
**NARROMINE SHIRE COUNCIL
ORDINARY MEETING BUSINESS PAPER – 10 AUGUST 2022
REPORTS OF COMMITTEES**

1. REPORT OF TRANGIE SHOWGROUND AND RACECOURSE ADVISORY COMMITTEE

The report to and minutes of the Trangie Showground and Racecourse Advisory Committee Meeting held on 30 June 2022 at the Trangie Showground are attached. **(See Attachment No. 1).**

RECOMMENDATION

That the report of the Trangie Showground and Racecourse Advisory Committee and the recommendations from the minutes of the Meeting held on 30 June 2022 be adopted.

2. REPORT OF INTERNAL AUDIT COMMITTEE

The report to and minutes of the Internal Audit Committee Meeting held on 7 July 2022 at the Narromine Shire Council Chambers are attached **(See Attachment No. 2).**

RECOMMENDATION

That the report of the Internal Audit Committee and the recommendations from the minutes of the Meeting held on 7 July 2022 be adopted.

**MINUTES OF THE TRANGIE SHOWGROUND & RACECOURSE ADVISORY COMMITTEE MEETING
HELD AT THE TRANGIE SHOWGROUND ON THURSDAY 30 JUNE 2022**

PRESENT: Cr Adine Hoey (Chair), Cr Craig Davies (Mayor), Andy McKinnon (Trangie Jockey Club), Terrie Milgate (Trangie Action Group), Wayne Brabrook (Trangie Truck and Tractor Show), Phil Johnston (Director Community and Economic Development) and Alison Attwater (Minute Taker).

1. WELCOME

The Chair welcomed those present and declared the meeting open at 3.05pm.

2. APOLOGIES

RECOMMENDED Terrie Milgate/Andy McKinnon that the apologies of Joh Hitchcock (Trangie Campdraft), Sam Hitchcock (Trangie Campdraft), Emma Flynn (Macquarie Picnic Races), Jo Milgate (Trangie Pony Club) and Kim Ferrari (Macquarie Picnic Races) be accepted.

3. DECLARATION/CONFLICT OF INTEREST

Nil

4. CONFIRMATION OF MINUTES FROM PREVIOUS MEETING

RECOMMENDED Cr Davies/Andy McKinnon that the minutes of the previous meeting held on 24 February 2022 be accepted as a true and accurate record of the meeting.

5. BUSINESS ARISING FROM THE MINUTES

Nil

RECOMMENDED Andy Mackinnon/Cr Davies that this information be noted.

6. REPORT TO TSRAC

1) Follow Up Items

Discussion took place on the lease agreement areas. Council advised that they will continue to monitor lease holder areas.

The item of pavilion toilet ventilation was discussed. It was decided that pedestal fans be used on event days in summer.

It was noted that the letter to Council from Trangie Campdraft regarding water access to the middle of the showground had not yet been received.

**MINUTES OF THE TRANGIE SHOWGROUND & RACECOURSE ADVISORY COMMITTEE MEETING
HELD AT THE TRANGIE SHOWGROUND ON THURSDAY 30 JUNE 2022**

REPORT TO TSRAC Cont'd.

2) Work Health and Safety

It was reported that the door on the western side of the pavilion became inaccessible at a recent event due to wet weather. Discussion took place and it was decided that approx. six inches of blue metal around this entrance would rectify the situation.

Action: Council to add blue metal to the western entry walkway of the pavilion

RECOMMENDED: Terrie Milgate/Wayne Brabrook that this information be noted.

3) Bookings

Nil

RECOMMENDED Andy McKinnon/Terrie Milgate that the information be noted.

4) Financial Report

Nil

RECOMMENDED Terrie Milgate/Wayne Brabrook that the Financial Report as presented be accepted.

5) Directors Report

Nil

RECOMMENDED Cr Davies/Andy McKinnon that the Director's Report as presented be accepted.

7. GENERAL BUSINESS

It was noted that the grassed area in front of the pavilion requires laser levelling to improve drainage. Further discussion took place and it was recommended that guttering should be added to the shade cloth extension of the building.

Action: Council to discuss with contractors the drainage issues and quote for best outcome.

Discussion took place on access to the showground. It was noted that additional access via Riches Road be considered.

Action: Council to discuss additional access and report to committee.

**MINUTES OF THE TRANGIE SHOWGROUND & RACECOURSE ADVISORY COMMITTEE MEETING
HELD AT THE TRANGIE SHOWGROUND ON THURSDAY 30 JUNE 2022**

7. GENERAL BUSINESS (Cont'd)

Trangie Truck and Tractor committee advised that they require extra parking on event day. The solution put forward was to grade an area at the northern end of the showground. Council advised that they would investigate this possibility.

Action: Council to investigate parking at the northern end of the showground and report to the committee.

RECOMMENDED Wayne Brabrook/Andy McKinnon that this information be noted.

NEXT MEETING

The next meeting of the Trangie Showground & Racecourse Advisory Committee will be held on Thursday, 27 October 2022 at 3.00 pm.

There being no further business, the meeting closed at 3.45 pm.

The minutes (pages 1-3) were confirmed on _____ 2022 and are a true and accurate record of proceedings of the meeting held on 30 June 2022.

CHAIR

**REPORT TO TRANGIE SHOWGROUND AND RACECOURSE ADVISORY COMMITTEE MEETING TO BE HELD
AT TRANGIE SHOWGROUND THURSDAY, 30 JUNE 2022**

1. FOLLOW UP ITEMS

Water Availability	Campdraft advised that the current water availability to the middle of the showground does not meet requirements of event day.	Action: Trangie Campdraft to submit letter to Council outlining water supply requirements for event day Outcome: Awaiting letter
Rubbish Removal	It was reported that the previous planned rubbish removal day did not take place	Action: Council to reschedule Outcome: Complete by external contractor
Lease agreement clean-up	TSRAC requested that information regarding the action taken on the lease holder be reviewed	ACTION: Mayor Davies to make further enquires Outcome: Further investigation has taken place by Director of Community and Economic Development and appropriate action has been taken
Toilet Ventilation	Electrician to be engaged and liaise with Sam Hitchcock for best outcome	ACTION: Electrician to be contacted Outcome: Electrician has been and inspected the pavilion toilets and reported that an exhaust fan will not fix the heat issue and that ceiling fans will only just meet height requirements the only way to cool this area is by split system air-conditioning.
Sheep Faeces	Trangie Pony Club was adversely affected by sheep faeces	Action: Council to contact owner of sheep and area to be cleaned Outcome: Complete

RECOMMENDATION

That the information be noted.

**REPORT TO TRANGIE SHOWGROUND AND RACECOURSE ADVISORY COMMITTEE MEETING TO BE HELD
AT TRANGIE SHOWGROUND THURSDAY, 30 JUNE 2022**

2. WORK HEALTH AND SAFETY ISSUES

Have any other Work Health and Safety Issues arisen for further consideration?

Nil

RECOMMENDATION

That the information be noted.

3. BOOKINGS

Since the last meeting in February 2022, there have been Five **(5)** functions at the Trangie Showground. There are Six **(6)** forward booking for the next eight months up to February 2023

Name	Event Date
Private Function	22 March 2022
Community Function	23 April 2022
Trangie Truck & Tractor	10 April 2022
Trangie Pony Club	8 May 2022
Private Function	19 June 2022
Trangie Pony Club	17 July 2022
Trangie Pony Club	21 or 28 TBC 2022
Private Function	3 September 2022
Trangie Pony Club	18 September 2022
Trangie Pony Club	16 October 2022
Trangie Pony Club	20 November 2022

RECOMMENDATION

That the information be noted.

4. FINANCIAL REPORT

The Trangie Showground and Racecourse Advisory Committee Financial Report is reflected in **Attachment No. 1**.

RECOMMENDATION

That the Financial Report as presented be adopted.

**REPORT TO TRANGIE SHOWGROUND AND RACECOURSE ADVISORY COMMITTEE MEETING TO BE HELD
AT TRANGIE SHOWGROUND THURSDAY, 30 JUNE 2022**

5. Directors Report

The yearly halfway point is upon us and in 2022 the wet weather is certainly making progress difficult. Congratulations to the TTT committee, Campdraft and Pony Club committees on their recent successful events. An application was submitted to Crownlands for resurfacing of the track hopefully a positive outcome will soon be received.

We are encouraging the user groups to use the Councils CRM system to report any issues at the showground via the Councils website or contact us at council.

All the best in the coming months for whatever it brings rain, hail or shine.

RECOMMENDATION

That the information be noted.

6. Next Meeting

The next Trangie Showground and Advisory Committee meeting will be held on Thursday, 23 February 2023 at 3pm at the Trangie Showground

RECOMMENDATION

That the information be noted.

Phil Johnston

Director, Community and Economic Development

TRANGIE RACECOURSE ADVISORY COMMITTEE																	
2021/2022		INCOME				USER CHARGES											
		FEES				CONTRIBUTIONS											
		Privt		Other		Tge		Macq		Nme		Sundr	Asset Sale	Int	Total		
DATE		Func		Fac		Club		Race		Shire			Proceeds		Income		
1/07/2021	Narromine Shire Council Contribution										9,960.00				9960.00		
23/07/2021						187.12									187.12		
24/08/2021						187.12									187.12		
24/09/2021						187.12									187.12		
29/10/2021						187.12									187.12		
23/11/2021						187.12									187.12		
30/11/2021	Hire of Showground -			350.00											350.00		
21/12/2021						187.12									187.12		
25/01/2022						187.12									187.12		
22/02/2022						187.12									187.12		
3/03/2022	Hire of Showground -			350.00											350.00		
24/03/2022						187.12									187.12		
20/04/2022						187.12									187.12		
19/05/2022						187.12									187.12		
															0.00		
TOTAL		0.00		700.00		2,058.32		0.00		0.00		9,960.00		0.00	0.00	0.00	12,718.32
						GL Number			Description								
						4700.0200.0178			Facilities Hire			\$ 2,758.32					
						4700.0200.0249			Other Sundry Income			\$ -					
						4700.0200.0270			Contributions Received			\$ 9,960.00					
											Total		\$ 12,718.32				
											Difference		\$ -				

**TRANGIE SHOWGROUND RACECOURSE ADVISORY
COMMITTEE
Bank Reconciliation
25/05/2022**

Balance of Bank Account as at 1/7/2021	\$ 14,674.83
Add Receipts	\$ 12,718.32
Less Payments	\$ 8,244.91
	<hr/>
Balance of Working Funds 25/05/2022	\$ 19,148.24
	<hr/>
Bonds Held	\$ 4,599.50
Sub Total	\$ 23,747.74
Reconciled Balance	\$ 23,747.74
Check:	\$ -

Balance Sheet Check:

Reconciled Bank Balance 1 July 2021	\$ 14,674.83
Profit Year to Date	\$ 4,473.41
Security Bonds Held	\$ 4,599.50
	<hr/>
Reconciled Bank Balance 25/05/2022	\$ 23,747.74
	<hr/>
Reconciled Balance	\$ 23,747.74
Check:	\$ -

**TRANGIE SHOWGROUND RACECOURSE
ADVISORY COMMITTEE**

**Statement of Income & Expenditure
Period Ending 25/05/2022**

INCOME

Contributions		
Narromine Shire	9,960.00	
Macquarie Picnic Race Club	-	
Trangie Jockey Club	-	
Sundry	-	
	<hr/>	9,960.00
Fees		
Private functions	-	
Other Facilities	700.00	
Stables	2,058.32	
	<hr/>	2,758.32
Interest	-	
	<hr/>	-
TOTAL INCOME		<hr/> 12,718.32

