(5,805)	–	1,864	19,320	415,565	(140,314)	275,251
– Swimming pools	14,968	(9,151)	5,817	53	8	–	(180)	–	(1,954)	403	11,587	(7,439)	4,148
– Other open space/recreational assets	68,830	(23,458)	45,372	18	136	(19)	(2,154)	–	882	3,090	74,440	(27,113)	47,327
- Kerb and Gutter	85,058	(27,785)	57,273	–	1,136	–	(861)	–	561	3,334	91,783	(30,338)	61,445
- Minor Culverts	88,569	(18,473)	70,096	–	–	(9)	(886)	–	523	4,090	94,314	(20,500)	73,814
- Causeways	17,328	(8,312)	9,016	14	–	(117)	(216)	–	–	520	18,166	(8,950)	9,216
- Roads Local Sealed	322,507	(83,782)	238,725	2,974	2,915	(1,685)	(4,857)	(452)	8,367	13,822	352,756	(92,947)	259,809
- Roads Local Unsealed	91,316	(24,718)	66,598	597	–	(704)	(1,840)	(93)	–	3,827	96,074	(27,690)	68,384
- Roads Regional Sealed	71,854	(18,645)	53,209	1,584	–	(1,438)	(914)	(160)	1,524	3,091	76,567	(19,673)	56,894
- Roads Regional Unsealed	1,153	(230)	923	–	–	–	(26)	–	–	53	1,221	(271)	950
- Carparks	8,274	(1,999)	6,275	–	–	–	(127)	–	–	363	8,763	(2,252)	6,511
- Airport Infrastructure	64,734	(23,526)	41,208	1,633	–	–	(2,971)	–	–	2,260	70,193	(28,064)	42,129
Other assets:													
– Library books	3,078	(2,310)	768	–	273	–	(313)	–	–	–	3,351	(2,623)	728
– Art collection	3,804	–	3,804	–	–	–	–	–	–	–	3,804	–	3,804
– Other	8,588	(2,217)	6,371	–	265	–	(208)	–	–	441	9,469	(2,599)	6,870
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):													
– Tip assets	16,320	(10,741)	5,579	–	–	–	(696)	–	4,983	–	21,303	(11,437)	9,866
– Quarry assets	171	(164)	7	–	–	–	(2)	–	63	–	234	(166)	68
Total infrastructure, property, plant and equipment	2,969,634	(968,451)	2,001,183	**42,624**	**55,043**	**(9,766)**	**(43,104)**	**(1,374)**	**10,845**	**270,838**	**3,404,832**	**(1,078,542)**	**2,326,290**

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

(2) Restated refer to Note G4-1

C1-8 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period							At 30 June 2022		
$ '000	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals [1]	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in equity - ARR)	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	94,453	–	94,453	19,354	23,683	–	–	–	(38,918)	–	98,572	–	98,572
Plant and equipment	50,908	(23,867)	27,041	4,971	902	(736)	(3,836)	–	700	–	54,569	(25,527)	29,042
Office equipment	71	(65)	6	–	84	–	(4)	–	–	–	156	(69)	87
Furniture and fittings	6,061	(4,731)	1,330	91	32	–	(304)	–	–	–	6,183	(5,034)	1,149
Land:													
– Operational land [2]	99,253	–	99,253	–	343	–	–	(1,195)	–	–	99,595	(1,195)	98,400
– Community land	29,470	–	29,470	–	–	–	–	–	–	–	29,470	–	29,470
– Land under roads (post 30/6/08)	2,272	–	2,272	–	222	–	–	–	–	95	2,590	–	2,590
Land improvements – depreciable	14,144	(4,692)	9,452	52	–	–	(351)	–	(730)	2,136	16,526	(5,967)	10,559
Infrastructure:													
– Buildings – non-specialised	131,320	(41,095)	90,225	206	–	–	(1,193)	(7,000)	7,538	–	139,064	(49,288)	89,776
– Buildings – specialised	36,598	(4,673)	31,925	–	–	–	(264)	–	539	–	37,137	(4,937)	32,200
– Other structures	93,643	(68,705)	24,938	–	–	–	(359)	–	(16,931)	1,879	20,391	(10,865)	9,526
– Roads	2,872	(1,254)	1,618	–	–	–	(46)	–	–	121	3,093	(1,401)	1,692
– Bridges	327,037	(116,856)	210,181	–	–	–	(3,270)	–	704	15,911	352,890	(129,365)	223,525
– Footpaths	41,635	(16,601)	25,034	–	973	–	(650)	–	1,094	1,875	46,903	(18,577)	28,326
– Stormwater drainage	286,602	(89,974)	196,628	–	8,216	(93)	(2,676)	–	2,535	11,114	313,650	(97,925)	215,725
– Water supply network	442,542	(209,891)	232,651	218	1,062	(135)	(5,527)	–	1,170	13,015	470,073	(227,619)	242,454
– Sewerage network	348,364	(117,275)	231,089	680	2,757	(71)	(5,464)	–	112	26,752	380,705	(124,850)	255,855
– Swimming pools	11,781	(7,119)	4,662	103	–	–	(143)	–	–	1,196	14,968	(9,151)	5,817
– Other open space/recreational assets	37,700	(18,494)	19,206	49	47	(244)	(975)	–	19,375	7,916	68,830	(23,458)	45,372
- Transport Ancillary	28,778	(9,258)	19,520	–	15	–	(326)	–	509	1,476	31,515	(10,321)	21,194
- Kerb and Gutter	77,641	(25,016)	52,625	39	1,182	(9)	(788)	–	235	3,989	85,058	(27,785)	57,273
- Minor Culverts	82,244	(16,331)	65,913	–	–	–	(822)	–	–	5,005	88,569	(18,473)	70,096
- Causeways	15,935	(7,554)	8,381	–	–	(123)	(199)	–	327	629	17,328	(8,312)	9,016
- Roads Local Sealed	294,749	(73,924)	220,825	1,799	3,041	(918)	(4,489)	–	1,853	16,614	322,507	(83,782)	238,725
- Roads Local Unsealed	84,251	(21,525)	62,726	428	25	(114)	(1,711)	–	558	4,686	91,316	(24,718)	66,598
- Roads Regional Sealed	66,759	(16,605)	50,154	–	–	(290)	(859)	–	413	3,791	71,854	(18,645)	53,209
- Roads Regional Unsealed	1,071	(190)	881	–	–	–	(24)	–	–	66	1,153	(230)	923
- Carparks	6,616	(1,749)	4,867	–	–	–	(108)	–	1,149	366	8,274	(1,999)	6,275
- Airport Infrastructure	–	–	–	567	–	–	(1,090)	–	17,764	23,966	64,734	(23,526)	41,208
Other assets:													
– Library books	2,799	(2,024)	775	–	279	–	(286)	–	–	–	3,078	(2,310)	768
– Other	6,817	(1,592)	5,225	–	–	–	(168)	–	–	1,315	8,588	(2,217)	6,371
– Art collection	3,783	–	3,783	–	21	–	–	–	–	–	3,804	–	3,804
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):													
– Tip assets	18,818	(9,464)	9,354	–	–	–	(1,277)	–	(2,498)	–	16,320	(10,741)	5,579
– Quarry assets	250	(159)	91	–	–	–	(5)	–	(78)	–	171	(164)	7
Total infrastructure, property, plant and equipment	2,747,237	(910,683)	1,836,554	28,557	42,884	(2,733)	(37,214)	(8,195)	(2,580)	143,913	2,969,634	(968,451)	2,001,183

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

(2) Restated refer to Note G4-1

continued on next page ...

C1-8 Infrastructure, property, plant and equipment (continued)

Accounting policy

Infrastructure, property, plant and equipment is initially measured at cost. 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. Transportation Assets are indexed at each reporting period utilising the Producer Price Index, Australia - Road and Bridge Construction, New South Wales published by the Australian Bureau of Statistics.

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 and Council's Art Collection are 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. Land under roads acquired after 1 July 2008 is recognised in accordance with the IPPE accounting policy.

Crown reserves

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

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C1-8 Infrastructure, property, plant and equipment (continued)

Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note C2-1.

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

Rural Fire Service assets

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.

C1-8c Infrastructure, property, plant and equipment – current year impairments

$ '000	Notes	2023	2022
(i) Impairment losses recognised direct to equity (ARR):			
Building and Operational Land 437 Peel St, Tamworth. Fair Value impaired due to asbestos contamination in building situated on that land . [1]	C1-8	**669**	8,195
Roads impaired due to Flood Damage - September 2022 [2]	C1-8	**705**	–
Total impairment losses		**1,374**	8,195
Impairment of assets – direct to equity (ARR)		**1,374**	8,195

(1) Council has impaired the Ray Walsh House (RWH) administration building and associated land parcels due to asbestos contamination in RWH. Work is currently being undertaken to remediate the site and determine the full extent of the contamination. Initial estimates for remediation are in the vicinity of $7 million. As such Council has recognised this as the impairment expense as it constitutes the best estimate available to Council at this time. Council undertook a comprehensive revaluation of the asset class in the 2022-23 financial year.

(2) A number of transport infrastructure items had been damaged during flooding events in September 2022. A significant number of these items had been repaired during 2022/23 however there were still some items requiring repair and these have been impaired as at 30 June 2023.

C1-9 Investment properties

$ '000	2023	2022
Owned investment property		
Investment property on hand at fair value	**18,763**	30,615
Total owned investment property	**18,763**	30,615

Owned investment property

At fair value		
Opening balance at 1 July	**30,615**	30,025
Net gain/(loss) from fair value adjustments	**(5,402)**	590
Transfers from/(to) owner-occupied property (Note C1-8)	**(6,450)**	–
Closing balance at 30 June	**18,763**	30,615

Accounting policy

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

The 2023 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.

The value of the Pilot Training Facility has been heavily discounted due to the lack of a medium to long term tenant.

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

C1-10 Intangible assets

Intangible assets are as follows:

$ '000	2023	2022
Software		
Opening values at 1 July		
Gross book value	**844**	759
Accumulated amortisation	**(560)**	(471)
Net book value – opening balance	**284**	288
Movements for the year		
Purchases	**80**	85
Amortisation charges	**(79)**	(89)
Closing values at 30 June		
Gross book value	**924**	844
Accumulated amortisation	**(639)**	(560)
Total software – net book value	**285**	284
Water Licences		
(b) Water Licences		
Opening values at 1 July		
Gross book value	**2,569**	2,569
Net book value – opening balance	**2,569**	2,569
Closing values at 30 June		
Gross book value	**2,569**	2,569
Total Water Licences – net book value	**2,569**	2,569
Total intangible assets – net book value	**2,854**	2,853

Accounting policy

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

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 were revalued at 31 March 2020 by Preston Rowe Paterson, Registered Valuer NSW No 186.

C2 Leasing activities

C2-1 Council as a lessee

Council has leases over a range of assets including buildings, waste collection vehicles and IT equipment. 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 less than 5 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.

Council also leases two buildings used as the corporate offices for a number of Divisions. The leases are for 3 years and they include a renewal option to allow Council to renew for 1 year and a further option of 1 year. These building leases contain an annual pricing mechanism based on a fixed increase at each anniversary of the lease inception.

Plant and Equipment
Council is currently a party to a waste collection contract in which Council directs the use of the collection vehicles. Under this agreement Council has a right-of-use asset for 9 dedicated collection vehicles with the contract running for a period of 7 years, with a 7 year extension option.

IT Equipment
Council currently has a lease for IT Equipment (printers), which is for a period of 4 years.

Extension options
Council has options for lease extensions in its building leases and waste collection contract to provide flexibility and certainty to Council operations. The extension options are at Council's discretion.