EXPENDITURE

Bank Fees		-
Cleaning		-
Electricity		3,458.79
Insurance		-
Repairs & Maintenance		
Buildings	1,365.16	
Grounds	2,924.29	
Plant	-	
Turf	-	
Racetrack	-	
Toilets	-	
		<hr/> 4,289.45
Rates & Water		376.15
Interest Loan Dept of Lands - Amentities Block		-
Wages & Security		120.52
Sundry		-
		<hr/> <hr/> 8,244.91
TOTAL EXPENDITURE		
PROFIT/(LOSS) YEAR TO DATE		<hr/> <hr/> 4,473.41

Balance Authority to Fujitsu

	Job Number or GL Number		
Balance 2021-2022	79010	\$	23,747.74
B/BF Authority 2020-2021	79010	\$	-
Balance		\$	23,747.74
Sub Total		\$	23,747.74

*****Bonds are included in the above balance*****

Bonds Balance	79230.8585.2040		
	2021	\$	-
	2022	-\$	4,599.50
Total		-\$	4,599.50

**MINUTES OF THE NARROMINE SHIRE COUNCIL INTERNAL AUDIT COMMITTEE
MEETING HELD IN COUNCIL CHAMBERS ON MONDAY 7 JULY 2022**

PRESENT: Neil Maltby (Chair) – Independent External Member, Grahame Marchant – Independent External Member, Cr Les Lambert NSC, Jane Redden - General Manager NSC, Barry Bonthuys - Director Finance & Corporate Strategy NSC, Marion Truscott - Director Governance NSC and Sally McDonnell (Minute Taker)

Via Teleconference – Telman McGowan - Prosperity Advisor Group and Unaib Jeffrey – Audit Office of NSW

1. WELCOME

The Chair welcomed everyone to the Narromine Shire Council Internal Audit Committee meeting and declared the meeting open at 12.01pm.

2. APOLOGIES

The apology of Cr Adine Hoey was accepted.

3. DISCLOSURES OF INTEREST

Nil

4. CONFIRMATION OF PREVIOUS MINUTES - 28 MARCH 2022

RECOMMENDED Grahame Marchant/Cr Lambert that the Minutes of the Narromine Shire Council Internal Audit Committee Meeting held 28 March 2022 be adopted as a true and correct record of the meeting.

5. BUSINESS ARISING FROM MINUTES

The Chair noted the list of actions from last meeting, are included on the agenda.

6. INTERIM MANAGEMENT LETTER

Unaib Jeffrey – NSW Audit Office presented to the committee the Interim Management Letter.

Unaib Jeffrey – NSW Audit Office and Telman McGowan - Prosperity Advisor Group left the meeting at 12.36pm

It was noted that Councils must undertake a stocktake of RFS assets. The Director Finance and Corporate Strategy will provide a draft position paper on asset classes within the next two weeks.

7. REPORT TO INTERNAL AUDIT COMMITTEE

Items from the Director Governance

7.1 Committee Action Tracking List

RECOMMENDED Grahame Marchant/Neil Maltby that progress with implementation of actions be considered and noted.

7.2 Legislative Compliance - Exception Reporting

RECOMMENDED Cr Lambert/Neil Maltby that the report be considered and noted.

**MINUTES OF THE NARROMINE SHIRE COUNCIL INTERNAL AUDIT COMMITTEE
MEETING HELD IN COUNCIL CHAMBERS ON MONDAY 7 JULY 2022**

7. REPORT TO INTERNAL AUDIT COMMITTEE (Cont'd)

7.3 Compliance Monitoring – Office of Local Government Circulars

RECOMMENDED Neil Maltby/Cr Lambert that the report be considered and noted.

7.4 Narromine Shire Property Strategy

RECOMMENDED Cr Lambert/Neil Maltby that the Committee notes the revised Narromine Property Strategy Action List KPI's.

It was noted that Wentworth Park should read Wentworth Parklands and that Narromine Shire Property Strategy Action List be added as a standard agenda item to future meetings.

7.5 Annual Workplan

RECOMMENDED Cr Lambert/Neil Maltby that the Draft Annual Work Plan be noted and that an expression of interest be undertaken to develop an Internal Audit Strategy.

7.6 Rural Firefighting Equipment

RECOMMENDED Neil Maltby/Cr Lambert that the information be noted.

7.7 Employee Engagement Survey Action Plan 2022

RECOMMENDED Grahame Marchant/Neil Maltby that the Employee Engagement Survey Action Plan 2022 be noted.

7.8 Dashboard WHS Measures

RECOMMENDED Cr Lambert/Grahame Marchant that the information be noted.

It was noted that a report be presented to the Committee on Council's Insurance Premiums.

Item from the Director Infrastructure and Engineering Services

7.9 Asset Management Plan Sample

RECOMMENDED Cr Lambert/Neil Maltby that the information be noted.

Item from the Director Finance and Corporate Strategy

7.10 Pro-Forma Annual Financial Statements

RECOMMENDED Grahame Marchant/Neil Maltby that the information be noted.

8. ANY OTHER BUSINESS

Director Finance and Corporate Strategy advised he will circulate the Draft Financial Statements to the External Auditors and the Internal Audit Committee out of session prior to referral to audit.

**MINUTES OF THE NARROMINE SHIRE COUNCIL INTERNAL AUDIT COMMITTEE
MEETING HELD IN COUNCIL CHAMBERS ON MONDAY 7 JULY 2022**

9. DATE FOR NEXT MEETING

The next Internal Audit Committee meeting will be held on Wednesday 19 October 2022.

10. CONCLUSION OF MEETING

The Chair thanked all members for attending.

There being no further business the meeting concluded at 2.04pm.

The Minutes (pages 1 to 3) were confirmed at a meeting held on the day of _____ 2022, and are a full and accurate record of proceedings of the meeting held on 7 July 2022.

CHAIR



Ms Jane Redden
General Manager
Narromine Shire Council
PO Box 115
Narromine, NSW, 2821

Contact: Unaib Jeffrey
Phone no: 02 9275 7450
Our ref: D2210860/1769

6 July 2022

Dear Ms Redden

Management Letter on the Interim Phase of the Audit for the Year Ending 30 June 2022

The interim phase of our audit for the year ending 30 June 2022 is complete. This letter outlines:

- matters of governance interest we identified during the current audit
- unresolved matters identified during previous audits
- matters we are required to communicate under Australian Auditing Standards.

We planned and carried out our audit to obtain reasonable assurance the financial statements are free from material misstatement. Because our audit is not designed to identify all matters that may be of governance interest to you, there may be other matters that did not come to our attention.

The audit is ongoing and we will inform you if we identify any new matters of governance interest as they arise.

For each matter in this letter, we have included our observations, risk assessment and recommendations. The risk assessment is based on our understanding of your business. Management should make its own assessment of the risks to the organisation.

The Auditor-General may include items listed in this letter in the Report to Parliament. We will send you a draft of this report and ask for your comments before it is tabled in Parliament.

If you would like to discuss any of the matters raised in this letter, please contact me on 9275 7450 or Alex Hardy (Director, Prosperity Audit Services) on 8262 8700.

Yours sincerely



Unaib Jeffrey
Audit Leader, Financial Audit

cc: Cllr Craig Davies, Mayor
Mr Neil Maltby, Chair of the Audit, Risk and Improvement Committee
Mr Barry Bonthuys, Director of Finance & Corporate Strategy

Interim management letter

for the year ending 30 June 2022

Narromine Shire Council







We have rated the risk of each issue as 'Extreme', 'High', 'Moderate' or 'Low' based on the likelihood of the risk occurring and the consequences if the risk does occur.

The risk assessment matrix used is based on principles within the risk management framework in [TPP12-03 'Risk Management Toolkit for the NSW Public Sector'](#).

This framework may be used as better practice for councils.

		CONSEQUENCE			
		Low	Medium	High	Very high
LIKELIHOOD	Almost certain	M	M	H	E
	Likely	L	M	H	H
	Possible	L	M	M	H
	Rare	L	L	M	M

The risk level is a combination of the consequences and likelihood. The position within the matrix corresponds to the risk levels below.

RISK LEVELS	MATRIX REFERENCE
 Extreme:	E
 High:	H
 Moderate:	M
 Low:	L

For each issue identified, the principles within the consequence and likelihood tables, which are based on the principles within [TPP12-03](#) have been used to guide our assessment.

Consequence levels and descriptors

When assessing the consequence of each issue, we have regard to the length of time the issue remains unresolved. The lack of timeliness in resolving issues may indicate systemic issues and/or poor governance practices, which warrant an increase in the consequence level. As such, unresolved or unaddressed issues from prior periods are re-assessed annually. This re-assessment may lead to an increase in the risk rating adopted.




Consequence level	Consequence level description
Very high	<ul style="list-style-type: none"> Affects the ability of the entire entity to achieve its objectives and may require third party intervention; Arises from a fundamental systemic failure of governance practices and/or internal controls across the entity or across a critical/significant part of the entity; or May result in an inability for the auditor to issue an audit opinion or issue an unqualified audit opinion, and/or significant management work arounds and substantive tests of details was required in order to issue an unqualified opinion.
High	<ul style="list-style-type: none"> Requires coordinated management effort at the executive level; Arises from a widespread failure of governance practices and/or internal controls affecting most parts of the entity or across a significant/important part of the entity (e.g. as demonstrated through a lack of timely resolution of unresolved/repeat issues); or May result in an inability for the auditor to issue an unqualified audit opinion, and/or significant management workarounds and substantive tests of details was required in order to issue an unqualified opinion.
Medium	<ul style="list-style-type: none"> Requires management effort from areas outside the business unit; or Arises from ineffective governance practices and/or internal controls affecting several parts or a key part of the entity (e.g. as demonstrated through a lack of timely resolution of unresolved/repeat issues).
Low	<ul style="list-style-type: none"> Can be managed within normal management practices; or Arises from isolated ineffective governance practices and/or internal controls affecting a small part of the entity that are largely administrative in nature.

Likelihood levels and descriptors

When assessing the likelihood of each issue, we have regard to the length of time the issue remains unresolved because the longer the risk remains unresolved the greater the chance the weakness could be exploited, or an adverse event or events could occur. As such, unresolved or unaddressed issues from prior periods are reassessed annually. This reassessment may lead to an increase in the risk rating adopted.

Likelihood level	Frequency	Probability
Almost certain	The event is expected to occur in most circumstances, and frequently during the year	More than 99 per cent
Likely	The event will probably occur once during the year	More than 20 per cent and up to 99 per cent
Possible	The event might occur at some time in the next five years	More than 1 per cent and up to 20 per cent
Rare	The event could occur in exceptional circumstances	Less than 1 per cent

Summary of issues


Issue	Detail	Likelihood	Consequence	Risk assessment
Prior year matters not resolved by management				
1	Privileged user accounts	Possible	Medium	 Moderate
Current year matters				
1	Outdated council policies and procedure	Possible	Medium	 Moderate
2	Outdated data breach response plan	Likely	Medium	 Moderate

Appendix

[Review of matters raised in prior year management letters that have been addressed](#)

Prior year matters not resolved by management

Issue 1: Privileged user accounts

Likelihood	Consequence	Systemic issue	Category	Risk assessment
Possible	Medium	Yes	Operational	 Moderate

Observation

We noted that the Council has three users with privileged access to Civica Authority. Out of the three users with privileged access to Civica Authority, two users are from the finance team who are also banking EFT signatories within the online banking system, as follows;

#	Employee	Privilege access to Civica Authority	Bank EFT signatories
1	Director Finance and Corporate Strategy	✓	✓
2	Manager Accounting Services	✓	✓
3	Manager Information Technology	✓	✗

We acknowledge management has several compensating controls in place including dual approvers required for online banking payments and vendor Masterfile exception reporting.

Implications

Without processes to adequately restrict and manage the privileged user's activity (i.e. review of access logs), there is an increased risk of erroneous, fraudulent or unauthorised transactions being posted without detection.

Recommendation

We recommend Council to:

- restrict privileged user access and ensure no employee has privileged access to both the banking and finance system
- implement an independent review process over the audit logs of privileged users.

Management response

Agree with observation, however, disagree with first recommendation above.


Your recommendation to restrict privileged user access to ensure no employee has privileged access to both the banking and finance system is noted. However, it is crucial and essential for both the Director of Finance and Corporate Strategy and Manager Accounting Services to have privileged access to the finance system and the banking accounts of Council due to the roles and responsibilities of their positions. It must be noted that these Officers are not processing any payments, creditors and/or payroll, but only authorising these payments, reducing the risk to Council as they are best placed to detect any fraudulent, unauthorised or erroneous transactions that may be processed and posted. The Director of Finance and Corporate Strategy and Manager Accounting Services are responsible for managing Council's financial operations and processes, hence their privileged access to Civica Authority System.

An independent review process over the audit logs of privileged users will be implemented as recommended.

Person responsible:	Date (to be) actioned:
Barry Bonthuys - Director of Finance and Corporate Strategy	31 July 2022

Current year matters

Issue 1: Outdated council policies and procedure

Likelihood	Consequence	Systemic issue	Category	Risk assessment
Possible	Medium	Yes	Operational	 Moderate

Observation

During the interim audit, the audit team noted that several Council policies have not been updated for more than three years:

- Enterprise Risk Management Policy
- ICT Security Policy and Cyber Security Policy
- Network and IT Usage Policy
- Compliance & Enforcement Policy
- Fraud Control Policy
- Procurement Policy
- Corporate Credit Card Policy
- Councillor Induction and Professional Development Policy
- Complaint Handling Policy
- Internal Reporting Policy
- Contract Management Procedure

Implications

Outdated policies and procedure increase the risk of inconsistent application across the Council and may not reflect the current legislative requirements or best practice.

Council staff may be unaware of the correct procedures to be followed.

Recommendation

Management should review and update its policies (including staff training) and procedures at least every three years to ensure they remain current and appropriate for the Council. Key changes should be communicated to relevant staff. Management is also encouraged to set target dates for periodic review of its policies going forward.

Management response

Agree with observation, however, disagree with recommendation.

Council generally adopts a 4 year revision date for policies, excluding those policies mandated to be reviewed and updated more regularly, in line with the election cycle. Therefore, a number of policies identified in this report are not due for review until late 2022 and 2023.


The following policies will be reviewed and updated by 30 September 2022:

- ICT Security Policy and Cyber Security Policy;
- Network and ICT Usage Policy; and
- WHS Contractor Management Policy and Procedures.

Council has established and maintains a policy register. This register is reviewed on a monthly basis to ensure policies are reviewed and updated at their respective review dates.

Person responsible:	Date (to be) actioned:
Barry Bonthuys - Director of Finance and Corporate Strategy	30 September 2022

Issue 2: Outdated data breach response plan

Likelihood	Consequence	Systemic issue	Category	Risk assessment
Likely	Medium	Yes	Operational	 Moderate

Observation

From the review of the Data Breach Response Plan, we noted that the plan has not been updated since 2018.

Implications

The absence of a periodic review and update of the Data Breach Response Plan increases the risk that critical systems and operations may not be restored within appropriate timeframes in the event of a significant disruption.

Recommendation

We recommend that Council:

- formally document in the response plan reviewed dates to ensure there is clarity regarding frequency of the review undertaken.
- test the response plan on an annual basis to ensure the plan can be successfully enacted in the event of an actual disaster.

Management response

Agree


The Data Breach Response Plan will be reviewed by 31 July 2022 and will be considered for testing as part of the Business Continuity Plan test as recommended.

Person responsible:	Date (to be) actioned:
Marion Truscott - Director of Governance	31 July 2022

Appendix

Review of matters raised in prior year management letters that have been addressed

The issues in this appendix were raised in previous management letters. For each of these issues, we have determined how management has addressed the issue in the current year.

Prior issues raised	Risk assessment	Assessment of action taken	Recommendation
Legislative Compliance Register and Framework (June 2020)	 Low	Resolved. Management developed a legislative compliance register and policy to strengthen the Council's legislative framework. The updated policy has been adopted by Council on 9 December 2020.	Nil as matter addressed

**NARROMINE SHIRE COUNCIL
INTERNAL AUDIT COMMITTEE MEETING REPORT – 7 JULY 2022**

Items from the Director Governance

1. COMMITTEE ACTION TRACKING LIST

The Internal Audit Committee Action Tracking List is attached (**see Attachment No. 1**).

RECOMMENDATION

That progress with implementation of actions be considered and noted.

2. LEGISLATIVE COMPLIANCE – EXCEPTION REPORTING

There are no identified legislative compliance issues to be reported.

The Committee at its previous meeting requested that a report of the higher risk items be presented to the next meeting. Provided under separate cover is a register of legislation Council is required to comply with and its associated risk rating/classifications. As previously reported to the Committee, Council's legislative compliance framework consists of its Legislative Compliance Policy, Legislative Compliance Register and Legislative Compliance Checklist. This is supported by Council's delegations register. The delegations to the Mayor and General Manager will be presented to Council in July or August as is required under the Local Government Act.

RECOMMENDATION

That the report be considered and noted.

3. COMPLIANCE MONITORING - OFFICE OF LOCAL GOVERNMENT CIRCULARS

A number of Circulars have been issued by the Office of Local Government since the Internal Audit Committee Meeting held in March 2022. **Attachment No. 2** provides information relating to each circular and Council's actions taken to date.

RECOMMENDATION

That the report be considered and noted.

NARROMINE SHIRE COUNCIL
INTERNAL AUDIT COMMITTEE MEETING REPORT – 7 JULY 2022

4. NARROMINE SHIRE PROPERTY STRATEGY

The Narromine Shire Property Strategy Action list has been revised to reflect more measurable KPI's as recommended by the Committee at its previous meeting (**see Attachment No. 3**)

RECOMMENDATION

That the Committee notes the revised Narromine Property Strategy Action List KPI's.

5. ANNUAL WORKPLAN

The Internal Audit Committee at its previous meeting recommended that Management present a draft annual workplan to the Committee for consideration.

Under section 428A of the Local Government Act, each Council must have an audit, risk and improvement committee to independently review and provide advice to the council regarding the following aspects of council's operations:

- (a) compliance
- (b) risk management
- (c) fraud control
- (d) financial management
- (e) governance
- (f) implementation of the strategic plan, delivery program and strategies
- (g) service reviews
- (h) collection of performance measurement data by the council, and
- (i) any other matters prescribed by the regulation (i.e. internal audit).

Council is awaiting finalisation of the draft Guidelines for Risk Management and Internal Audit Framework for Local Councils in NSW. As such, the attached document considers the responsibility areas of the Committee identified both under the 2010 internal audit guidelines and the draft 2021 guidelines.

Suggested responsibility areas for the next 12 months and beyond have been indicated on **Attachment No 4**, taking into consideration previous internal audit reviews and other responsibility areas recently reviewed by the Committee.

It is noted that the following internal audit reviews have been considered by the Committee to date: -

- Contract Management
- IT Governance
- Infrastructure Management
- Community Engagement
- Community Safety
- Workforce Planning, Recruitment and Retention
- Climate Change

**NARROMINE SHIRE COUNCIL
INTERNAL AUDIT COMMITTEE MEETING REPORT – 7 JULY 2022**

5. ANNUAL WORKPLAN (Cont'd)

In addition, the Committee has recently reviewed Council's Risk Management Framework and Legislative Compliance Framework.

Council will need to consider its position regarding its internal audit function including the appointment of an independent internal audit provider given the contract with Crowe has now expired.

RECOMMENDATION

That the Committee endorses the proposed Work Plan for the next 12-month period and considers inviting expressions of interest for the appointment of an independent external provider to undertake Council's internal audit function responsibilities.

6. RURAL FIREFIGHTING EQUIPMENT

Council has received the attached letter from the Auditor-General detailing findings and recommendations from their 2020/21 financial audits of local councils, with specific reference to rural firefighting equipment vested to councils (**see Attachment No. 5**).

61% of the total value of uncorrected errors was due to unrecorded rural firefighting equipment. The Auditor-General has advised that the Department should now intervene where Councils do not recognise rural firefighting equipment.

As the Internal Committee would be aware, Narromine Shire Council recognised its rural firefighting equipment for the first time in the 2020/21 financial statements. The inclusion of the RFS assets represented 0.4% of the overall Infrastructure, Property, Plant and Equipment balance for the financial year 2019/20.

RECOMMENDATION

That the information be noted.

7. EMPLOYEE ENGAGEMENT SURVEY ACTION PLAN 2022

The employee engagement survey was undertaken in February 2022. Priority improvement areas identified include Recruitment and Selection; Learning and Development and Career Opportunities.

The attached Action Plan (**see Attachment No. 6**) has therefore been developed in order to: -

- Provide better career planning and opportunities to staff
- Improve recruitment and selection processes to attract better quality applicants for jobs
- Provide an effective induction program to ensure new starters are given enough guidance and training

**NARROMINE SHIRE COUNCIL
INTERNAL AUDIT COMMITTEE MEETING REPORT – 7 JULY 2022**

7. EMPLOYEE ENGAGEMENT SURVEY ACTION PLAN 2022 (Cont'd)

It is noted that the majority of these actions have been incorporated in Council's Workforce Management Strategy 2022 – 2026 which has been endorsed by Council at its Ordinary Meeting held 22 June 2022.

RECOMMENDATION

That the Employee Engagement Survey Action Plan 2022 be noted.

8. DASHBOARD WHS MEASURES

The Internal Audit Committee requested that a dashboard of Council's WHS measures be presented to the next meeting.

Council utilises the Vault system to record all WHS events. The events register is provided to the Executive Leadership Team monthly together with the number and type of inspections undertaken for the month. Performance indicators include number of work-related injuries, lost time, medical treatment, restricted work etc; the number of near miss incidents and all incidents by person type (See attachment provided under separate cover).

A monthly WHS Management Review Report is also provided to the Executive Leadership Team with further statistics on both negative and positive indicators.

Council's Health and Safety Committee meets every two months, with minutes distributed to all staff.

RECOMMENDATION

That the information be noted.

Marion Truscott
Director Governance

**NARROMINE SHIRE COUNCIL
INTERNAL AUDIT COMMITTEE MEETING REPORT – 7 JULY 2022**

Item from Director Infrastructure and Engineering Services

1. ASSET MANAGEMENT PLAN SAMPLE

The Internal Audit Committee recommended at its previous meeting that a copy of one of Council's revised Asset Management Plans be provided to the committee for consideration.

Council's Asset Management Planning comprises of the Asset Management Policy, Asset Management Strategy and the Asset Management Plan for each class of asset being: -

- Water
- Sewer
- Waste
- Aerodrome
- Community and Recreational Facilities
- Transport
- Buildings

Accordingly, a copy of the Asset Management Plan for Water is attached as requested (**see Attachment No. 7**).