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

(a) Right of use assets

$ '000	Buildings	Plant and Equipment	IT Equipment	Total
2023				
Opening balance at 1 July	**1,400**	**2,881**	**412**	**4,693**
Additions to right-of-use assets	**1,140**	**–**	**502**	**1,642**
Depreciation charge	**(1,029)**	**(480)**	**(130)**	**(1,639)**
Balance at 30 June	**1,511**	**2,401**	**784**	**4,696**
2022				
Opening balance at 1 July	2,131	–	–	2,131
Additions to right-of-use assets	–	3,361	421	3,782
Depreciation charge	(731)	(480)	(9)	(1,220)
Balance at 30 June	1,400	2,881	412	4,693

(b) Lease liabilities

$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Lease liabilities	**1,423**	**3,410**	1,349	3,489
Total lease liabilities	**1,423**	**3,410**	1,349	3,489

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C2-1 Council as a lessee (continued)

(c) (i) The maturity analysis

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

$ '000	**< 1 year**	**1 – 5 years**	**> 5 years**	**Total**	**Total per Statement of Financial Position**
2023					
Cash flows	**1,423**	**3,410**	**–**	**4,833**	**4,833**
2022					
Cash flows	1,349	2,983	506	4,838	**4,838**

(d) Income Statement

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

$ '000	**2023**	2022
Interest on lease liabilities	**105**	85
Depreciation of right of use assets	**1,639**	1,221
Expenses relating to low-value leases	**83**	77
	1,827	1,383

(e) Statement of Cash Flows

Total cash outflow for leases	**1,753**	1,292
	1,753	1,292

(f) 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 accordingly are not individually material from a statement of financial position or performance perspective.

Accounting policy

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

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

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

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received. The right-of-use 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).

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C2-1 Council as a lessee (continued)

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.

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties and /or plant and equipment; these leases have been classified as operating leases for financial reporting purposes and the assets are included in the Statement of Financial Position as:

– investment property – where the asset is held predominantly for rental or capital growth purposes (refer note C1-9)

– property, plant and equipment – where the rental is incidental, or the asset is held to meet Councils service delivery objective (refer note C1-8).

$ '000	**2023**	2022
(i) Assets held as investment property		
The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below		
Lease income (excluding variable lease payments not dependent on an index or rate)	**808**	878
Lease income relating to variable lease payments not dependent on an index or a rate	**934**	670
Total income relating to operating leases for investment property assets	**1,742**	1,548
Operating lease expenses		
Direct operating expenses that generated rental income	**564**	674
Total expenses relating to operating leases	**564**	674
(ii) Assets held as property, plant and equipment		
Other leased assets expenses		
Other	**654**	345
Total expenses relating to other leases assets	**654**	345
(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	**609**	876
1–2 years	**157**	261
2–3 years	**63**	139
3–4 years	**11**	52
4–5 years	**12**	11
> 5 years	**57**	66
Total undiscounted lease payments to be received	**909**	1,405

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C2-2 Council as a lessor (continued)

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

$ '000	**2023 Current**	**2023 Non-current**	2022 Current	2022 Non-current
Goods and services – operating expenditure	**11,560**	**–**	9,888	–
Accrued expenses:				
– Borrowings	**240**	**–**	268	–
– Salaries and wages	**2,052**	**–**	1,675	–
– Other expenditure accruals	**671**	**–**	186	–
Prepaid rates	**2,871**	**–**	2,314	–
Security bonds, deposits and retentions	**2,459**	**–**	2,150	–
Ticket monies held	**605**	**–**	631	–
Other	**869**	**–**	855	–
Total payables	**21,327**	**–**	17,967	–

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

$ '000	**2023**	2022
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	**1,721**	1,505
Total payables	**1,721**	1,505

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

$ '000	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	**10,561**	**–**	15,531	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	**3,975**	**–**	3,055	–
Total grants received in advance		**14,536**	**–**	18,586	–
Total contract liabilities		**14,536**	**–**	18,586	–

Notes

(i) Council has received funding for a number of projects including Port Stephens Cutting Upgrade, Watsons Creek Road Upgrade, Kingstown Road Upgrade, and Arcadia Urban Release Access Project 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.

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

$ '000	2023	2022
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	**11,825**	5,260
Operating grants (received prior to performance obligation being satisfied)	**1,447**	671
Total revenue recognised that was included in the contract liability balance at the beginning of the period	**13,272**	5,931

Significant changes in contract liabilities

Council has recognised revenue from grant funds received in advance during the previous year, and therefore reducing the contract liability balance. Projects include the Werris Creek Road Upgrade $3.3M Retreat Road Upgrade $1.6M Duri Dungowan Road Upgrade $1.1M and Local Roads and Community Infrastructure Programe Round 3 $2.2M.

Accounting policy

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

C3-3 Borrowings

$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Loans – secured [1]	**9,363**	**71,389**	9,443	80,581
Total borrowings	**9,363**	**71,389**	9,443	80,581

(1) Loans are secured over the general rating income of Council.
Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note E1-1.

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

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

(a) Changes in liabilities arising from financing activities

	2022		Non-cash movements				2023
$ '000	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	90,024	**(9,272)**	**–**	**–**	**–**	**–**	**80,752**
Lease liability (Note C2-1b)	4,838	**(1,648)**	**1,643**	**–**	**–**	**–**	**4,833**
Total liabilities from financing activities	94,862	**(10,920)**	**1,643**	**–**	**–**	**–**	**85,585**

	2021		Non-cash movements				2022
$ '000	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	85,865	4,159	–	–	–	–	90,024
Lease liability (Note C2-1b)	2,263	(1,207)	3,782	–	–	–	4,838
Total liabilities from financing activities	88,128	2,952	3,782	–	–	–	94,862

(b) Financing arrangements

$ '000	2023	2022
Total facilities		
Bank overdraft facilities [1]	**1,000**	1,000
Credit cards/purchase cards	**620**	620
Total financing arrangements	**1,620**	1,620
Drawn facilities		
– Credit cards/purchase cards	**9**	11
Total drawn financing arrangements	**9**	11
Undrawn facilities		
– Bank overdraft facilities	**1,000**	1,000
– Credit cards/purchase cards	**611**	609
Total undrawn financing arrangements	**1,611**	1,609

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

Accounting policy

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

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C3-3 Borrowings (continued)

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

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

C3-4 Employee benefit provisions

$ '000	**2023 Current**	**2023 Non-current**	2022 Current	2022 Non-current
Annual leave	**5,154**	**–**	4,794	–
Long service leave	**6,545**	**337**	6,311	360
Total employee benefit provisions	**11,699**	**337**	11,105	360

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

$ '000	**2023**	2022
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	**9,359**	8,883
	9,359	8,883

Description of and movements in provisions

	ELE provisions		
$ '000	**Annual leave**	**Long service leave**	**Total**
2023			
At beginning of year	**4,794**	**6,671**	**11,465**
Additional provisions	**3,700**	**1,579**	**5,279**
Amounts used (payments)	**(3,460)**	**(1,491)**	**(4,951)**
Remeasurement effects	**120**	**123**	**243**
Total ELE provisions at end of year	**5,154**	**6,882**	**12,036**
2022			
At beginning of year	4,567	6,865	11,432
Additional provisions	3,464	1,092	4,556
Amounts used (payments)	(3,280)	(1,295)	(4,575)
Remeasurement effects	43	9	52
Total ELE provisions at end of year	4,794	6,671	11,465

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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C3-4 Employee benefit provisions (continued)

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

C3-5 Provisions

$ '000	2023 Current	2023 Non-Current	2022 Current	2022 Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	**2,007**	**15,500**	1,399	10,674
Sub-total – asset remediation/restoration	**2,007**	**15,500**	1,399	10,674
Total provisions	**2,007**	**15,500**	1,399	10,674

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

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

Description of and movements in provisions

$ '000	Other provisions: Asset remediation	Total
2023		
At beginning of year	**12,073**	**12,073**
Changes to provision:		
– Revised costs	**4,963**	**4,963**
Unwinding of discount	**471**	**471**
Total other provisions at end of year	**17,507**	**17,507**
2022		
At beginning of year	14,357	14,357
Changes to provision:		
– Revised costs	(2,575)	(2,575)
Unwinding of discount	291	291
Total other provisions at end of year	12,073	12,073

Nature and purpose of provisions

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

Accounting policy

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

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

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

Asset remediation – tips and quarries

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

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C3-5 Provisions (continued)

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
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.

C4 Reserves

C4-1 Nature and purpose of reserves

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

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

$ '000	General 2023	Water 2023	Sewer 2023
Income from continuing operations			
Rates and annual charges	52,435	7,940	20,722
User charges and fees	32,993	12,837	4,731
Interest and investment revenue	3,117	1,639	2,410
Other revenues	3,270	48	73
Grants and contributions provided for operating purposes	38,243	458	56
Grants and contributions provided for capital purposes	39,542	4,805	5,637
Other income	1,742	–	–
Total income from continuing operations	171,342	27,727	33,629
Expenses from continuing operations			
Employee benefits and on-costs	52,135	3,260	2,273
Materials and services	46,125	16,615	10,326
Borrowing costs	1,840	908	1,724
Depreciation, amortisation and impairment of non-financial assets	32,377	6,160	5,858
Other expenses	9,263	24	224
Net losses from the disposal of assets	2,911	989	542
Total expenses from continuing operations	144,651	27,956	20,947
Operating result from continuing operations	26,691	(229)	12,682
Net operating result for the year	26,691	(229)	12,682
Net operating result attributable to each council fund	26,687	(229)	12,682
Net operating result attributable to non-controlling interests	4	–	–
Net operating result for the year before grants and contributions provided for capital purposes	**(12,851)**	**(5,034)**	**7,045**

D1-2 Statement of Financial Position by fund

$ '000	General 2023	Water 2023	Sewer 2023
ASSETS			
Current assets			
Cash and cash equivalents	15,262	–	–
Investments	50,323	30,591	64,072
Receivables	13,274	3,226	5,521
Inventories	19,718	–	–
Contract assets and contract cost assets	16,002	20	62
Other	470	–	–
Non-current assets classified as held for sale	50	–	–
Total current assets	115,099	33,837	69,655
Non-current assets			
Investments	14,661	6,882	14,369
Receivables	424	–	8,000
Infrastructure, property, plant and equipment	1,664,947	344,599	316,744
Investment property	18,763	–	–
Intangible assets	285	1,183	1,386
Right of use assets	4,696	–	–
Total non-current assets	1,703,776	352,664	340,499
Total assets	1,818,875	386,501	410,154
LIABILITIES			
Current liabilities			
Payables	18,593	2,414	320
Contract liabilities	13,521	217	798
Lease liabilities	1,423	–	–
Borrowings	7,691	1,698	3,174
Employee benefit provision	11,699	–	–
Provisions	2,007	–	–
Total current liabilities	54,934	4,329	4,292
Non-current liabilities			
Lease liabilities	3,410	–	–
Borrowings	37,755	20,587	21,047
Employee benefit provision	337	–	–
Provisions	15,500	–	–
Total non-current liabilities	57,002	20,587	21,047
Total liabilities	111,936	24,916	25,339
Net assets	1,706,939	361,585	384,815
EQUITY			
Accumulated surplus	977,459	187,149	229,438
Revaluation reserves	728,795	174,436	155,377
Council equity interest	1,706,254	361,585	384,815
Non-controlling interests	685	–	–
Total equity	1,706,939	361,585	384,815

D1-3 Details of internal loans

(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)	Sewer
Date of Minister's approval	11/06/2021
Date raised	01/03/2021
Term years	5
Dates of maturity	28/02/2026
Rate of interest (%)	Variable
Amount originally raised ($'000)	16,000

(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.