Council adopted its Integrated Planning and Reporting documents at its Ordinary Council Meeting held on 22 June 2022.

RECOMMENDATION

That the information be noted

Andre Pretorius
Director Infrastructure and Engineering Services

**NARROMINE SHIRE COUNCIL
INTERNAL AUDIT COMMITTEE MEETING REPORT – 7 JULY 2022**

Item from Director Finance and Corporate Strategy

1. PRO-FORMA ANNUAL FINANCIAL STATEMENTS

The Internal Audit Committee recommended at its previous meeting that management present a proforma set of financial statements including accounting policies, treatments and disclosures to the next meeting of the Internal Audit Committee (**see Attachment No. 8**).

RECOMMENDATION

That the information be noted

Barry Bonthuys
Director Financial and Corporate Strategy

Narromine Shire Council - Internal Audit Committee – Action List As At July 2022

Action No	Action	Responsible Officer	Due Date	Status	Comment
Infrastructure Management Review Report					
1	Review and update of Integrated Water Cycle Management Strategy to include a 30-year Total Asset Management Plan, Long Term Financial Plan and Drought Management Plan	Director Infrastructure and Engineering Services	Dec 2023	In progress	Consultant is working on the Integrated Water Cycle Management Issue Paper. Council to establish a Project Working Group before proceeding to the next stage.
2	Full utilisation of infrastructure and asset data to manage the life, condition and full potential of existing infrastructure, including justifications for future planning infrastructure maintenance and investment decisions	Director Infrastructure and Engineering Services & Director Finance and Corporate Strategy	Dec 2022	In progress	
3	Asset Management documentation to be reviewed as part of IP&R process after new Council is elected.	Director Infrastructure and Engineering Services	June 2022	Completed	Adopted by Council at its Ordinary Council Meeting in June.
Workforce Planning, Recruitment and Retention Review					
3	HR will monitor employee study progress to ensure timely and appropriate action is taken for completion	Manager Human Resources	31 October 2021	Completed	No studies currently being undertaken but monitoring of any employees completing training will be conducted.
5	Learning and development program needs to be developed further to include detailed training expectations for staff. Training processes to be refined within Council's Performance Management System	Manager Human Resources	31 December 2022	In Progress	

Action No	Action	Responsible Officer	Due Date	Status	Comment
6	All Position Descriptions are being reviewed as positions are vacant and capabilities from LGNSW Capability Framework Incorporated. This includes a review of the competency assessment	Manager Human Resources	30 June 2023	In Progress	Completed as positions become vacant for those positions not on Step 5. Approximately 50% complete.
7	Workforce Management Plan to be reviewed and will include the recommendations from the newly released Integrated Planning and Reporting Framework Handbook	Manager Human Resources	30 June 2022	Completed	Adopted by Council at its Ordinary Council Meeting in June.

OFFICE OF LOCAL GOVERNMENT CIRCULARS

Circular No.	Date	Title	Related Issue	Council Action
22-06	1 April 2022	Information about Ratings 2022-23	Councils should incorporate these determinations into their 2022-23 rating structures and Operational Plan Statement of Revenue Policies.	Forwarded to Executive Leadership Team for information. Determinations incorporated into IP&R documents.
22-07	6 April 2022	Guidelines for Additional Special Variation (ASV) Process for 2022-23	IPART will accept and process an additional round of 2022-23 Special Variation (ASV) applications from councils. The ASV Guidelines set out in this circular apply in place of, and supersede, the ASV Guidelines issued in the previous Circular 22-03. Councils seeking a permanent special variation will also need to demonstrate the financial need for the special variation to be included in their rate base on an ongoing basis.	Forwarded to Executive Leadership Team for information. Not applicable for NSC at this stage.
22-08	7 April 2022	Model Social Media and Councillor and Staff Interaction Policies	The Office of Local Government (OLG) has finalised the <i>Model Social Media Policy</i> and <i>Model Councillor and Staff Interaction Policy</i> . The model policies are not mandatory, and councils are free to choose whether to use them or to adapt their own purpose	Forwarded to Executive Leadership Team for information. Policies were both adopted by Council at its Ordinary Meeting held in May.

Circular No.	Date	Title	Related Issue	Council Action
22-09	11 April 2022	Councils' obligations under the Modern Slavery Act 2018	<p>From 1 July 2022, councils will be required to take reasonable steps to ensure that goods and services procured by and for the council are not the product of modern slavery within the meaning of the <i>Modern Slavery Act 2018</i> (NSW).</p> <p>Commencing from the 2022/23 financial year, each council will be required to publish in their annual reports:</p> <ul style="list-style-type: none"> • a statement of the action taken by the council in relation to any issue raised by the Anti-slavery Commissioner during the year concerning the operations of the council and identified by the Commissioner as being a significant issue, and • a statement of steps taken to ensure that goods and services procured by and for the council during the year were not the product of modern slavery within the meaning of the <i>Modern Slavery Act 2018</i> (NSW). 	<p>Forwarded to Executive Leadership Team for information and action.</p> <p>Annual Report for 2022/23 to include required statements.</p>
22-10	12 April 2022	Local Government Amendment Act 2021 – Guidance on local government rating reforms	Guidance on local government rating reforms (Guidance) has been prepared to assist NSW councils with reforms to the rating system that were made through the Local Government Amendment Act 2021 (Amendment Act) in 2021.	Forwarded to Executive Leadership Team for information.

Attachment No: 2

Circular No.	Date	Title	Related Issue	Council Action
22-11	19 April 2022	Misuse of Council Resources – May 2022 Federal	In the lead up to the May 2022 Federal election, councillors, council staff and other council officials need to be aware of their obligations under the Model Code of Conduct for Local Councils in NSW (the Model Code of Conduct) in relation to the use of council resources.	Forwarded to All Staff and Councillors for information.
22-12	17 May 2022	Proposed amendments to the standard contract of employment for general managers	<p>Under section 338 of the Act, general managers must be employed under performance-based contracts of terms between 12 months and 5 years based on a standard contract approved by the departmental chief executive of OLG.</p> <p>Once approved by the departmental chief executive, the amended standard contract will not alter existing employment contracts between councils and their general managers.</p> <p>However, where a council renews the employment contract of its general manager or appoints a new general manager, they must be employed under the approved standard contracts as amended.</p>	Forwarded to Executive Leadership Team and Manager HR for information.
22-13		Councillor and general manager financial management responsibilities – Information sessions	OLG have developed various information sessions on accounting and financial reporting, along with financial management responsibilities. The information sessions are available on OLG's Council Portal and on OLG's YouTube channel.	Forwarded to Executive Leadership Team and Councillors for information.

Circular No.	Date	Title	Related Issue	Council Action
22-14	22 May 2022	Determination of the Local Government Remuneration Tribunal	The Local Government Remuneration Tribunal has determined an increase of 2% to mayoral and Councillor fees for the 2022-23 financial year, with effect from 1 July 2022.	Council determined the increase for Mayor and Councillor fees at its June Ordinary Meeting.
22-15	23 May 2022	Guidance for councils on the publication of disclosure of interest returns	<p>The Information and Privacy Commission (IPC) has developed a video animation which provides guidance to councils on the requirement to publish disclosure of interest returns on their websites.</p> <p>Councils should review how they currently publish disclosure of interest returns on their websites by applying the principles set out in the video animation.</p>	<p>Forwarded to Executive Leadership Team for information.</p> <p>NSC are applying the principles set out in the video.</p>
22-16	2 June 2022	Increases to companion animal fees for 2022/23	All registration and annual permit fees have been adjusted for 2022/23.	<p>Forwarded to Executive Leadership Team for information.</p> <p>Fees and Charges updated.</p>
22-17	10 June 2022	Increase in tendering threshold for natural disaster response and recovery related contracts	The <i>Local Government (General) Regulation 2021</i> has been amended to prescribe a tendering threshold of \$500k for contracts entered into by councils for the purpose of responding to, or recovering from, a declared natural disaster within 12 months of the declaration of the natural disaster.	Forwarded to Executive Leadership Team for information.

Circular No.	Date	Title	Related Issue	Council Action
22-18	14 June 2022	Updated statutory forms under the Land Acquisition (Just Terms Compensation) Act 1991 to take effect from 8 June 2022	New versions of the statutory forms have been developed by the Department of Planning and Environment. The updated statutory forms are designed to be easier for both acquiring authorities and property owners to use, and contain more detail and instructions. The new statutory forms will supersede all previous versions and are to operate from 12:00 am on Wednesday, 8 June 2022.	Forwarded to Executive Leadership Team for information.

Action Plan

Property Strategy and Implementation of the Community Strategic Plan (CSP)

CSP Guiding Principles/ Objectives	CSP Objectives	Property Strategy Objectives	Actions	KPI
Vibrant Communities	1.1 A safe, active and healthy community	<ul style="list-style-type: none"> • Provide the services required by residents • Maximise the service potential of assets • Maximise value for money • Balance commercial and community benefits 	<ul style="list-style-type: none"> • Accessible, affordable and modern facilities at swimming pools • Enhance existing health services using Council property • Provide active and passive recreation facilities • Maintain open spaces to encourage greater use by the community • Promote facilities that foster healthy lifestyles 	<ul style="list-style-type: none"> • Fees and charges for Council property and facilities reviewed prior to 30 June each year with focus on affordability • Asset Management Plans and Long-Term Financial Plans include provision for open spaces, active recreational facilities, and Narromine Shire Family Health Centre facility
	1.4 Accessible facilities and services are available for people with limited mobility	<ul style="list-style-type: none"> • Provide the services required by residents • Balance commercial and community benefits 	<ul style="list-style-type: none"> • Continue to improve accessibility of all Council properties 	<ul style="list-style-type: none"> • 90% DIAP targets met as per Disability Inclusion Action Plan
Growing our economy	2.2 The ongoing development, diversification and sustainability of the local business and industry base	<ul style="list-style-type: none"> • Balance commercial and community benefits • Maximise the service potential of assets • Promote balance between development and sustainability 	<ul style="list-style-type: none"> • Industrial Hangar Development • Skypark Residential Development Stages 5,6,7 • Dappo Road Residential Subdivision Development • Review tenure arrangements for Council owned and managed properties • Identify and progress development opportunities 	<ul style="list-style-type: none"> • 4 Industrial hangar lots sold by 30 June 2024 • Remaining Skypark Residential lots sold by 30 December 2022 • Wentworth Park subdivision works completed by 31 July 2022. • 15 Wentworth Park lots sold by 30 June 2023.

			<ul style="list-style-type: none"> • Conduct land acquisitions to meet future Council and community requirements • Identify underutilised or substandard properties – review for greater use, service provision or disposal • Capital expenditure notification submitted to OLG on Industrial Hub and Freight Exchange development and report to Council for further consideration • Consideration of sale and development of Derribong Street, Trangie • Consideration of future use of Narromine Saleyards • Consideration of expansion of Narromine cemetery • Consideration of future use of Doctor's Surgery, Trangie • Consideration of future use of Girl Guides Hall Trangie 	
Protecting and enhancing our environment	3.1 Manage our natural environments for current and future generations	<ul style="list-style-type: none"> • Promote balance between development and sustainability • Provide property for the services required by residents 	<ul style="list-style-type: none"> • Construction Narromine wetlands redevelopment • Investigate energy efficiency and sustainable building design options for Council property • Minimisation of waste to landfill • Investigation of construction of permanent water treatment 	<ul style="list-style-type: none"> • Wetlands redevelopment completed by 30 June 2023. • 5% Increase in installation of solar panels, improved irrigation, use of sustainable building materials by 30 June 2023

			<ul style="list-style-type: none"> plant Narromine as well as water extraction Implementation of Drainage Strategy Implementation of Capital Works identified in Section 7.12 Contributions Plan 	<ul style="list-style-type: none"> 90% Waste Management Strategy targets achieved Studies for water security completed by 30 June 2024. 70% Drainage Strategy works completed by 30 June 2026. 85% completion of identified Section 7.12 capital works
	3.3 A community that values the efficient use of utilities, natural resources and energy	<ul style="list-style-type: none"> Promote balance between development and sustainability 	<ul style="list-style-type: none"> Investigate energy efficiency and sustainable building design options for Council property 	<ul style="list-style-type: none"> 5% Increase in installation of solar panels on Council buildings, improved irrigation, use of sustainable building materials by 30 June 2023
Proactive Leadership	4.3 A financially sound Council that is responsible and sustainable	<ul style="list-style-type: none"> Provide consistency and transparency Meet legal and statutory compliance Balance commercial and community benefits Maximise value for money 	<ul style="list-style-type: none"> Monitor cost of maintenance and management of properties Data and analysis framework utilised for property acquisition and disposal 	<ul style="list-style-type: none"> Building Asset Management Plans and Long-Term Financial plans reviewed by Council prior to 30 June each year Property Acquisition or Disposal propositions presented to Council include property strategy data analysis framework.

NARROMINE SHIRE COUNCIL – ARIC RESPONSIBILITIES – 2010 GUIDELINES

Ref	Responsibility Areas	July	October	December	March
1	Compliance arrangement				
2	Compliance monitoring				
3	Compliance risks				
4	Risk management framework				
5	Major projects or undertakings				
6	Insurance arrangements				
7	Business continuity planning				
8	Internal controls				
9	Policies and procedures				
10	Policy and procedure compliance				
11	Delegation management				
12	Ethical behaviour				
13	Annual financial statements				
14	Management letter				
15	Contentious financial reporting matters				
16	Annual report				
17	State government reports				
18	Performance management framework				
19	Forum of communication – Internal Audit				
20	Strategic internal audit plan				
21	Adequacy of audit resources				
22	Audit assignments				
23	Internal audit reports				
24	Internal audit recommendations				
25	ARIC Charter				
26	Internal audit service provider				
27	Internal audit performance				
28	Forum of communication – external audit				
29	External audit scope				
30	Feedback on audit				
31	External audit recommendations				

NARROMINE SHIRE COUNCIL – ANNUAL WORKPLAN – 2021 DRAFT GUIDLELINES (ARIC RESPONSIBILITIES)

32	External audit reports				
33	Business improvement culture				
34	Business improvement initiatives				
35	Council's performance measurement				
36	Integrated Planning and Reporting				
37	Community survey results				
38	Service reviews				
39	Annual ARIC report				
40	Assessment arrangements				
41	Conflicts of Interest				
42	Forward meeting tablets				

NARROMINE SHIRE COUNCIL – ANNUAL WORKPLAN – 2021 DRAFT GUIDELINES (ARIC RESPONSIBILITIES)

Ref	Responsibility Areas	July 22	Oct 22	Dec 22	Mar 23	23/24	24/25	25/26
	Internal Audit							
1	Overall strategic oversight of internal audit activities	✓	✓	✓	✓	✓	✓	✓
2	Forum for communication	✓	✓	✓	✓	✓	✓	✓
3	Coordinate work programs of internal audit, other assurance and review functions			✓	✓	✓	✓	✓
4	Internal audit resources				✓	✓	✓	✓
5	Compliance with internal audit requirements	✓	✓	✓	✓	✓	✓	✓
6	Appropriate internal audit charter		✓					
7	Strategic four-year internal audit plan and annual work plan			✓	✓	✓	✓	✓
8	Effectiveness and performance of internal audit					✓	✓	✓
9	Corrective actions needed to address issues raised	✓	✓	✓	✓	✓	✓	✓
10	Implementation of corrective actions	✓	✓	✓	✓	✓	✓	✓
11	Appointment of head of internal audit function and external providers				✓			
12	Audit function structured appropriately with sufficient skills and expertise to meet its responsibilities				✓			
	External Audit							
13	Forum for communication	✓	✓	✓	✓	✓	✓	✓
14	Coordinate work programs of internal audit and external audit				✓	✓	✓	✓
15	Financial statement and performance audit coverage proposed by external audit		✓			✓	✓	✓

NARROMINE SHIRE COUNCIL – ANNUAL WORKPLAN – 2021 DRAFT GUIDELINES (ARIC RESPONSIBILITIES)

Ref	Responsibility Areas	July 22	Oct 22	Dec 22	Mar 23	23/24	24/25	25/26
16	Review all external plans and reports of planned or completed audits and monitor implementation of audit recommendations			✓		✓	✓	✓
17	Provide advice to governing body and/or general manager on action take on significant issues raised in reports			✓		✓	✓	✓
	Compliance Framework							
18	Consider legal and compliance risks as part of council's risk management framework							✓
19	How council manages its compliance with applicable laws, regs, policies, procedures, codes and contractual arrangements							✓
20	Processes to assess compliance							✓
	Risk Management							
21	Adequacy of resources to implement risk management framework							✓
22	Framework consistent with Australian risk management standard							✓
23	Framework is adequate and effective for identifying and managing risk, including individual projects, programs, and other activities							✓
24	Risk management integrated across all levels of council							✓
25	Adequacy of risk reports and documentation, i.e. risk register and risk profile							✓
26	Risk management plans							✓
27	Management of delegations		✓					

NARROMINE SHIRE COUNCIL – ANNUAL WORKPLAN – 2021 DRAFT GUIDLELINES (ARIC RESPONSIBILITIES)

Ref	Responsibility Areas	July 22	Oct 22	Dec 22	Mar 23	23/24	24/25	25/26
28	Ethical behaviour		✓					
29	Positive risk culture and strong leadership that supports effective risk management							✓
30	Adequacy of staff training and induction in risk management							✓
31	Impact of risk management approaches to Council's insurance arrangements							✓
32	Effectiveness of council's management of its assets							✓
33	Effectiveness of business continuity arrangements and testing of these plans							✓
34	Internal controls appropriate for risk							✓
35	Staff informed of their responsibilities to implement controls							✓
36	Controls are implemented appropriately							✓
	Fraud and corruption control framework							
37	Fraud and corruption policy					✓		
38	Defined responsibilities for managing fraud and corruption					✓		
39	Risk based preventative and detective controls					✓		
40	Policies, systems and processes to respond to, investigate and report suspected fraud and corruption					✓		
41	Employee awareness/education measures					✓		

NARROMINE SHIRE COUNCIL – ANNUAL WORKPLAN – 2021 DRAFT GUIDLELINES (ARIC RESPONSIBILITIES)

Ref	Responsibility Areas	July 22	Oct 22	Dec 22	Mar 23	23/24	24/25	25/26
42	Robust third-party management systems					✓		
43	Appropriate processes and systems in place to effectively investigation fraud related information					✓		
44	Regular review of fraud and corruption control framework and reporting					✓		
45	Implemented applicable guidance and other better practice measures by ICAC					✓		
	Financial Management Framework							
46	Compliance with accounting standards				✓	✓	✓	✓
47	Appropriateness of accounting policies and disclosures		✓					
48	Implications for council of the findings of external audits and performance audits and council's responses and implementation of recommendations			✓		✓	✓	✓
49	Whether council's financial statement preparation procedures and timelines are sound		✓					
50	Accuracy of council's annual financial statements prior to external audit		✓			✓	✓	✓
51	If effective processes are in place to ensure financial information included in the annual report is consistent with signed financial statements		✓					
52	Council's financial management framework processes are adequate						✓	
53	Adequacy of cash management and credit card use policies and procedures					✓		
54	Adequate controls over financial processes					✓		

NARROMINE SHIRE COUNCIL – ANNUAL WORKPLAN – 2021 DRAFT GUIDLELINES (ARIC RESPONSIBILITIES)

Ref	Responsibility Areas	July 22	Oct 22	Dec 22	Mar 23	23/24	24/25	25/26
55	Policies and procedures for management review and consideration of the financial position is adequate						✓	
56	Grants and tied funding policies and procedures are adequate						✓	
	Governance Framework							
57	Decision-making processes					✓		
58	Implementation of governance policies and procedures					✓		
59	Reporting lines and accountability					✓		
60	Assignment of key role and responsibilities					✓		
61	Committee structure					✓		
62	Management oversight responsibilities					✓		
63	Human resources and performance management activities							✓
64	Reporting and communication activities							✓
65	Information and ICT governance							✓
66	Management and governance of the use of data, information and knowledge					✓		
	Improvement							
67	Adequacy and effectiveness of Council's IP&R processes		✓					
68	Appropriate reporting and monitoring mechanisms are in place to measure progress against objectives		✓					
69	Successful implementation and achievement of IP&R objectives and strategies				✓	✓	✓	✓
	Service reviews and business improvement							

NARROMINE SHIRE COUNCIL – ANNUAL WORKPLAN – 2021 DRAFT GUIDLELINES (ARIC RESPONSIBILITIES)

Ref	Responsibility Areas	July 22	Oct 22	Dec 22	Mar 23	23/24	24/25	25/26
70	Act as a forum for communication and monitoring of any audits and implementation of external bodies e.g. NSW government agencies, insurance bodies, Commonwealth agencies	✓	✓	✓	✓	✓	✓	✓
71	Robust systems to set objectives and goals to determine and deliver appropriate levels of service to the community and business performance					✓		
72	Appropriate monitoring mechanisms are in place to measure service delivery and overall performance					✓		
73	How council can improve its service delivery and the performance of its business and functions generally					✓	✓	✓
	Performance data and measurement							
74	Robust system to determine appropriate performance indicators to measure achievement of strategic objectives					✓		
75	Performance indicators Council uses are effective					✓		
76	Adequacy of performance data collection and reporting					✓		

NARROMINE SHIRE COUNCIL – ANNUAL WORKPLAN – 2021 DRAFT GUIDLELINES (ARIC RESPONSIBILITIES)

Internal Audit Reviews completed by Crowe

- Contract Management
- IT Governance
- Infrastructure Management
- Community Engagement
- Community Safety
- Workforce Planning, Recruitment and Retention
- Climate Change

Future independent internal audits reviews could include: -

- Theft and fraud monitoring control process and reporting (23/24)
- Fuel card, credit card, staff reimbursement, cash handling review (23/24)
- Financial management framework processes including budgeting and forecasting process (23/24)
- Grants management process (24/25)
- Restricted reserves management (24/25)
- Project management process and management of capital works program (22/23)
- Developer contributions, DA approvals, headwork calculations, payment triggers and collection process (25/26)
- Regulation and Enforcement, inspections, fines, animal control processes (25/26)
- Event management process (22/23)
- Records Management Practices (23/24)
- Accounting policy review (information requested by Committee) (July 22)
- Payroll process review (24/25)
- Landfill and waste handling review
- Building maintenance

Schedule 1 – Audit, risk and improvement committee responsibilities

[Note: each council/joint organisation is to determine the responsibilities of its Committee related to each matter listed in section 428A of the Local Government Act 1993 and list them in Schedule 1 to the Committee's terms of reference. Suggested responsibilities are provided below and further detailed in core requirement 1 and Appendix 2 of these Guidelines.]