D2 Interests in other entities

D2-1 Subsidiaries

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	Principal place of business	Ownership 2023	Ownership 2022	Voting rights 2023	Voting rights 2022
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 indefinately 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	2023	2022
Summarised statement of comprehensive income		
Revenue	**1,679**	1,644
Expenses	**(1,668)**	(1,680)
Profit for the period	**11**	(36)
Total comprehensive income	**11**	(36)
Non-controlling interest share - 38%	**4**	(13)
Summarised statement of financial position		
Current assets	**830**	722
Non-current assets	**986**	1,069
Total assets	**1,816**	1,791
Current liabilities	**14**	–
Total liabilities	**14**	–
Net assets	**1,802**	1,791
Non-controlling interest share - 38%	**685**	681

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D2-1 Subsidiaries (continued)

$ '000	2023	2022
Summarised statement of cash flows		
Cash flows from operating activities	**108**	28
Net increase (decrease) in cash and cash equivalents	**108**	28

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.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

$ '000	**Carrying value 2023**	Carrying value 2022	**Fair value 2023**	Fair value 2022
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	**15,262**	52,401	**15,262**	52,401
Receivables	**19,245**	15,516	**19,245**	15,516
Investments				
– Term Deposits	**180,898**	151,500	**180,898**	151,500
Contract Assets	**16,084**	11,981	**16,084**	11,981
Total financial assets	**231,489**	231,398	**231,489**	231,398
Financial liabilities				
Payables	**21,327**	17,967	**21,327**	17,967
Loans/advances	**80,752**	90,024	**80,752**	90,024
Contract Liabilities	**19,604**	18,586	**19,604**	18,586
Lease Liabilities	**4,833**	4,838	**4,833**	4,838
Total financial liabilities	**126,516**	131,415	**126,516**	131,415

Fair value is determined as follows:

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

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

Council's finance area manages the cash and Investments portfolio.

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 financial 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.

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

- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

(a) Market risk – interest rate and price risk

$ '000	**2023**	2022
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	**1,996**	1,927
Impact of a 10% movement in price of investments		
– Equity / Income Statement	**–**	–

(b) Credit risk

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

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

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

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

Council makes suitable provision for doubtful receivables as required.

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

Credit risk profile

Receivables – rates and annual charges

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

	Not yet	overdue rates and annual charges		
$ '000	**overdue**	**< 5 years**	**≥ 5 years**	**Total**
2023				
Gross carrying amount	**–**	**5,288**	**388**	**5,676**
2022				
Gross carrying amount	–	4,750	383	5,133

Receivables - non-rates and annual charges and contract assets

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

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

The loss allowance provision as at 30 June 2023 is determined as follows. The expected credit losses incorporate forward-looking information.

$ '000	Not yet overdue	Overdue debts 0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	Total
2023						
Gross carrying amount	**20,812**	**6,280**	**1,404**	**321**	**2,250**	**31,067**
Expected loss rate (%) [1]	**0.00%**	**2.10%**	**5.40%**	**3.30%**	**35.30%**	**3.26%**
ECL provision	**–**	**132**	**76**	**11**	**794**	**1,013**
2022						
Gross carrying amount	18,266	2,108	920	827	1,711	23,832
Expected loss rate (%) [1]	0.00%	2.30%	5.60%	3.50%	57.11%	4.64%
ECL provision	–	48	52	29	977	1,106

(1) The ECL provision differs to the amount shown in Note C1-4 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.

(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	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2023							
Payables	**0.00%**	**2,459**	**16,234**	**–**	**–**	**18,693**	**21,327**
Borrowings	**4.39%**	**–**	**12,975**	**45,025**	**40,266**	**98,266**	**80,752**
Total financial liabilities		**2,459**	**29,209**	**45,025**	**40,266**	**116,959**	**102,079**
2022							
Payables	0.00%	2,150	13,503	–	–	15,653	17,967
Borrowings	4.41%	–	13,318	47,496	50,487	111,301	90,024
Total financial liabilities		2,150	26,821	47,496	50,487	126,954	107,991

E2-1 Fair value measurement

Pre-amble
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).

		Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
$ '000	Notes	2023	2022	2023	2022	2023	2022 [1] Restated
Investment property	C1-9						
468-472 Peel Street		–	4,750	–	–	–	4,750
474 Peel Street		–	1,700	–	–	–	1,700
561 Peel Street		**1,507**	1,390	–	–	**1,507**	1,390
218 Peel Street		**1,406**	1,250	–	–	**1,406**	1,250
Pilot Training Facility	C1-9	–	–	**15,850**	21,525	**15,850**	21,525
Total investment property		**2,913**	9,090	**15,850**	21,525	**18,763**	30,615
Infrastructure, property, plant and equipment	C1-8						
Plant and equipment		–	–	**29,492**	29,043	**29,492**	29,043
Office equipment		–	–	**77**	87	**77**	87
Furniture and fittings		–	–	**928**	1,149	**928**	1,149
Land – operational [1]		**163,865**	98,399	–	–	**163,865**	98,399
Land under roads (post 30/6/08)		–	–	**3,714**	2,590	**3,714**	2,590
Land improvements – depreciable		–	–	**11,008**	10,559	**11,008**	10,559
Buildings		**25,585**	17,674	**168,459**	104,302	**194,044**	121,976
Other structures		–	–	**61,343**	60,717	**61,343**	60,717
Roads and Carparks		–	–	**394,290**	367,422	**394,290**	367,422
Bridges and Other Transport Infrastructure		–	–	**447,506**	409,431	**447,506**	409,431
Stormwater drainage		–	–	**254,850**	215,725	**254,850**	215,725
Water supply network		–	–	**300,200**	242,454	**300,200**	242,454
Sewerage network		–	–	**275,251**	255,855	**275,251**	255,855
Library books		–	–	**728**	768	**728**	768
Art collection		–	–	**3,804**	3,804	**3,804**	3,804
Other assets		–	–	**6,870**	6,372	**6,870**	6,372
Land – community		–	–	**47,020**	29,470	**47,020**	29,470
Airport Infrastructure		–	–	**42,129**	41,207	**42,129**	41,207

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E2-1 Fair value measurement (continued)

		Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
$ '000	Notes	2023	2022	2023	2022	2023	2022 [1] Restated
Total infrastructure, property, plant and equipment		**189,450**	116,073	**2,047,669**	1,780,955	**2,237,119**	1,897,028
Non-current assets classified as held for sale	C1-7						
Land		**50**	50	**–**	–	**50**	50
Total NCA's classified as held for sale		**50**	50	**–**	–	**50**	50

(1) Land - Operational values restated - refer to Note G4-1

Valuation techniques

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

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

Investment property

Investment properties (other than the Pilot Training Facility) were valued using Level 2 inputs as at March 31, 2023 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 a valuation was undertaken as at June 30, 2023 by Preston Rowe Paterson, registered valuer NSW No 186. Due to the specialised nature of the property and the impact of zoning it was difficult to undertake a valuation utilising observable inputs, though limited information was available with regards to previous short term rentals and negotiation with potential tenants. The value adopted for 30 June 2023 is $15.8M which is down $5.7M from the $21.5M value adopted for 30 June 2022.

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

Infrastructure, property, plant and equipment (IPPE)

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 E of the Local Government Code of Accounting Practice and Financial Reporting 2022/23. 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 1 January, 2023. The land has been valued at market value (highest and best use) after identifying all elements that would be considered by buyers and sellers including the land's description, area and dimensions, planning and other constraints on development.

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.

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E2-1 Fair value measurement (continued)

Community Land

Community land is valued in accordance with the Local Government Code of Accounting Practice and Financial Reporting 2022/23, 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.

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, with values amended to reflect the latest Valuer General's valuations.

Buildings – Specialised and Non Specialised

Non-specialised and specialised buildings were valued as at January 1, 2023 using external valuer Preston Rowe Paterson, registed valuer NSW No 186 using the cost and market approaches.

Council values Buildings using Level 2 and 3 inputs. The unobservable Level 3 inputs used include Gross Replacement Cost, Asset Condition, Useful Life and Asset Components.

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.

Roads and Carparks were revalued during 2020/21. 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.

Transport IPP&E are indexed annually utilising the Producer Price Index, Australia – Road and Bridge Construction, New South Wales published by the Australian Bureau of Statistics, unless there has been a comprehensive revaluation undertaken in that year.

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

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E2-1 Fair value measurement (continued)

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 E of Local Government Code of Accounting Practice and Financial Reporting 2022/23. 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

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 Local Government Code of Accounting Practice and Financial Reporting 2022/23, 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.

Airport Infrastructure

Airport Infrastructure was valued as at 31 March 2022 using external valuers J J Ryan Consulting Pty Ltd. Fair value was determined using Level 3 valuation inputs for this asset class.

Fair value measurements using significant unobservable inputs (level 3)

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	• Gross Replacement Cost • Remaining Useful Life • Residual Value
Office Equipment	Depreciated Historical Cost	• Gross Replacement Cost • Remaining useful life
Furniture & Fittings	Depreciated Historical Cost	• Gross Replacement Cost • Remaining useful life
Land Operational	External Valuation	• Land Value • Land zoning • Sales of comparable properties
Land Community	NSW Valuer General Valuations	• Land Value
Land Under Roads	Englobo Method	• Land Value
Land Improvements	Depreciated Replacement Cost Depreciated Historical Cost	• Gross Replacement Cost • Remaining Useful Life
Buildings	External Valuation	• Gross Replacement Cost • Remaining Useful Life • Residual Value • Sale of Comparable Properties

continued on next page ...

E2-1 Fair value measurement (continued)

	Valuation technique/s	Unobservable inputs
Other Structures	Depreciated Replacement Cost Depreciated Historical Cost	• Gross Replacement 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
Airport Infrastructure	External Valuation	• Gross Replacement Cost • Remaining Useful Life • Residual Value

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

	Level 3 asset class	
$ '000	**2023**	2022 Restated
Opening balance	**1,780,955**	1,616,581
Total gains or losses for the period		
Recognised in other comprehensive income – revaluation surplus	**197,461**	143,915
Other movements		
Transfers from/(to) another asset class	**86,626**	38,914
Purchases (GBV)	**32,990**	28,404
Disposals (WDV)	**(6,583)**	(2,732)
Depreciation and impairment	**(43,780)**	(44,127)
Closing balance	**2,047,669**	1,780,955

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

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

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

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

Description of the funding arrangements.

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

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

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

* For 180 Point Members, Employers are required to contribute 8.0% of salaries for the year ending 30 June 2023 (increasing to 8.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.
The past service contribution for each Pooled Employer is a share of the total past service contributions of $20.0 million per annum for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2022. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan
As stated above, each sponsoring employer (Council) is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2023 was $324,672.70. The last formal valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2022.
Council's expected contribution to the plan for the next annual reporting period is $336,125.52.

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

continued on next page ...

E3-1 Contingencies (continued)

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

* excluding member accounts and reserves in both assets and liabilities.
The share of any funding surplus or deficit that can be attributed to Council is 0.93%.
Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.
The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	6.0% for FY 22/23 2.5% per annum thereafter

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.
Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review, will be completed by December 2023.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(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 $260,000. Balance as at 30/6/2023 is $159,601.43
At June 30, 2023 Councils guarantee is limited to $159,601.43

Tamworth Gymnastics Club. Drawn in 2019/20 Financial year. Balance as at 30/6/2023 is $78,014.17
Councils guarantee is limited to $94,365.90

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

continued on next page ...

E3-1 Contingencies (continued)

(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.

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

$ '000	2023	2022
Compensation:		
Short-term benefits	**1,794**	1,761
Post-employment benefits	**169**	156
Other long-term benefits	**84**	58
Total	**2,047**	1,975

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 $ '000	Ref	Value of transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
2023						
Employee expenses for close family members of KMP	1	**333**	**–**	Local Government Award	**–**	**–**
Contractor expenses for close family members of KMP	2	**1**	**–**	14 day creditor payment terms	**–**	**–**
2022						
Employee expenses for close family members of KMP	1	233	–	Local Government Award	–	–
Contractor expenses for close family members of KMP	2	4	–	14 day creditor payment terms	–	–

1 There were 3 close family member's of council's KMP employed by council under the relevant state award on an arm's length basis.

2 There was 1 creditors paid under creditor payment terms for services provided that had an association with council's KMP.

F1-2 Councillor and Mayoral fees and associated expenses

$ '000	2023	2022
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	**63**	56
Councillors' fees	**228**	213
Other Councillors' expenses (including Mayor)	**181**	198
Total	**472**	467

F2 Other relationships

F2-1 Audit fees

$ '000	2023	2022
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	**144**	116
Remuneration for audit and other assurance services	**144**	116
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Other audit and assurance services – internal auditors	**57**	34
Total remuneration of non NSW Auditor-General audit firms	**57**	34
Total audit fees	**201**	150

G Other matters

G1-1 Statement of Cash Flows information

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

$ '000	2023	2022
Net operating result from Income Statement	**39,144**	52,021
Add / (less) non-cash items:		
Depreciation and amortisation	**44,395**	38,109
(Gain) / loss on disposal of assets	**4,442**	1,277
Non-cash capital grants and contributions	**(13,470)**	(16,857)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investment property	**5,402**	(590)
Unwinding of discount rates on reinstatement provisions	**471**	291
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	**(3,675)**	1,982
Increase / (decrease) in provision for impairment of receivables	**(54)**	123
(Increase) / decrease of inventories	**106**	(478)
(Increase) / decrease of other current assets	**90**	(89)
(Increase) / decrease of contract asset	**(4,103)**	(7,497)
Increase / (decrease) in payables	**1,672**	808
Increase / (decrease) in accrued interest payable	**(28)**	122
Increase / (decrease) in other accrued expenses payable	**862**	316
Increase / (decrease) in other liabilities	**854**	597
Increase / (decrease) in contract liabilities	**(4,050)**	8,371
Increase / (decrease) in employee benefit provision	**571**	33
Increase / (decrease) in other provisions	**4,963**	–
Net cash flows from operating activities	**77,592**	78,539

(b) Non-cash investing and financing activities

Other dedications	**13,470**	16,857
Total non-cash investing and financing activities	**13,470**	16,857

G2-1 Commitments

Capital commitments (exclusive of GST)

$ '000	2023	2022
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	**1,696**	52
Information Technology	**125**	–
Parks & Recreation	**1,193**	2,123
Plant & Equipment	**5,148**	5,268
Roads, Bridges & Footpaths	**3,671**	5,600
Tamworth Global Gateway Park (TGGP)	**3,544**	3,097
Waste Infrastructure	**401**	445
Water & Sewer Infrastructure	**9,190**	3,594
Total commitments	**24,968**	20,179
These expenditures are payable as follows:		
Within the next year	**24,968**	20,179
Total payable	**24,968**	20,179
Sources for funding of capital commitments:		
Externally Restricted Reserves	**5,212**	3,380
Future Grants & Contributions	**6,646**	8,446
Internally restricted reserves	**8,544**	5,332
Loans	**495**	2,362
Section 64 Contributions	**4,071**	659
Total sources of funding	**24,968**	20,179

G3-1 Events occurring after the reporting date

No other matters have arisen subsequent to balance date that would require these financial statements to be amended.

G4 Changes from prior year statements

G4-1 Correction of errors

Nature of prior period error

During 2022/23 Council undertook a comprehensive revaluation of Operational Land (refer Note C1-8) resulting in the capitalisation of existing assets not previously recognised. In correcting this ommission adjustments totalling $6.8 million 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 2021) and taking the adjustment through to the accumulated surplus at that date. In aggregate the adjustments totalled $6.8 million.

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 2021

Statement of Financial Position

$ '000	Original Balance 1 July, 2021	Impact Increase/ (decrease)	Restated Balance 1 July, 2021
Infrastructure, property, plant and equipment	1,829,763	6,791	1,836,554
Total non-current assets	1,881,154	6,791	1,887,945
Total assets	**2,090,457**	**6,791**	**2,097,248**
Net assets	1,950,201	6,791	1,956,992
Accumulated Surplus	1,296,081	6,791	1,302,872
Council equity interest	1,949,507	6,791	1,956,298
Total equity	**1,950,201**	**6,791**	**1,956,992**

Adjustments to the comparative figures for the year ended 30 June 2022

Statement of Financial Position

$ '000	Original Balance 30 June, 2022	Impact Increase/ (decrease)	Restated Balance 30 June, 2022
Infrastructure, property, plant and equipment	1,994,392	6,791	2,001,183
Total non-current assets	2,065,936	6,791	2,072,727
Total assets	**2,292,893**	**6,791**	**2,299,684**
Net assets	2,137,940	6,791	2,144,731
Accumulated Surplus	1,348,115	6,791	1,354,906
Council equity interest	2,137,259	6,791	2,144,050
Total equity	**2,137,940**	**6,791**	**2,144,731**

G5 Statement of developer contributions as at 30 June 2023

G5-1 Summary of developer contributions

$ '000	Opening balance at 1 July 2022	Contributions received during the year: Cash	Contributions received during the year: Non-cash Land	Non-cash Other	Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023
Roads	3,941	**1,366**	**–**	**–**	**127**	**(2)**	**–**	**5,432**
Parking	226	**–**	**–**	**–**	**8**	**–**	**–**	**234**
Open space	436	**118**	**–**	**–**	**15**	**–**	**–**	**569**
Community facilities	96	**27**	**–**	**–**	**4**	**–**	**–**	**127**
Rural Fire Service	300	**–**	**–**	**–**	**11**	**–**	**–**	**311**
Studies	168	**2**	**–**	**–**	**5**	**–**	**–**	**175**
Garbage Disposal – Nundle	4	**–**	**–**	**–**	**–**	**–**	**–**	**4**
Mines & Extractive Industry – Parry	850	**165**	**–**	**–**	**27**	**(149)**	**–**	**893**
Rural Traffic Generating – Parry	3	**–**	**–**	**–**	**–**	**–**	**–**	**3**
Cycleways	41	**11**	**–**	**–**	**1**	**–**	**–**	**53**
Tamworth Regional S94 Direct Plan	1,090	**352**	**–**	**–**	**35**	**(907)**	**–**	**570**
Tamworth Regional S94 Indirect Plan	2,721	**860**	**–**	**–**	**88**	**–**	**–**	**3,669**
S7.11 contributions – under a plan	9,876	**2,901**	**–**	**–**	**321**	**(1,058)**	**–**	**12,040**
Total S7.11 and S7.12 revenue under plans	9,876	**2,901**	**–**	**–**	**321**	**(1,058)**	**–**	**12,040**
S7.11 not under plans	114	**32**	**–**	**–**	**2**	**–**	**–**	**148**
S7.4 planning agreements	2	**–**	**–**	**–**	**–**	**–**	**–**	**2**
S64 contributions	37,514	**4,101**	**–**	**–**	**1,213**	**(9,236)**	**–**	**33,592**
Total contributions	47,506	**7,034**	**–**	**–**	**1,536**	**(10,294)**	**–**	**45,782**

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

G5-2 Developer contributions by plan

$ '000	Opening balance at 1 July 2022	Contributions received during the year: Cash	Contributions received during the year: Non-cash Land	Non-cash Other	Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023
CONTRIBUTION PLAN								
Parking	226	**–**	**–**	**–**	**8**	**–**	**–**	**234**
Garbage Disposal – Nundle	4	**–**	**–**	**–**	**–**	**–**	**–**	**4**
Mines & Extractive Industry – Parry	850	**165**	**–**	**–**	**27**	**(149)**	**–**	**893**

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G5-2 Developer contributions by plan (continued)

$ '000	Opening balance at 1 July 2022	Contributions received during the year Cash	Non-cash Land	Non-cash Other	Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023
Rural Traffic Generating – Parry	3	–	–	–	–	–	–	3
Tamworth Regional S7.11 Indirect Plan	2,721	860	–	–	88	–	–	3,669
Total	3,804	1,025	–	–	123	(149)	–	4,803
CONTRIBUTION PLAN – ROADS								
Roads – Hills Plain East	3	–	–	–	–	–	–	3
Roads – Manilla	14	–	–	–	–	–	–	14
Roads – Parry	242	–	–	–	8	–	–	250
Roads – Tamworth Urban	584	59	–	–	19	–	–	662
Hills Plains Roads	3,098	1,307	–	–	100	(2)	–	4,503
Total	3,941	1,366	–	–	127	(2)	–	5,432
CONTRIBUTION PLAN – OPEN SPACE								
Drainage Hills Plains	5	–	–	–	–	–	–	5
Open Space – Tamworth	2	19	–	–	–	–	–	21
Open Space – Tamworth Urban	235	8	–	–	9	–	–	252
Hills Plains Open Space & Recreation	194	91	–	–	6	–	–	291
Total	436	118	–	–	15	–	–	569
CONTRIBUTION PLAN – COMMUNITY FACILITIES								
Community Facilities – Hills Plain	3	–	–	–	–	–	–	3
Community Facilities – Tamworth	20	8	–	–	1	–	–	29
Community Facilities – Tamworth Urban	73	19	–	–	3	–	–	95
Total	96	27	–	–	4	–	–	127
CONTRIBUTION PLAN – RURAL FIRE SERVICE								
Rural Fire Service – Barraba	20	–	–	–	1	–	–	21
Rural Fire Service – Manilla	7	–	–	–	–	–	–	7
Rural Fire Service – Nundle	10	–	–	–	–	–	–	10
Rural Fire Service – Parry	263	–	–	–	10	–	–	273
Total	300	–	–	–	11	–	–	311
CONTRIBUTION PLAN – STUDIES								
Studies – Hills Plain East	34	–	–	–	1	–	–	35
Studies – Tamworth Urban	134	2	–	–	4	–	–	140
Total	168	2	–	–	5	–	–	175
CONTRIBUTION PLAN – CYCLEWAYS								

continued on next page ...

G5-2 Developer contributions by plan (continued)

$ '000	Opening balance at 1 July 2022	Contributions received during the year Cash	Non-cash Land	Non-cash Other	Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023
Tamworth Urban Cycleway	32	11	–	–	1	–	–	44
Cycleways – Tamworth	9	–	–	–	–	–	–	9
Total	41	11	–	–	1	–	–	53
CONTRIBUTION PLAN – TAMWORTH REGIONAL S7.11 DIRECT PLAN								
Tamworth Regional (Roads)	297	218	–	–	10	(841)	–	(316)
Tamworth Regional (Open Space & Rec)	571	75	–	–	18	–	–	664
Tamworth Regional (Plan Preparation)	222	59	–	–	7	(66)	–	222
Total	1,090	352	–	–	35	(907)	–	570

G5-3 Contributions not under plans

$ '000	Opening balance at 1 July 2022	Cash	Non-cash Land	Non-cash Other	Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023
Payments Arising From Developer Consents								
Drainage	65	–	–	–	2	–	–	67
Roads	104	–	–	–	2	–	–	106
Subdivision Works	(55)	32	–	–	(2)	–	–	(25)
Total	114	32	–	–	2	–	–	148

G5-4 S7.4 planning agreements

$ '000	Opening balance at 1 July 2022	Cash	Non-cash Land	Non-cash Other	Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023
S7.4 planning agreements								
S7.4 Planning Agreements	2	–	–	–	–	–	–	2
Total	2	–	–	–	–	–	–	2

G5-5 S64 contributions

$ '000	Opening balance at 1 July 2022	Cash	Non-cash Land	Non-cash Other	Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023
S64 contributions								
Water	23,177	2,913	–	–	749	(8,563)	–	18,276
Sewer	14,336	1,188	–	–	463	(673)	–	15,314
Total	37,513	4,101	–	–	1,212	(9,236)	–	33,590

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

$ '000	Amounts 2023	Indicator 2023	Indicators 2022	2021	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses [1, 2]	**1,770**	**0.99%**	0.37%	1.56%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions [1]	**179,005**				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions [1]	**141,258**	**62.41%**	59.59%	64.63%	> 60.00%
Total continuing operating revenue [1]	**226,337**				
3. Unrestricted current ratio					
Current assets less all external restrictions	**59,513**	**2.12x**	2.48x	2.55x	> 1.50x
Current liabilities less specific purpose liabilities	**28,116**				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation [1]	**50,377**	**3.33x**	3.22x	3.52x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	**15,131**				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	**6,037**	**7.00%**	6.68%	7.20%	< 10.00%
Rates and annual charges collectable	**86,303**				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	**196,160**	**15.80 months**	18.77 months	18.44 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	**12,418**				