Audit

Internal audit

- Provide overall strategic oversight of internal audit activities
- Act as a forum for communication between the [governing body/board], [general manager/executive officer], senior management, the internal audit function and external audit
- Coordinate, as far as is practicable, the work programs of internal audit and other assurance and review functions
- Review and advise the [council/joint organisation]:
 - on whether the [council/joint organisation] is providing the resources necessary to successfully deliver the internal audit function
 - if the [council/joint organisation] is complying with internal audit requirements, including conformance with the International Professional Practices Framework
 - if the [council's/joint organisation's] Internal Audit Charter is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used by the [council/joint organisation] are suitable
 - of the strategic four-year plan and annual work plan of internal audits to be undertaken by the [council's/joint organisation's] internal audit function
 - if [council's/joint organisation's] internal audit activities are effective, including the performance of the head of the internal audit function and internal audit function
 - of the findings and recommendations of internal audits conducted, and corrective actions needed to address issues raised
 - of the implementation by [council/joint organisation] of these corrective actions
 - on the appointment of the head of the internal audit function and external providers, and
 - if the internal audit function is structured appropriately and has sufficient skills and expertise to meet its responsibilities

External audit

- Act as a forum for communication between the [governing body/board], [general manager/executive officer], senior management, the internal audit function and external audit
- Coordinate as far as is practicable, the work programs of internal audit and external audit
- Provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided
- Review all external plans and reports in respect of planned or completed audits and monitor council's implementation of audit recommendations
- Provide advice to the [governing body/board] and/or [general manager/executive officer] on action taken on significant issues raised in relevant external audit reports and better practice guides

Risk

Risk management

Review and advise the [council/joint organisation]:

- if the [council's/joint organisation's] has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- whether the [council/joint organisation] is providing the resources necessary to successfully implement its risk management framework
- whether the [council's/joint organisation's] risk management framework is adequate and effective for identifying and managing the risks the [council/joint organisation] faces, including those associated individual projects, programs and other activities
- if risk management is integrated across all levels of the [council/joint organisation] and across all processes, operations, services, decision-making, functions and reporting
- of the adequacy of risk reports and documentation, for example, the [council's/joint organisation's] risk register and risk profile
- whether a sound approach has been followed in developing risk management plans for major projects or undertakings
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- if [council/joint organisation] has taken steps to embed a culture which is committed to ethical and lawful behaviour
- if there is a positive risk culture within the [council/joint organisation] and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how the [council's/joint organisation's] risk management approach impacts on the [council's/joint organisation's] insurance arrangements
- of the effectiveness of [council's/joint organisation's] management of its assets, and
- of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.

Internal controls

Review and advise the [council/joint organisation]:

- whether [council's/joint organisation's] approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective
- whether [council/joint organisation] has in place relevant policies and procedures and that these are periodically reviewed and updated
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- whether staff are informed of their responsibilities and processes and procedures to implement controls are complied with
- if the [council's/joint organisation's] monitoring and review of controls is sufficient, and
- if internal and external audit recommendations to correct internal control weaknesses are implemented appropriately

Compliance

Review and advise the [council/joint organisation] of the adequacy and effectiveness of the [council's/joint organisation's] compliance framework, including:

- if the [council/joint organisation] has appropriately considered legal and compliance risks as part of the [council's/joint organisation's] risk management framework
- how the [council/joint organisation] manages its compliance with applicable laws, regulations, policies, procedures, codes, and contractual arrangements, and
- whether appropriate processes are in place to assess compliance.

Fraud and corruption

Review and advise the [council/joint organisation] of the adequacy and effectiveness of the [council's/joint organisation's] fraud and corruption prevention framework and activities, including whether the [council/joint organisation] has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

Financial management

Review and advise the [council/joint organisation]:

- if [council/joint organisation] is complying with accounting standards and external accountability requirements
- of the appropriateness of [council's/joint organisation's] accounting policies and disclosures
- of the implications for [council/joint organisation] of the findings of external audits and performance audits and [council's/joint organisation's] responses and implementation of recommendations
- whether the [council's/joint organisation's] financial statement preparation procedures and timelines are sound
- the accuracy of the [council's/joint organisation's] annual financial statements prior to external audit, including:
 - management compliance/representations
 - significant accounting and reporting issues
 - the methods used by the [council/joint organisation] to account for significant or unusual transactions and areas of significant estimates or judgements
 - appropriate management signoff on the statements
- if effective processes are in place to ensure financial information included in the [council's/joint organisation's] report is consistent with signed financial statements
- if the [council's/joint organisation's] financial management processes are adequate
- the adequacy of cash management policies and procedures
- if there are adequate controls over financial processes, for example:
 - appropriate authorisation and approval of payments and transactions
 - adequate segregation of duties
 - timely reconciliation of accounts and balances
 - review of unusual and high value purchases
- if policies and procedures for management review and consideration of the financial position and performance of the [council/joint organisation] are adequate
- if [council's/joint organisation's] grants and tied funding policies and procedures are sound.

Governance

Review and advise the [council/joint organisation] regarding its governance framework, including the [council's/joint organisation's]:

- decision-making processes
- implementation of governance policies and procedures
- reporting lines and accountability
- assignment of key role and responsibilities
- committee structure
- management oversight responsibilities
- human resources and performance management activities
- reporting and communication activities
- information and communications technology (ICT) governance, and
- management and governance of the use of data, information and knowledge

Improvement

Strategic planning

Review and advise the [council/joint organisation]:

- of the adequacy and effectiveness of the [council's/joint organisation's] IP&R processes
- if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and
- whether the [council/joint organisation] is successfully implementing and achieving its IP&R objectives and strategies.

Service reviews and business improvement

- Act as a forum for communication and monitoring of any audits conducted by external bodies and the implementation of corrective actions (for example, NSW government agencies, Commonwealth government agencies, insurance bodies)
- Review and advise the [council/joint organisation]:
 - if [council/joint organisation] has robust systems to set objectives and goals to determine and deliver appropriate levels of service to the community and business performance
 - if appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance, and
 - how the [council/joint organisation] can improve its service delivery and the [council's/joint organisation's] performance of its business and functions generally

Performance data and measurement

Review and advise the [council/joint organisation]:

- if [council/joint organisation] has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives
- if the performance indicators [council/joint organisation] uses are effective, and
- of the adequacy of performance data collection and reporting.

Schedule 1 – internal audit function responsibilities

[Note: each council/joint organisation is to determine the responsibilities of its internal audit function Committee related to each matter listed in section 428A of the Local Government Act 1993 and list them in Schedule 1 to the council's/joint organisation's Internal Audit Charter. Suggested responsibilities are provided below and further detailed in core requirement 3 and Appendix 2 of these Guidelines.]

Audit

Internal audit

- Conduct internal audits as directed by the [council's/joint organisation's] audit, risk and improvement committee
- Implement the [council's/joint organisation's] annual and strategic internal audit work plans
- Monitor the implementation by [council/joint organisation] of corrective actions
- Assist the [council/joint organisation] to develop and maintain a culture of accountability and integrity
- Facilitate the integration of risk management into day-to-day business activities and processes, and
- Promote a culture of high ethical standards.

External audit

- Provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided
- Review all external plans and reports in respect of planned or completed audits and monitor [council's/joint organisation's] implementation of audit recommendations
- Provide advice on action taken on significant issues raised in relevant external audit reports and better practice guides

Risk

Risk management

Review and advise:

- if the [council's/joint organisation's] has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- whether the [council's/joint organisation's] risk management framework is adequate and effective for identifying and managing the risks the [council/joint organisation] faces, including those associated with individual projects, programs and other activities
- if risk management is integrated across all levels of the [council/joint organisation] and across all processes, operations, services, decision-making, functions and reporting
- of the adequacy of risk reports and documentation, for example, the [council's/joint organisation's] risk register and risk profile
- whether a sound approach has been followed in developing risk management plans for major projects or undertakings
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- if [council/joint organisation] has taken steps to embed a culture which is committed to ethical and lawful behaviour
- if there is a positive risk culture within the [council/joint organisation] and strong leadership that supports effective risk management

- of the adequacy of staff training and induction in risk management
- how the [council's/joint organisation's] risk management approach impacts on the [council's/joint organisation's] insurance arrangements
- of the effectiveness of [council's/joint organisation's] management of its assets, and
- of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.

Internal controls

Review and advise:

- whether [council's/joint organisation's] approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective
- whether [council/joint organisation] has in place relevant policies and procedures and that these are periodically reviewed and updated
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- whether staff are informed of their responsibilities and processes and procedures to implement controls are complied with
- if the [council's/joint organisation's] monitoring and review of controls is sufficient, and
- if internal and external audit recommendations to correct internal control weaknesses are implemented appropriately

Compliance

Review and advise of the adequacy and effectiveness of the council's compliance framework, including:

- if the [council/joint organisation] has appropriately considered legal and compliance risks as part of the [council's/joint organisation's] risk management framework
- how the [council/joint organisation] manages its compliance with applicable laws, regulations, policies, procedures, codes, and contractual arrangements, and
- whether appropriate processes are in place to assess compliance.

Fraud and corruption

Review and advise of the adequacy and effectiveness of the [council's/joint organisation's] fraud and corruption prevention framework and activities, including whether the [council/joint organisation] has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

Financial management

Review and advise:

- if [council/joint organisation] is complying with accounting standards and external accountability requirements
- of the appropriateness of [council's/joint organisation's] accounting policies and disclosures
- of the implications for [council/joint organisation] of the findings of external audits and performance audits and [council's/joint organisation's] responses and implementation of recommendations
- whether the [council's/joint organisation's] financial statement preparation procedures and timelines are sound
- the accuracy of the [council's/joint organisation's] annual financial statements prior to external audit, including:
 - management compliance/representations
 - significant accounting and reporting issues

- the methods used by the [council/joint organisation] to account for significant or unusual transactions and areas of significant estimates or judgements
- appropriate management signoff on the statements
- if effective processes are in place to ensure financial information included in the [council's/joint organisation's] report is consistent with signed financial statements
- if the [council's/joint organisation's] financial management processes are adequate
- the adequacy of cash management policies and procedures
- if there are adequate controls over financial processes, for example:
 - appropriate authorisation and approval of payments and transactions
 - adequate segregation of duties
 - timely reconciliation of accounts and balances
 - review of unusual and high value purchases
- if policies and procedures for management review and consideration of the financial position and performance of the [council/joint organisation] are adequate
- if [council's/joint organisation's] grants and tied funding policies and procedures are sound.

Governance

Review and advise of the adequacy of the [council/joint organisation] governance framework, including the [council's/joint organisation's]:

- decision-making processes
- implementation of governance policies and procedures
- reporting lines and accountability
- assignment of key roles and responsibilities
- committee structure
- management oversight responsibilities
- human resources and performance management activities
- reporting and communication activities
- information and communications technology (ICT) governance, and
- management and governance of the use of data, information and knowledge

Improvement

Strategic planning

Review and advise:

- of the adequacy and effectiveness of the [council's/joint organisation's] IP&R processes
- if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and
- whether the [council/joint organisation] is successfully implementing and achieving its IP&R objectives and strategies.

Service reviews and business improvement

Review and advise:

- if [council/joint organisation] has robust systems to set objectives and goals to determine and deliver appropriate levels of service to the community and business performance
- if appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance, and
- how the [council/joint organisation] can improve its service delivery and the [council's/joint organisation's] performance of its business and functions generally

Performance data and measurement

Review and advise:

- if [council/joint organisation] has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives
- if the performance indicators [council/joint organisation] uses are effective, and
- of the adequacy of performance data collection and reporting.

DRAFT



Ms Jane Redden
General Manager
Narromine Shire Council

Contact: Aaron Green
Phone no: 02 9275 7209
Our ref: D2210985/FA1769

By email only

23 June 2022

Dear Ms Redden

Rural Firefighting Equipment

I am writing to let you know that our Report to Parliament, 'Local Government 2021' was recently tabled and is available on our [website](#). This report brings together findings and recommendations from our 2020–21 financial audits of local councils and comments on financial reporting and performance, internal controls and governance, and areas of interest that are in focus during the conduct of our audits.

The intent of this letter is to draw your attention to the specific findings and recommendations reported to Parliament about rural firefighting equipment vested to councils. Please refer to the Appendix for the relevant extract from the Report.

Our management letters issued to councils on the 2020–21 financial audits included recommendations to undertake a stocktake of the rural firefighting equipment vested to councils and record the value in the council's financial statement. I trust these recommendations are being actioned. Please share this letter with relevant staff within your council to ensure they consider recommendations when preparing your financial statements for the 2021–22 financial year.

If you wish to discuss this matter further, please contact Aaron Green on 02 9275 7209.

Yours sincerely

Margaret Crawford
Auditor-General for New South Wales

APPENDIX

Sixty-one per cent of the total value of uncorrected errors was due to unrecorded rural firefighting equipment

In 2017, we recommended that OLG should address the different practices across the local government sector in accounting for rural firefighting equipment.

In 2020–21, 68 (2019–20: 68) councils did not record rural firefighting equipment in their financial statements estimated to be \$145 million (2019–20: \$119 million). Forty-one councils recognise this equipment in their financial statements with a total value of \$162.8 million, highlighting the inconsistent recognition practices across the local government sector.

The financial statements of the NSW Total State Sector and the NSW Rural Fire Service do not include these assets, as the State is of the view that rural firefighting equipment that has been vested to councils under section 119(2) of the *Rural Fires Act 1997* is not controlled by the State. In reaching this conclusion, the State argued that on balance it would appear the councils control the rural firefighting equipment that has been vested to them. It is important to note that there are only two parties to the agreements that govern the use of vested rural firefighting equipment, leaving only two parties who would be considered to control this equipment- the NSW Rural Fire Service in the State sector, or councils in the Local Government sector.

The Department of Planning and Environment (inclusive of the Office of Local Government) (the Department) confirmed in the 'Report on Local Government 2020' (tabled in Parliament on 27 May 2021) their view that rural firefighting equipment is not controlled by the NSW Rural Fire Service.

The Local Government Code of Accounting Practice and Financial Reporting confirms the State's view that it does not control these assets but provides that 'Councils need to assess whether they control any rural firefighting equipment in accordance with Australian Accounting Standards'. It would seem however, given the State's view that it does not control these assets, that these assets can only be controlled and therefore recognised by councils in the local government sector.

Despite this, many councils do not report these critical assets in their financial statements.

The continued non-recording of rural firefighting equipment in financial management systems of some councils increases the risk that these assets are not properly maintained and managed. Councils who have rural firefighting equipment vested from the NSW Rural Fire Service should recognise these assets in their financial management systems and consider their condition and useful life.

Recommendation to councils

Councils should perform a full asset stocktake of rural firefighting equipment, including a condition assessment for 30 June 2022 financial reporting purposes.

Consistent with the requirements of the Australian Accounting Standards, councils should recognise this equipment as assets in their 30 June 2022 financial statements.

The Department should intervene where councils do not recognise rural firefighting equipment

The Department, through the Office of Local Government, requires each council to prepare financial statements in accordance with Australian Accounting Standards (accounting standards), as required by the LG Act. The State Government, through NSW Treasury (and in agreement with the Department), has concluded that under accounting standards rural firefighting equipment vested to councils is not controlled by the State, and further on balance that councils in the local government sector control this rural firefighting equipment.

The Department's role includes assessing whether intervention is appropriate with respect to council's compliance with and performance against legislative responsibilities, standards or guidelines. Given the State's clear position, it would appear that any council not recognising this equipment is non-compliant with the relevant accounting standards.

Having considered the accounting position papers prepared by the respective stakeholders, the Audit Office has advised councils and the Department that any council not recognising this equipment is not complying with the requirements of the Australian Accounting Standards.

The Department should now intervene to address this matter as a priority.

Recommendation to the Department

Consistent with the Department's role to assess council's compliance with legislative responsibilities, standards or guidelines, the Department should intervene where councils do not recognise rural firefighting equipment.

We acknowledge that the Department has committed to working closely with NSW Treasury to educate, guide and assist councils to understand the State's view regarding ownership and recognition of rural firefighting equipment in their financial statements.

Non-recognition of this equipment may impact the financial statements audit opinions of those councils. The NSW Rural Fire Service (NSW RFS), a state government entity, has spent in excess of \$1.1 billion over the past ten years on rural firefighting activities and equipment. While confirming the State Government's position that it does not control this equipment, the NSW RFS advised it has a complete listing of the rural firefighting equipment vested to councils under section 119(2) of the *Rural Fires Act 1997*, and has provided this to the Department. The NSW RFS also confirmed that as it does not control the equipment, it is unable to confirm its value or condition.

This raises two general questions: whether these assets are being properly managed as in some instances they are purportedly not controlled by any government sector and are not recorded in either the State or the local government sector financial records, and whether in these instances there is non-compliance with accounting standards if this equipment is not recorded in the financial statements of councils. This may impact audit opinions on the financial statements of councils.

The Audit Office is conducting performance audits of the NSW Rural Fire Service (Planning and managing bushfire equipment) and the Office of Local Government (the effectiveness of local government regulation and support).

NARROMINE SHIRE COUNCIL – STAFF ENGAGEMENT SURVEY

ACTION PLAN - 2022

Goal (what do you want to achieve?)	Tasks (how will you get there?)	Deadline (by when?)				Monitoring (how will you track progress?)		
1. Provide better career planning and opportunities to staff	Objective	Actions	Target Year				Responsibility	Mesuring Success
			22/23	23/24	24/25	25/26		
	Manage an ageing workforce	Implement transition to retirement options	●				Directors Managers Supervisors HRM/GM	Transition to retirement options discussed with employee at annual performance review. Transition to retirement plan enacted
		Enhance Succession Planning for highly specialised and technical roles	●				HRM	Succession plans reviewed and completed
		Facilitate Employee Health and Wellbeing Programs for older workers	●	●	●	●	HRM	Reduction in lost injury hours
	Invest in employee skill development	Completion of annual training plans and delivery of identified development needs	●	●	●	●	HRM	Annual training program established by 31 May (aligned to skills steps and performance review)
		Review and improve Council's employee competency and performance assessment program	●	●	●	●	HRM	100% of employee reviews undertaken Majority of employees performing satisfactorily

		Maximise management and leadership	Implement coaching and mentoring programs across the organisation to support leadership growth		●			HRM GM	Leadership and management tools available for use. Improvement of leadership skills assessed in employee engagement survey
2.	Improve Recruitment & Selection processes to attract better quality applicants for jobs Provide an effective Induction Program to ensure new starters are given enough guidance and training	Attracting and retaining staff	Continue to implement best practice recruitment and selection practices, including strategies to fill gaps	●	●	●	●	HRM	Decrease in turnover rate Vacancies filled within 90 business days
3.			Enhance Council's induction program	●				HRM	90% of new employees satisfied with induction process
			Promote future workforce development options such as traineeships, apprenticeships and cadetships	●	●	●	●	HRM	Applicable positions assessed and filled. Attendance at school and community career events
			Promote Council as a place-based employer of choice to prospective employees	●				HRM	Promotion of material on media platforms
			Provide policies, programs and initiatives that support work/life balance	●	●	●	●	HRM	Communicate initiatives to employees. Leave balances kept within acceptable levels



Asset Management Plan Water (AMP1)

Contents

1. Executive Summary	4
1.1 Goals and Objectives of asset ownership	4
1.2 Stakeholders	5
1.3 Plan Framework	5
1.4 Water Supplies	5
1.5 The Water Supply Service	6
1.6 Our Commitment	7
2. Planning Framework	8
3. Asset Conditions	9
3.1 Value based	9
3.2 Other criteria	9
4. Future Planning for Water Assets	9
5. Supporting documentation	10
6. Services Provided and their Classification	12
6.1 Services Provided	12
6.2 Theoretical Useful Life	12
6.3 Classification	13
7. Stakeholder Management	14
8. Strategic and Corporate Goals	15
9. Legislative Requirements	15
10. Levels of Service	18
10.1 Introduction	18
10.2 Intervention Levels	19
11. Operations	20
12. Maintenance	22
13. Capital	23
13.1 New / Upgrade / Expansion	24
13.2 Capital Renewal Asset	25
13.3 Renewal Standards	25
13.4 Summary of Projected Renewal Expenditure	25
13.5 Disposal Plan	26
14. Future Demands	27
14.1 Demand Drivers	27
14.2 Demand forecast	27
14.2.1 Narromine	28
14.2.2 Trangie	28
14.2.3 Tomingley	29
14.3 Anticipated Changes in Customer Expectations	29
14.4 Demand Impacts on Water Assets	29
14.5 Demand Management	29

14.5.1	Asset and Non-Asset Solutions	29
14.5.2	Asset Programs to Meet Demands	29
14.5.3	Key Considerations/Recommendations	30
15	Financial Plan	30
15.1	Financial Statements and Projections	30
15.2	Financial Sustainability in Service Delivery	30
15.3	Long Term Life Cycle Cost	31
16	Key Performance Measures	32
17	Risk Management Plan	35
18	Asset Monitoring	35
18.1	Accounting/ Financial Systems	35
18.2	Asset Management Information System (AMIS)	35
18.3	Geographical Information System (GIS)	36
18.4	Customer Request Management System (CRM)	36
18.5	Workforce Planning and Training	36
18.6	Performance Measures	36
18.7	Field Logs	36
19	Improvement Plan	37
19.1	Monitoring and Review Procedures	37
20	References	38
21	Appendix A: Ten Year Capital Works Program	39

1. Executive Summary

Council's intention is to provide the residents in the townships of Narromine and Trangie with reticulated safe drinking water through infrastructure serviced and maintained to a level reflective of the community's expectations, that meets the requirements of statutory and regulatory bodies (NSW Department of Primary Industries Water and NSW Health) and operates in a manner that is both functional, cost effective and sustainable.

The water reticulation system currently has a Gross Carrying Value (GCV) of approximately \$32,097,000 as at 30 June 2021, as reflected in the Financial Statements Note C1-6 Infrastructure, Property, Plant and Equipment.

This plan assists Council in the decision-making process and is presented at a high level to provide key information that can be used in determining the levels of service, program scheduling and funding requirements, etc.

This Plan should be read in conjunction with the following related planning documentation:

- Narromine Shire Council - Community Strategic Plan
- Narromine Shire Council – Delivery Program
- Narromine Shire Council – Operational Plan
- Narromine Shire Council – Asset Management Strategy

The Integrated Water Cycle Management (IWCM) Plan is currently being developed and this Asset Management Plan will be updated after completion of the IWCM, which will involve stakeholder consultation and detailed financial analyses.

1.1 Goals and Objectives of asset ownership

Council exists to provide services to its community. Some of these services are provided by infrastructure assets. Over time Council has acquired infrastructure assets by 'purchase', by contract, construction by our staff and by donation of assets constructed by developers and others to meet required or increased levels of service.