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

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

G6-2 Statement of performance measures by fund

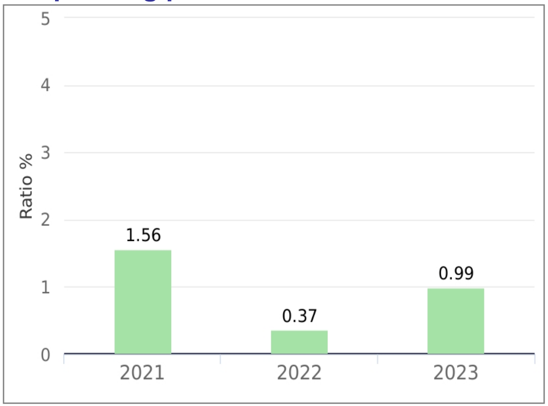
$ '000	General Indicators 2023	General Indicators 2022	Water Indicators 2023	Water Indicators 2022	Sewer Indicators 2023	Sewer Indicators 2022	Benchmark
1. Operating performance ratio Total continuing operating revenue excluding capital grants and contributions less operating expenses Total continuing operating revenue excluding capital grants and contributions	**(1.38)%**	(1.33)%	**(17.65)%**	(15.77)%	**27.10%**	20.33%	> 0.00%
2. Own source operating revenue ratio Total continuing operating revenue excluding capital grants and contributions Total continuing operating revenue	**55.07%**	51.33%	**81.02%**	79.48%	**83.07%**	85.01%	> 60.00%
3. Unrestricted current ratio Current assets less all external restrictions Current liabilities less specific purpose liabilities	**2.12x**	2.48x	**7.82x**	13.98x	**16.23x**	17.79x	> 1.50x
4. Debt service cover ratio Operating result before capital excluding interest and depreciation/impairment/amortisation Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	**4.03x**	4.01x	**1.23x**	1.75x	**3.24x**	2.64x	> 2.00x
5. Rates and annual charges outstanding percentage Rates and annual charges outstanding Rates and annual charges collectable	**7.30%**	6.75%	**7.01%**	7.16%	**6.23%**	6.30%	< 10.00%
6. Cash expense cover ratio Current year’s cash and cash equivalents plus all term deposits Monthly payments from cash flow of operating and financing activities	**8.73 months**	11.18 months	**20.28 months**	32.02 months	**56.43 months**	46.92 months	> 3.00 months

End of the audited financial statements

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2022/23 result

2022/23 ratio 0.99%

Council's operating ratio is just above the required minimum. In attempting to improve this Council is currently investigating cost saving measures as well as consulting with its community regarding a possible special variation. It should be remembered that these ratios are consolidated, and a prudent reviewer of these financial reports would take note of this ratio for individual funds.

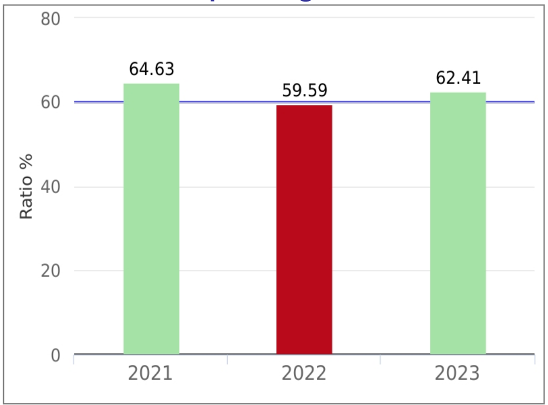
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2022/23 result

2022/23 ratio 62.41%

This ratio remains steady and above the minimum industry benchmark of 60%. This reflects a responsible revenue policy and application of rates, fees and charges.

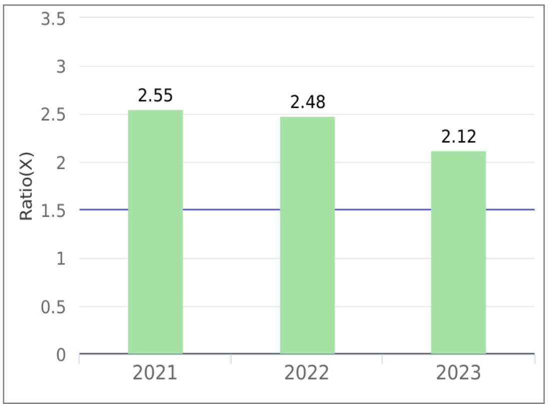
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2022/23 result

2022/23 ratio 2.12x

This ratio remains healthy and above the minimum benchmark of 1.5.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting

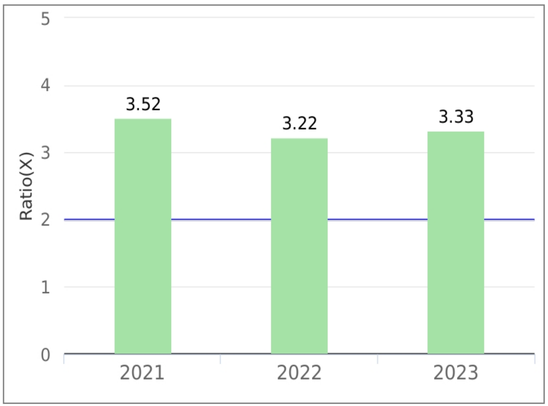
Ratio achieves benchmark

Ratio is outside benchmark

continued on next page ...

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2022/23 result

2022/23 ratio 3.33x

An increase in loans has resulted in a corresponding increase in loan servicing costs, despite this the ratio remains above the benchmark with borrowing levels maintained at sustainable levels.

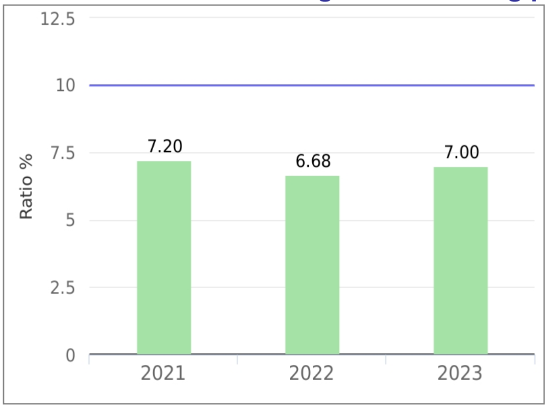
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2022/23 result

2022/23 ratio 7.00%

This ratio remains stable and well below the industry benchmark for a rural council. Council is very mindful of the impact increased inflation is having on its residents and continues to work with those experiencing hardship.

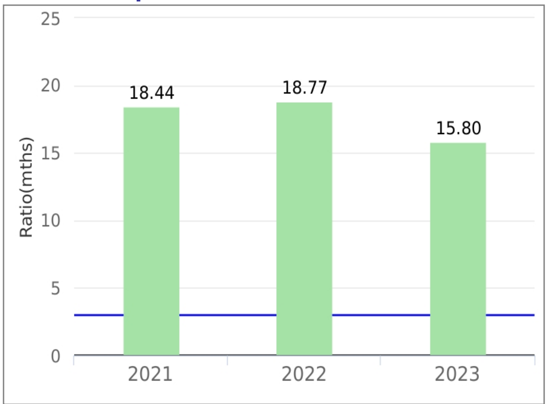
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2022/23 result

2022/23 ratio 15.80 months

A decline in the ratio is not unexpected due to the impact of inflation on Council expenditure, despite this the ratio remains solid at 14.85 months.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:
474 Peel Street
TAMWORTH NSW 2340

Contact details

Mailing Address:
PO Box 555
TAMWORTH NSW 2340

Opening hours:

Tamworth Regional Council Customer Service
474 Peel Street Tamworth NSW 2340

Office hours (in-person):
Monday to Friday - 8:30am - 4:00pm *excluding public holidays

Office hours (phone or email):
Monday to Friday - 8:30am - 5:00pm *excluding public holidays

Barraba Branch Office
108 Queen Street Barraba NSW 2347
Phone: 02 6782 1105
Office hours (phone or email):
Monday to Friday - 8:30am - 12pm; 1:00pm - 4:00pm *excluding public holidays

Manilla Branch Office
210 Manilla Street Manilla NSW 2346
Phone: 02 6761 0200
Office hours (phone or email):
Monday to Friday - 8:30am - 12pm; 1:00pm - 4:00pm *excluding public holidays

Nundle Branch Office
58 Jenkins Street Nundle NSW 2340
Phone:1300 733 625
Office hours (phone or email): *excluding public holidays
Monday, Tuesday, Friday - 10.30am - 2.30pm
Wednesday - 2pm - 6pm
Thursday - CLOSED
Saturday - 10.30am - 2.30pm

Telephone: 02 6767 5555

Internet: www.tamworth.nsw.gov.au
Email: trc@tamworth.nsw.gov.au

continued on next page ...

H1-2 Council information and contact details (continued)

Officers

General Manager
Paul Bennett

Responsible Accounting Officer
Sherrill Young

Auditors
Auditor-General NSW
GPO Box 12
Sydney NSW 2001

Elected members

Mayor
Russell Webb

Judy Coates, Deputy Mayor

Phil Betts, Councillor

Bede Burke, Councillor

Steve Mears, Councillor

Mark Rodda, Councillor

Brooke Southwell, Councillor

Marc Sutherland, Councillor

Helen Tickle, 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

Qualified 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 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

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

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

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

Basis for Qualified Opinion

Non recognition of rural fire-fighting equipment

As disclosed in Note C1-8 'Infrastructure, property, plant and equipment' to the financial statements, the Council has not recognised rural fire-fighting equipment as assets in the Statement of Financial Position at 30 June 2023. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

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

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

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 10 October 2012
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

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

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

- support the carrying values of rural fire-fighting equipment assets that should be recorded in the Statement of Financial Position and related notes as at 30 June 2023
- determine the impact on the 'Accumulated surplus' in the Statement of Changes in Equity and Statement of Financial Position
- determine the amount of 'Grants and contributions provided for capital purposes' income from any rural fire-fighting equipment assets vested as an asset received free of charge during the year and/or 'Depreciation, amortisation and impairment of non-financial assets' expense that should be recognised in the Income Statement for the year ended 30 June 2023
- determine the impact on the 'Operating performance' and 'Own source operating revenue' ratios in Note G6-1 'Statement of performance measures – consolidated results' and Note G6-2 'Statement of performance measures by fund'.

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2023 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

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

30 November 2023
SYDNEY

Cr Russell Webb
Mayor
Tamworth Regional Council
PO Box 555
TAMWORTH NSW 2340

Contact: Jan-Michael Perez
Phone no: 02 9275 7115
Our ref: R008-16585809-48858

30 November 2023

Dear Mayor

Report on the Conduct of the Audit

for the year ended 30 June 2023

Tamworth Regional Council

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

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2023 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issue and observation during my audit of the Council's financial statements. This issue and observation was addressed as part of my audit.

Non-recognition of rural fire-fighting equipment

The Council has not recognised rural fire-fighting equipment as assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2023. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

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

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

- these assets are vested in the Council under section 119(2) of the Rural Fires Act 1997 (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 10 October 2012

- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

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

Consequently, we were unable to determine the carrying values of rural firefighting equipment and related amounts that should be recorded and recognised in the council's 30 June 2023 financial statements.

This has resulted in the audit opinion on the Council's 30 June 2023 general purpose financial statements (GPFS) to be modified.

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

INCOME STATEMENT

Operating result

	2023 $m	2022 $m	Variance %
Rates and annual charges revenue	80.5	76.8	▲ 4.8
Grants and contributions revenue	85.1	81.2	▲ 4.8
Operating result from continuing operations	39.1	52.0	▼ 24.8
Net operating result before capital grants and contributions	(8.2)	(0.3)	▼ 2,888.3

Rates and annual charges revenue ($80.5 million) increased by $3.7 million (4.8 per cent) in 2022–23 primarily due to approved special rate variation increase of 2.0 per cent and increase in revenue from domestic waste management charge by 17% mainly due to levying of separate waste collection charge over the base fee.

Grants and contributions revenue ($85.1 million) increased by $3.9 million (4.8 per cent) in 2022–23 due to:

- $5.2 million increase in transport operational grants recognised mainly relating to new Regional and Local Roads Repair Program funding projects
- $5.1 million increase in transport capital grants recognised mainly relating to the Taminda ring road and Werris Creek road projects

- $1.5 million increase in financial assistance grants due to receiving 100 per cent of the financial assistance for 2023-24 in advance (75% in 2021-22)
- $1.5 million increase in heritage and culture grants recognised mainly relating to the Country Music festival
- $1.3 million increase in transport other capital grants recognised mainly relating to Local Roads and Community Infrastructure funding projects.

Offset by:

- $4.5 million decrease in trunk stormwater main funding which was a one-off in prior year
- $3.5 million decrease in dedications from developers for subdivisions
- $1.7 million decrease in park upgrades funding mainly due to one-off viaduct park upgrades in the prior year
- $1.0 million decrease in Tamworth Global Gateway Project funding relating to the construction of the intermodal access road.

The Council's operating result from continuing operations ($39.1 million including depreciation, amortisation and impairment expense of $44.4 million) was $12.9 million lower than the 2021–22 result. This was primarily due to:

- $16.9 million increase in materials and services expenditure mainly due to increase in operational works and repairs undertaken during the year resulting from damage caused in the September 2022 floods
- $6.3 million increase in depreciation, amortisation and impairment expense recognised mainly relating to additional depreciation on asset additions and indexation of assets in the prior year
- $5.8 million increase in other expenses mainly relating to decrement in value of the Pilot Training Facility valuation
- $5.1 million increase in employee benefit and oncosts mainly due to award increases
- $3.1 million increase in net loss on disposals of assets mainly due to additional disposals resulting from flood damaged assets and increased renewals during the year.

Offset by:

- $11.5 million increase in user charges and fee revenue recognised mainly due to additional works undertaken on State roads and increase in water consumption during the year
- $5.5 million increase in interest and investment income recognised mainly due to increase in interest rates compared to prior year
- $3.9 million increase in grants and contributions revenue as explained above
- $3.7 million increase in rates and annual charges revenue as explained above.

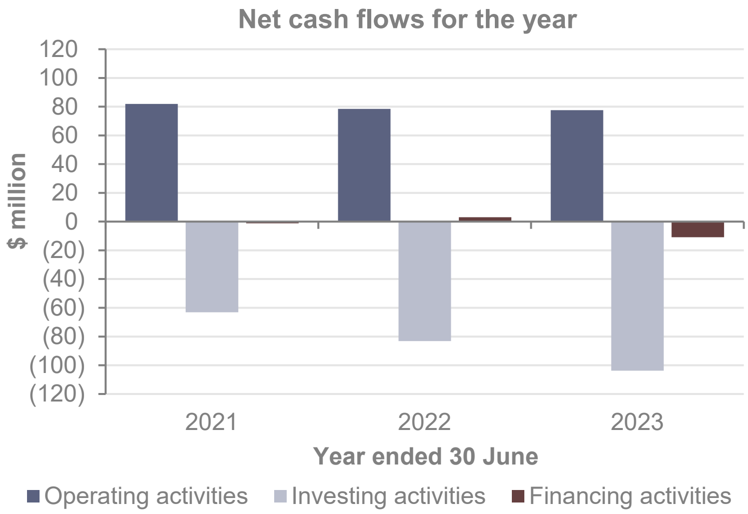
The net operating result before capital grants and contributions ($8.2 million) was $7.9 million lower than the 2021–22 result. This is mainly due to changes in operational grants and contributions and increase in rates and annual charges as discussed above, offset by an increase in expenses from continuing operations during the year.

STATEMENT OF CASH FLOWS

Cash from operating activities decreased by $0.9 million due to decrease in grants and contribution cash receipts and increase in payment for materials and services during the year.

Cash outflows from investing activities increased by $20.6 million due to an increase in capital expenditure on IPPE during the year.

Cash from financing activities decreased by $13.9 million mainly due to $12.3 million of new borrowings in 2021-2022 compared to nil in 2022-23 year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2023	2022	Commentary
	$m	$m	
Total cash, cash equivalents and investments	**196.2**	**203.9**	Externally restricted cash and investments are restricted in their use by externally imposed requirements. These include unspent developer contributions, specific purpose grants and domestic waste charges.
Restricted and allocated cash, cash equivalents and investments:			Internally allocated cash and investments have been restricted in their use by resolution or policy of the Council to reflect forward plans and identified work programs. Their purposes are disclosed in Note C1-3 of the financial statements.
• External restrictions	166.6	171.1	
• Internal allocations	28.7	32.2	

Debt

At 30 June 2023, Council had:

- $80.8 million in secured loans ($90.0 million in 2021-22)
- $1.0 million in borrowing facility with no funds withdrawn as at 30 June 2023
- $620,000 in credit card facility with 9,000 used.

PERFORMANCE

Performance measures

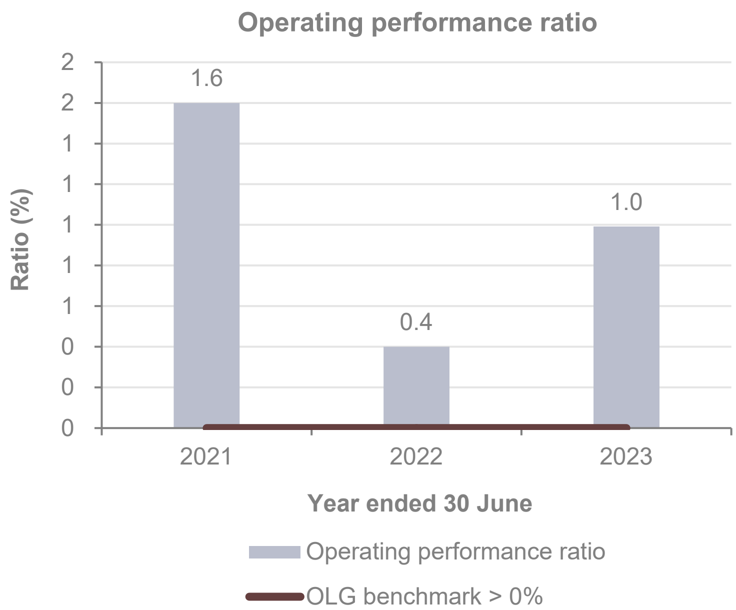
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning and Environment.

Operating performance ratio

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

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

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

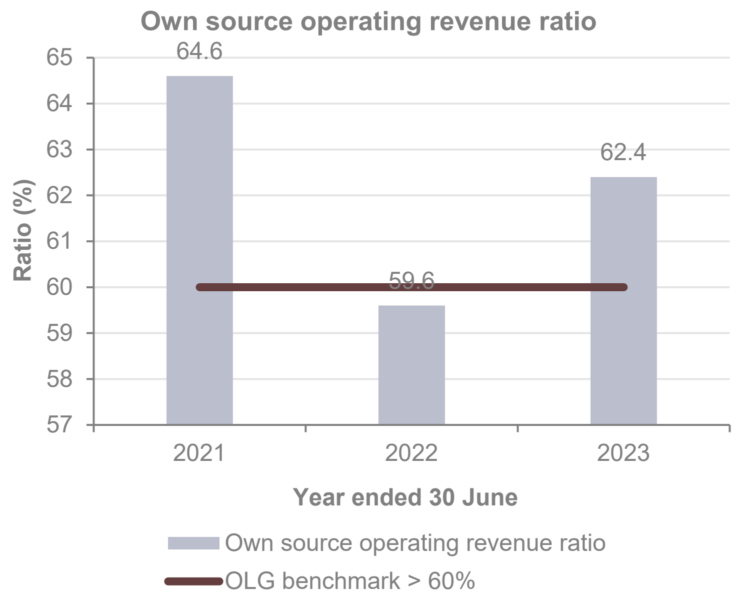


Own source operating revenue ratio

The Council exceeded the benchmark for the current or previous reporting period.

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

The Council exceeded the OLG benchmark for this reporting year.

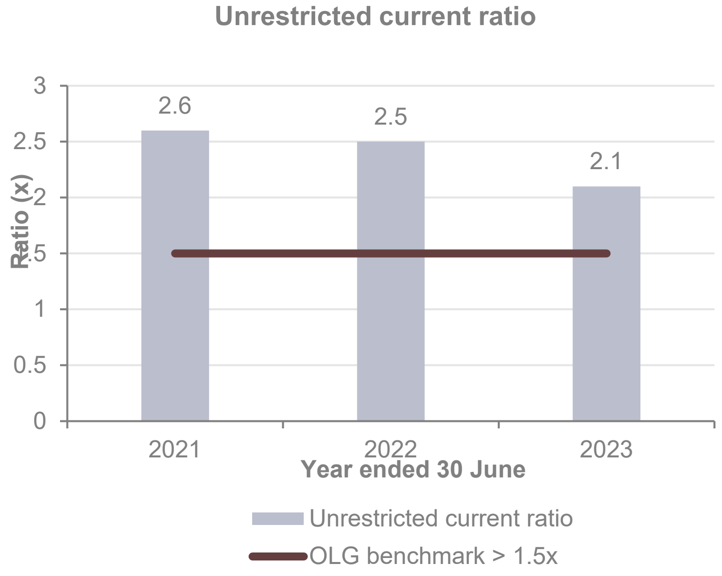


Unrestricted current ratio

The Council exceeded the benchmark for the current reporting period.

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

The Council exceeded the OLG benchmark for this reporting year.

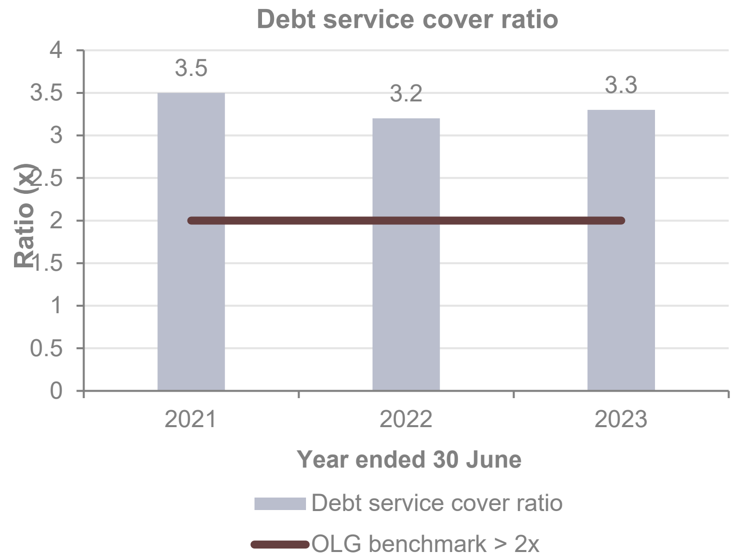


Debt service cover ratio

The Council exceeded the benchmark for the current reporting period.

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

The Council exceeded the OLG benchmark for the financial reporting year.

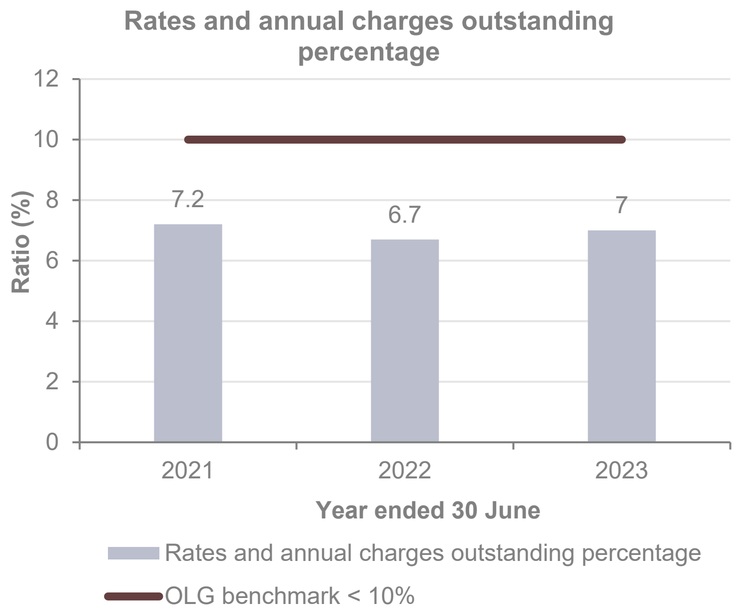


Rates and annual charges outstanding percentage

The Council exceeded the benchmark for the current reporting period.

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

The Council continues to meet the OLG benchmark. The ratio is consistent with the prior year.

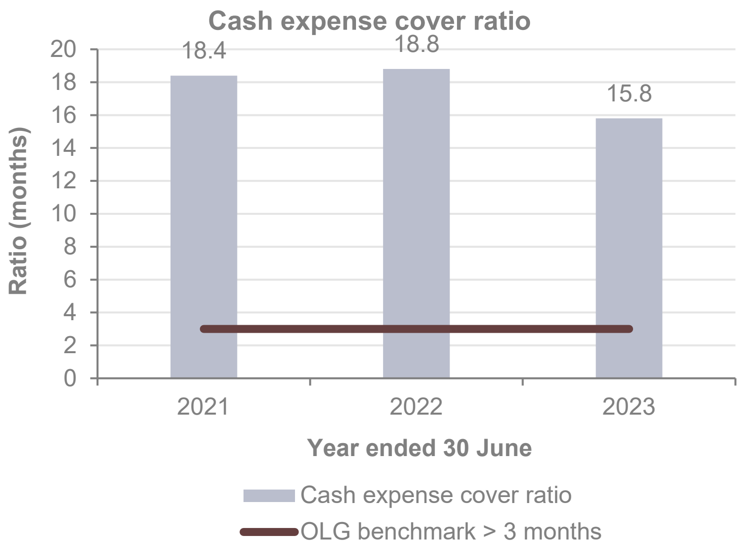


Cash expense cover ratio

The Council exceeded the benchmark for the current reporting period.

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

The Council exceeded the OLG benchmark for the financial reporting year.



Infrastructure, property, plant and equipment renewals

Council renewed $42.6 million of infrastructure, property, plant and equipment during the 2022–23 financial year (2021–22 $28.6 million).

OTHER MATTERS

Legislative compliance

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

Except for the matters outlined above, 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.

Jan-Michael Perez
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

Tamworth Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

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

Tamworth Regional Council

Special Purpose Financial Statements
for the year ended 30 June 2023

Contents

Page

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).

Tamworth Regional Council

Special Purpose Financial Statements
for the year ended 30 June 2023

Statement by Councillors and Management

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

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

- NSW Government Policy Statement, *Application of National Competition Policy to Local Government*
- Division of Local Government Guidelines, *Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality*
- The Local Government Code of Accounting Practice and Financial Reporting
- Sections 3 and 4 of the NSW Department of Planning and Environment, Water's *Regulatory and assurance framework for local water utilities*.

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

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

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

Signed in accordance with a resolution of Council made on 28 November 2023.

Russell Webb
Mayor
28 November 2023

Judy Coates
Councillor
28 November 2023

Paul Bennett
General Manager
28 November 2023

Sherrill Young
Responsible Accounting Officer
28 November 2023

Tamworth Regional Council

Income Statement of water supply business activity
for the year ended 30 June 2023

$ '000	2023	2022
Income from continuing operations		
Access charges	**7,940**	7,633
User charges	**12,283**	10,956
Fees	**554**	450
Interest and investment income	**1,639**	300
Grants and contributions provided for operating purposes	**458**	105
Other income	**48**	57
Total income from continuing operations	**22,922**	19,501
Expenses from continuing operations		
Employee benefits and on-costs	**3,260**	2,857
Borrowing costs	**908**	488
Materials and services	**15,233**	11,161
Depreciation, amortisation and impairment	**6,160**	5,625
Water purchase charges	**1,382**	1,164
Net loss from the disposal of assets	**989**	135
Calculated taxation equivalents	**437**	124
Debt guarantee fee (if applicable)	**115**	106
Other expenses	**24**	1,281
Total expenses from continuing operations	**28,508**	22,941
Surplus (deficit) from continuing operations before capital amounts	**(5,586)**	(3,440)
Grants and contributions provided for capital purposes	**4,805**	4,904
Surplus (deficit) from continuing operations after capital amounts	**(781)**	1,464
Surplus (deficit) from all operations before tax	**(781)**	1,464
Surplus (deficit) after tax	**(781)**	1,464
Plus accumulated surplus	**187,450**	185,827
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	**437**	124
– Debt guarantee fees	**115**	106
Less:		
– Tax equivalent dividend paid	**(72)**	(71)
Closing accumulated surplus	**187,149**	187,450
Return on capital %	**(1.4)%**	(1.1)%
Subsidy from Council	**18,531**	13,215
Calculation of dividend payable:		
Surplus (deficit) after tax	**(781)**	1,464
Less: capital grants and contributions (excluding developer contributions)	**(4,805)**	(4,904)
Surplus for dividend calculation purposes	**–**	–
Potential dividend calculated from surplus	**–**	–

Tamworth Regional Council

Income Statement of sewerage business activity
for the year ended 30 June 2023

$ '000	2023	2022
Income from continuing operations		
Access charges	**20,722**	20,301
User charges	**3,381**	2,929
Liquid trade waste charges	**1,199**	640
Fees	**151**	135
Interest and investment income	**2,410**	510
Grants and contributions provided for operating purposes	**56**	99
Other income	**73**	49
Total income from continuing operations	**27,992**	24,663
Expenses from continuing operations		
Employee benefits and on-costs	**2,273**	2,254
Borrowing costs	**1,724**	1,904
Materials and services	**10,326**	8,685
Depreciation, amortisation and impairment	**5,858**	5,516
Net loss from the disposal of assets	**542**	71
Calculated taxation equivalents	**599**	287
Debt guarantee fee (if applicable)	**129**	143
Other expenses	**224**	1,290
Total expenses from continuing operations	**21,675**	20,150
Surplus (deficit) from continuing operations before capital amounts	**6,317**	4,513
Grants and contributions provided for capital purposes	**5,637**	4,232
Surplus (deficit) from continuing operations after capital amounts	**11,954**	8,745
Surplus (deficit) from all operations before tax	**11,954**	8,745
Less: corporate taxation equivalent (25%) [based on result before capital]	**(1,579)**	(1,128)
Surplus (deficit) after tax	**10,375**	7,617
Plus accumulated surplus	**216,823**	207,714
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	**599**	287
– Debt guarantee fees	**129**	143
– Corporate taxation equivalent	**1,579**	1,128
Less:		
– Tax equivalent dividend paid	**(67)**	(66)
Closing accumulated surplus	**229,438**	216,823
Return on capital %	**2.5%**	2.3%
Subsidy from Council	**4,692**	3,810
Calculation of dividend payable:		
Surplus (deficit) after tax	**10,375**	7,617
Less: capital grants and contributions (excluding developer contributions)	**(5,637)**	(4,232)
Surplus for dividend calculation purposes	**4,738**	3,385
Potential dividend calculated from surplus	**2,369**	1,693

Tamworth Regional Council

Income Statement of Airport
for the year ended 30 June 2023

$ '000	2023 Category 1	2022 Category 1
Income from continuing operations		
Fees	**4,220**	2,190
Grants and contributions provided for operating purposes	**671**	669
Fair Value Increment on Investment Property	**820**	–
Other income	**49**	48
Total income from continuing operations	**5,760**	2,907
Expenses from continuing operations		
Employee benefits and on-costs	**888**	850
Borrowing costs	**104**	112
Materials and services	**2,473**	1,785
Depreciation, amortisation and impairment	**3,313**	1,412
Calculated taxation equivalents	**216**	235
Debt guarantee fee (if applicable)	**11**	12
Other expenses	**8**	288
Total expenses from continuing operations	**7,013**	4,694
Surplus (deficit) from continuing operations before capital amounts	**(1,253)**	(1,787)
Grants and contributions provided for capital purposes	**772**	388
Surplus (deficit) from continuing operations after capital amounts	**(481)**	(1,399)
Surplus (deficit) from all operations before tax	**(481)**	(1,399)
Surplus (deficit) after tax	**(481)**	(1,399)
Plus accumulated surplus	**23,578**	24,730
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	**216**	235
– Debt guarantee fees	**11**	12
Closing accumulated surplus	**23,324**	23,578
Return on capital %	**(1.3)%**	(2.3)%
Subsidy from Council	**4,619**	4,371

Tamworth Regional Council

Income Statement of Waste

for the year ended 30 June 2023

$ '000	2023 Category 1	2022 Category 1
Income from continuing operations		
Annual charges	**11,446**	9,846
Fees	**7,974**	6,765
Grants and contributions provided for operating purposes	**56**	8
Container Deposit Scheme	**–**	88
Other income	**57**	50
Total income from continuing operations	**19,533**	16,757
Expenses from continuing operations		
Employee benefits and on-costs	**2,276**	1,747
Borrowing costs	**504**	339
Materials and services	**12,928**	10,633
Depreciation, amortisation and impairment	**1,835**	2,369
Calculated taxation equivalents	**99**	37
Other expenses	**–**	345
Total expenses from continuing operations	**17,642**	15,470
Surplus (deficit) from continuing operations before capital amounts	**1,891**	1,287
Grants and contributions provided for capital purposes	**73**	361
Surplus (deficit) from continuing operations after capital amounts	**1,964**	1,648
Surplus (deficit) from all operations before tax	**1,964**	1,648
Less: corporate taxation equivalent (25%) [based on result before capital]	**(473)**	(322)
Surplus (deficit) after tax	**1,491**	1,326
Plus accumulated surplus	**24,030**	22,345
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	**99**	37
– Corporate taxation equivalent	**473**	322
Closing accumulated surplus	**26,093**	24,030
Return on capital %	**6.6%**	6.2%

Tamworth Regional Council

Income Statement of Pilot Training Facility

for the year ended 30 June 2023

$ '000	2023 Category 1	2022 Category 1
Income from continuing operations		
Fees	12	7
Grants and contributions provided for operating purposes	8	24
Net gain from the disposal of assets	–	112
Rental Income	653	490
Total income from continuing operations	673	633
Expenses from continuing operations		
Employee benefits and on-costs	98	78
Borrowing costs	404	340
Materials and services	810	602
Debt guarantee fee (if applicable)	44	46
Fair Value Decrement on Investment Property	6,495	–
Other expenses	–	176
Total expenses from continuing operations	7,851	1,242
Surplus (deficit) from continuing operations before capital amounts	(7,178)	(609)
Grants and contributions provided for capital purposes	5	–
Surplus (deficit) from continuing operations after capital amounts	(7,173)	(609)
Surplus (deficit) from all operations before tax	(7,173)	(609)
Surplus (deficit) after tax	(7,173)	(609)
Plus accumulated surplus	(1,840)	(1,277)
Plus adjustments for amounts unpaid:		
– Debt guarantee fees	44	46
Closing accumulated surplus	(8,969)	(1,840)
Subsidy from Council	6,774	269

Tamworth Regional Council

Statement of Financial Position of water supply business activity
as at 30 June 2023

$ '000	2023	2022
ASSETS		
Current assets		
Investments	**30,591**	40,864
Receivables	**3,226**	2,419
Contract assets and contract cost assets	**20**	188
Total current assets	**33,837**	43,471
Non-current assets		
Investments	**6,882**	7,891
Infrastructure, property, plant and equipment	**344,599**	280,401
Intangible assets	**1,183**	1,183
Total non-current assets	**352,664**	289,475
Total assets	**386,501**	332,946
LIABILITIES		
Current liabilities		
Contract liabilities	**217**	347
Payables	**2,414**	1,144
Borrowings	**1,698**	1,619
Total current liabilities	**4,329**	3,110
Non-current liabilities		
Borrowings	**20,587**	22,218
Total non-current liabilities	**20,587**	22,218
Total liabilities	**24,916**	25,328
Net assets	**361,585**	307,618
EQUITY		
Accumulated surplus	**187,149**	187,450
Revaluation reserves	**174,436**	120,168
Total equity	**361,585**	307,618

Tamworth Regional Council

Statement of Financial Position of sewerage business activity
as at 30 June 2023

$ '000	2023	2022
ASSETS		
Current assets		
Investments	64,072	55,754
Receivables	5,521	3,484
Contract assets and contract cost assets	62	–
Total current assets	69,655	59,238
Non-current assets		
Investments	14,369	10,766
Receivables	8,000	12,800
Infrastructure, property, plant and equipment	316,744	279,416
Intangible assets	1,386	1,386
Total non-current assets	340,499	304,368
Total assets	410,154	363,606
LIABILITIES		
Current liabilities		
Payables	320	344
Contract liabilities	798	21
Borrowings	3,174	2,964
Total current liabilities	4,292	3,329
Non-current liabilities		
Borrowings	21,047	24,221
Total non-current liabilities	21,047	24,221
Total liabilities	25,339	27,550
Net assets	384,815	336,056
EQUITY		
Accumulated surplus	229,438	216,824
Revaluation reserves	155,377	119,232
Total equity	384,815	336,056

Tamworth Regional Council

Statement of Financial Position of Airport
as at 30 June 2023

$ '000	2023 Category 1	2022 Category 1
ASSETS		
Current assets		
Receivables	1,302	1,597
Contract assets and contract cost assets	645	259
Total current assets	1,947	1,856
Non-current assets		
Infrastructure, property, plant and equipment	86,328	73,670
Investment property	2,345	1,525
Total non-current assets	88,673	75,195
Total assets	90,620	77,051
LIABILITIES		
Current liabilities		
Payables	137	247
Bank overdraft	349	295
Contract liabilities	–	226
Borrowings	190	182
Total current liabilities	676	950
Non-current liabilities		
Borrowings	1,884	2,074
Total non-current liabilities	1,884	2,074
Total liabilities	2,560	3,024
Net assets	88,060	74,027
EQUITY		
Accumulated surplus	23,324	23,578
Revaluation reserves	64,736	50,449
Total equity	88,060	74,027

Tamworth Regional Council

Statement of Financial Position of Waste
as at 30 June 2023

$ '000	2023 Category 1	2022 Category 1
ASSETS		
Current assets		
Investments	**17,615**	19,828
Receivables	**2,251**	1,229
Other	**6**	–
Total current assets	**19,872**	21,057
Non-current assets		
Right of use assets	**2,401**	2,881
Investments	**4,118**	3,640
Infrastructure, property, plant and equipment	**36,378**	26,411
Total non-current assets	**42,897**	32,932
Total assets	**62,769**	53,989
LIABILITIES		
Current liabilities		
Payables	**353**	1,138
Lease liabilities	**472**	463
Contract liabilities	**1,215**	1,135
Provisions	**2,007**	1,399
Total current liabilities	**4,047**	4,135
Non-current liabilities		
Lease liabilities	**1,971**	2,443
Provisions	**15,073**	10,323
Total non-current liabilities	**17,044**	12,766
Total liabilities	**21,091**	16,901
Net assets	**41,678**	37,088
EQUITY		
Accumulated surplus	**26,093**	24,030
Revaluation reserves	**15,585**	13,058
Total equity	**41,678**	37,088

Tamworth Regional Council

Statement of Financial Position of Pilot Training Facility

as at 30 June 2023

$ '000	2023 Category 1	2022 Category 1
ASSETS		
Current assets		
Receivables	**52**	70
Total current assets	**52**	70
Non-current assets		
Investment property	**13,505**	20,000
Total non-current assets	**13,505**	20,000
Total assets	**13,557**	20,070
LIABILITIES		
Current liabilities		
Payables	**96**	72
Borrowings - External	**400**	389
Monies Owed to General Fund	**3,874**	2,893
Total current liabilities	**4,370**	3,354
Non-current liabilities		
Borrowings - Internal [1]	**10,000**	10,000
Borrowings - External	**8,156**	8,556
Total non-current liabilities	**18,156**	18,556
Total liabilities	**22,526**	21,910
Net assets	**(8,969)**	(1,840)
EQUITY		
Retained earnings	**(8,969)**	(1,840)
Total equity	**(8,969)**	(1,840)

(1) Internal loan from General Fund internal restrictions

Note – Significant Accounting Policies

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

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

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

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993* (Act), the *Local Government (General) Regulation 2021* (Regulation) and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1
(where gross operating revenue 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

Category 2
(where gross operating revenue is less than $2 million)

NONE

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.

continued on next page ...

Note – Significant Accounting Policies (continued)

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 Finanncial Statements.

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

Notional rate applied (%)

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

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

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

In accordance with section 4 of Department of Planning and Environment (DPE) – Water's Regulatory and Assurance Framework, 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 Regulatory and Assurance Framework as a 'dividend for tax equivalents', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to sections 3 and 4 of DPE – Water's Regulatory and Assurance Framework is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed $3 per assessment.

Income tax

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

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

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

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

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

The rate applied of 25% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

continued on next page ...

Note – Significant Accounting Policies (continued)

(ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

$$\frac{\textbf{Operating result before capital income + interest expense}}{\textbf{Written down value of I,PP\&E as at 30 June}}$$

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

(iii) Dividends

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

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

Each dividend must be calculated and approved in accordance with section 4 of DPE – Water's Regulatory and Assurance Framework and must not exceed:

- 50% of the relevant surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2023 multiplied by $30 (less the payment for tax equivalent charges, not exceeding $3 per assessment).

In accordance with section 4 of DPE - Water's Regulatory and Assurance Framework, Statement of Compliance and Statement of Dividend Payment, Dividend Payment Form and Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to DPE – 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 2023, the Statement of Financial Position of each Declared Business Activity as at 30 June 2023 and Significant accounting policies note.

The Declared Business Activities of the Council are:

- Water 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 2023, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2022–23 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2023 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

30 November 2023
SYDNEY

Tamworth Regional Council

SPECIAL SCHEDULES
for the year ended 30 June 2023

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

Tamworth Regional Council

Special Schedules
for the year ended 30 June 2023

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Special Schedules:

Tamworth Regional Council

Permissible income for general rates

$ '000	Notes	Calculation 2022/23	Calculation 2023/24
Notional general income calculation [1]			
Last year notional general income yield	a	39,402	**40,743**
Plus or minus adjustments [2]	b	541	**512**
Notional general income	c = a + b	**39,943**	**41,255**
Permissible income calculation			
Special variation percentage [3]	d	2.00%	**0.00%**
Or rate peg percentage	e	0.00%	**3.70%**
Plus special variation amount	h = d x (c + g)	799	**–**
Or plus rate peg amount	i = e x (c + g)	–	**1,526**
Sub-total	k = (c + g + h + i + j)	**40,742**	**42,781**
Plus (or minus) last year's carry forward total	l	–	**(1)**
Sub-total	n = (l + m)	**–**	**(1)**
Total permissible income	o = k + n	40,742	**42,780**
Less notional general income yield	p	40,743	**42,730**
Catch-up or (excess) result	q = o – p	(1)	**50**
Adjustment Due to Conservation Agreements		–	**–**
Carry forward to next year [6]	t = q + r + s	(1)	**50**

Notes

(1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.

(2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW).*

(3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable, the Crown land adjustment.

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

INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

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 2024.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2022–23 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2023 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2023'.

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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.

JMP

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

30 November 2023
SYDNEY

Tamworth Regional Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard $ '000	Estimated cost to bring to the agreed level of service set by Council $ '000	2022/23 Required maintenance [a] $ '000	2022/23 Actual maintenance $ '000	Net carrying amount $ '000	Gross replacement cost (GRC) $ '000	Assets in condition as a percentage of gross replacement cost 1	2	3	4	5
Buildings	Buildings – non-specialised	–	–	3,501	3,415	150,935	216,580	20.0%	46.0%	20.0%	11.0%	3.0%
	Buildings – specialised	–	–	515	505	43,108	54,465	85.0%	15.0%	0.0%	0.0%	0.0%
	Sub-total	**–**	**–**	**4,016**	**3,920**	**194,043**	**271,045**	**33.1%**	**39.8%**	**16.0%**	**8.8%**	**2.3%**
Other structures	Other structures	–	–	1,570	1,849	9,868	21,899	23.0%	56.0%	20.0%	1.0%	0.0%
	Sub-total	**–**	**–**	**1,570**	**1,849**	**9,868**	**21,899**	**23.0%**	**56.0%**	**20.0%**	**1.0%**	**0.0%**
Roads	Sealed roads	–	–	8,858	8,504	316,703	429,323	58.0%	27.0%	11.0%	2.0%	2.0%
	Unsealed roads	–	–	9,123	9,241	69,335	97,295	73.0%	2.0%	18.0%	6.0%	1.0%
	Bridges	–	–	289	116	247,443	382,172	48.0%	48.0%	3.0%	0.0%	1.0%
	Footpaths	–	–	348	342	31,678	51,931	57.0%	15.0%	20.0%	5.0%	3.0%
	Other road assets	–	–	4,251	3,974	176,637	251,510	68.0%	25.0%	3.0%	1.0%	3.0%
	Sub-total	**–**	**–**	**22,869**	**22,177**	**841,796**	**1,212,231**	**58.1%**	**30.7%**	**7.8%**	**1.6%**	**1.8%**
Water supply network	Water supply network	2,930	–	6,801	5,317	300,200	549,195	27.0%	45.0%	22.0%	6.0%	0.0%
	Sub-total	**2,930**	**–**	**6,801**	**5,317**	**300,200**	**549,195**	**27.0%**	**45.0%**	**22.0%**	**6.0%**	**0.0%**
Sewerage network	Sewerage network	5,143	–	4,422	2,501	275,251	415,565	46.0%	38.0%	14.0%	2.0%	0.0%
	Sub-total	**5,143**	**–**	**4,422**	**2,501**	**275,251**	**415,565**	**46.0%**	**38.0%**	**14.0%**	**2.0%**	**0.0%**
Stormwater drainage	Stormwater drainage	–	–	675	599	254,850	363,471	65.0%	29.0%	2.0%	4.0%	0.0%
	Sub-total	**–**	**–**	**675**	**599**	**254,850**	**363,471**	**65.0%**	**29.0%**	**2.0%**	**4.0%**	**0.0%**
Open space / recreational assets	Swimming pools	–	–	702	739	4,148	11,587	2.0%	8.0%	21.0%	37.0%	32.0%
	Open Space Assets	–	–	7,307	7,401	47,327	74,440	59.0%	17.0%	14.0%	5.0%	5.0%
	Sub-total	**–**	**–**	**8,009**	**8,140**	**51,475**	**86,027**	**51.3%**	**15.8%**	**14.9%**	**9.3%**	**8.7%**
Airport Infrastructure Assets	Airport	–	–	391	378	42,129	70,193	63.0%	35.0%	2.0%	0.0%	0.0%
	Sub-total	**–**	**–**	**391**	**378**	**42,129**	**70,193**	**63.0%**	**35.0%**	**2.0%**	**0.0%**	**0.0%**
	Total – all assets	**8,073**	**–**	**48,753**	**44,881**	**1,969,612**	**2,989,626**	**48.9%**	**34.8%**	**11.5%**	**3.6%**	**1.2%**

(a) Required maintenance is the amount identified in Council's asset management plans.

continued on next page ...

Tamworth Regional Council

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

Infrastructure asset condition assessment ‘key’

#	Condition	Integrated planning and reporting (IP&R) description
1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Tamworth Regional Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (consolidated) *

$ '000	Amounts 2023	Indicator 2023	Indicators 2022	Indicators 2021	Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals [1]	38,747	101.68%	75.66%	68.77%	> 100.00%
Depreciation, amortisation and impairment	38,106				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	8,073	0.39%	0.38%	0.40%	< 2.00%
Net carrying amount of infrastructure assets	2,049,638				
Asset maintenance ratio					
Actual asset maintenance	44,881	92.06%	87.76%	87.70%	> 100.00%
Required asset maintenance	48,753				
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%	0.27%	
Gross replacement cost	3,068,864				

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

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

Tamworth Regional Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (by fund)

$ '000	General fund 2023	General fund 2022	Water fund 2023	Water fund 2022	Sewer fund 2023	Sewer fund 2022	Benchmark
Buildings and infrastructure renewals ratio							
Asset renewals [1] / Depreciation, amortisation and impairment	**130.31%**	84.45%	**44.31%**	74.17%	**34.16%**	45.50%	> 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard / Net carrying amount of infrastructure assets	**0.00%**	0.00%	**0.92%**	0.73%	**1.82%**	1.92%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance / Required asset maintenance	**98.76%**	99.34%	**78.18%**	74.33%	**56.56%**	62.65%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council / Gross replacement cost	**0.00%**	0.00%	**0.00%**	0.00%	**0.00%**	0.00%	

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