Council's goal in managing infrastructure assets is to meet the defined level of service (as amended from time to time) in the most cost-effective and sustainable manner for present and future consumers. The key elements of infrastructure asset management are:

- Provide water to a standard that supports the outcomes identified in Council's Community Strategic Plan and meets regulatory standards as set out in the Australian Drinking Water Guidelines;
- Ensure the maintenance of infrastructure at a safe and functional standard as set out in this Asset Management Plan as well as other guideline and Policy documents published from time to time;
- Ensure the management of water infrastructure assets deliver to the requirements of Council's Asset Management Policy and Strategic Asset Management Plan;
- Providing a defined level of service and monitoring performance;
- Managing the impact of growth through demand management and infrastructure investment;
- Taking a lifecycle approach to developing cost-effective management strategies for the long-term that meet the defined level of service;
- Identifying, assessing and appropriately controlling risks, and
- Having a long-term financial plan which identifies required, affordable expenditure and how it will be financed.



The Gross Carrying Value (GCV) of Council's Assets is defined as the initial cost to Council or the price Council will pay to replace the asset. The Net Carrying (NCV) of the assets is defined as the cost of the asset less depreciation over time.

Council's Water Asset Class has a \$32,097,000 GCV and a \$17,579,000 NCV, which represents 5.57% of Council's total Assets.

In the Community Strategic Plan 2032, Council has identified 4 priority themes with related goals and objectives that relate to the management of their assets. These are outlined in the Asset Management Strategy and shown below:

1. Vibrant Communities
2. Growing Our Economy
3. Protecting and Enhancing Our Environment
4. Proactive Leadership

1.2 Stakeholders

The stakeholders identified for this plan and its implementation are, but are not limited to:

- The Community – Ratepayers, Businesses, etc;
- Developers;
- Regulators;
- Councillors; and
- Council Staff – Asset Management Working Group, etc.

1.3 Plan Framework

The key elements of the plan are:

- Levels of Service;
- Future Demand;
- Life Cycle Management;
- Financial Summary;
- Asset Management Practices;
- Monitoring; and
- Asset Management Improvement Plan.

1.4 Water Supplies

Council supplies drinking water in Narromine and Trangie and non-drinking water in Tomingley.

In Narromine, the lowering of water levels currently experienced in the aquifers supplying the town is resulting in increasing levels of aquifer stress, i.e. reduction in yield and deterioration in water quality.

This occurs particularly during the warmer months, therefore decreasing the ability of Council to meet Peak Day Demand and Peak Week Demand conditions. It also has a flow on effect on reservoir recovery and maintaining adequate network pressure for firefighting and water quality (backflow prevention, etc.) therefore increasing the risk profile. Network redundancy is inadequate in the event of failure in supply due to the above.

A river sourced raw water system comprising of water pumps and storage, supplies water to a standpipe and the irrigation of playing fields and parks on the Northern side of Narromine. This raw water supply system has reached its end of useful life and is due for a major upgrade and refurbishment due to its age and Work Health and Safety concerns.

Trangie is experiencing a similar effect however, a recent augmentation, including drilling of three new bores and the construction of a new rising trunk mains and disinfection system, has alleviated the stress and improved water quality considerably.

Tomingley water supply is a partially filtered non-drinking system; Council is currently exploring alternative options regarding the future of this service.

Safe, reliable and a sustainable water supply is critical to community health and economic development. Therefore, the security of the water supply systems must not deteriorate to a level where community health and prosperity is at risk or compromised.

It is noted that Council will need to consider the augmentation of Narromine’s Water Supply by means of a water treatment plant, reservoir and trunk mains. This Asset Management Plan will be reviewed and updated after completion of the Integrated Water Cycle Management (IWCM) Plan that will address financial as well as other impacts and the timing of these works.

1.5 The Water Supply Service

In summary, the water supply network comprises of the following major assets:

- **Bores and river pumping station;**
- **Trunk Supply Mains including valves and hydrants;**
- **Treatment Plants;**
- **Pumping Stations;**
- **Service Reservoirs;**
- **Reticulation network including vales and hydrants; and**
- **Water Services, including water meter fleet.**

A breakdown of the major assets, within the Shire of Narromine, is given in the table below:

Asset Description	Unit of Measurement	Units	Average Asset Age (years)
Bores	ea.	10	11
Storage Dam	ea.	1	30
Trunk Main	km	6	19
Treatment Plant	ea.	1	13

Asset Description	Unit of Measurement	Units	Average Asset Age (years)
Pumping Station	ea.	2	36
Service Reservoir	ea.	3	16
Reticulation Network (<150mm Dia.)	km	119	20

Table 1 – Breakdown of Major Assets

While **several** assets have been renewed as part of an ongoing asset renewal or replacement program, some assets are nearing the end of theoretical useful life and will require replacement or renewal. Development pressures due to growth, puts further additional strain on existing assets.

1.6 Our Commitment

Council plans to provide the following:

1. Provide safe, reliable and sustainable drinking water to its customers while meeting legislative requirements.
2. Provide reliable and sustainable non- drinking water to its customers, when conditions permit.
3. Operate, maintain, renew and the upgrade of:
 - Bores;
 - River pumping;
 - Trunk supply mains;
 - Treatment plants;
 - Pumping stations;
 - Service reservoirs;
 - Reticulation network, and
 - Water services and water meters,
 to meet service levels set by Council and to meet statutory requirements.
4. Within a 10-year planning horizon, and going forward, continue with the implementation of relevant strategies and long-term plans to ensure a sustainable water business.

It should be appreciated that Council does not have sufficient funds in the Water Reserve to provide some services to the desired service levels (technical or community expectations).

Works and services that cannot be provided under present funding levels, include substantial expansion of services into presently un-serviced areas without substantial investigation or capital expansion and investment.

Council will continue to apply for funding from various agencies for asset renewal, replacement or upgrades as funding opportunities become available.

2. Planning Framework

A planning framework outlines how conceptually the strategic plan will be based. The framework details the activities that are performed within the organisation's strategy plan.

Key elements of this framework are:

- **Levels of Service**
- **Future Demand**
- **Life Cycle Management**
- **Monitoring**

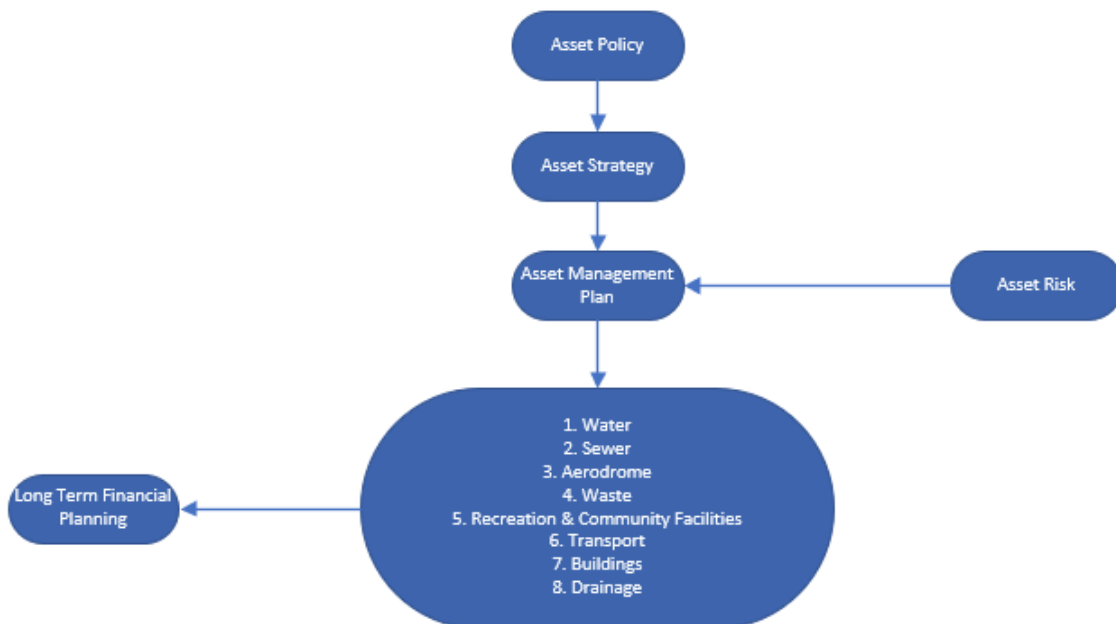


Figure 1 – Asset Management Framework

3. Asset Conditions

3.1 Value based

The current condition of our assets is shown in Figure 2 based on the value of each asset in each of 5 conditions ranging from 1 to 5, with 1 being near new and 5 as a completely failed asset. Water assets have been condition rated externally during the revaluation in 2017, and are currently being updated in 2022.

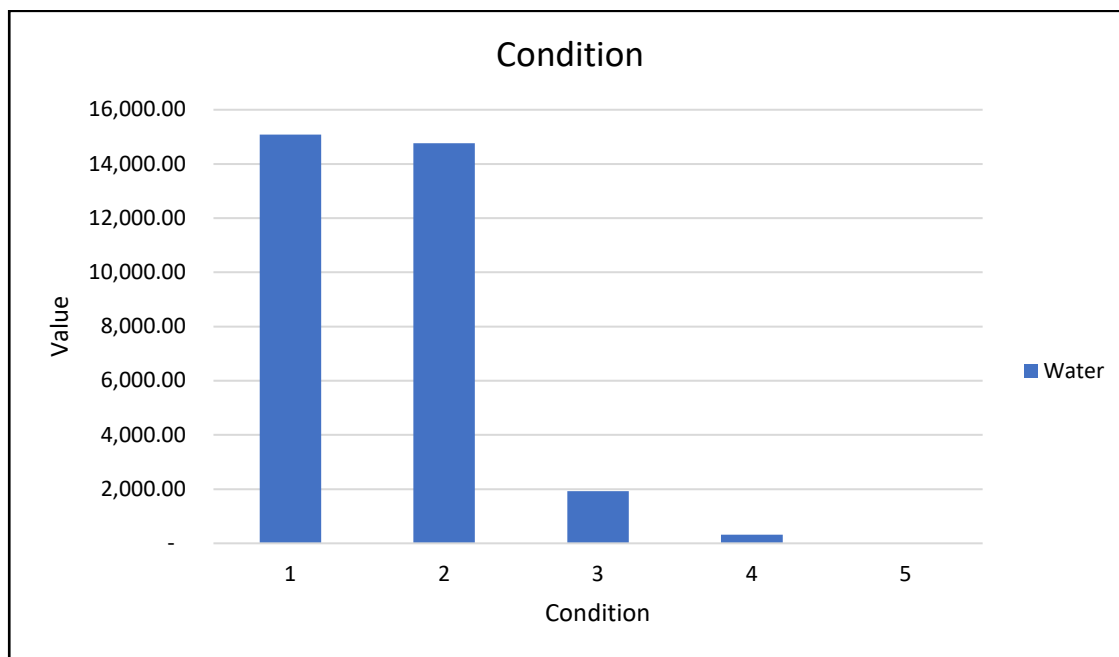


Figure 2 - Current condition of assets – Value based

3.2 Other criteria

The process of managing our Water assets is one of continually improving the knowledge Council has, including maintaining up to date asset registers, condition ratings, the cost of work on the asset and the rate at which assets deteriorate and reach their intervention level.

Customer request data is analysed during the Asset Performance evaluation and Operational Management of the Asset and not used for determining the condition of an asset.

The Asset Register contains the condition information of assets.

4. Future Planning for Water Assets

Table 17 conveys the list of planned required improvements for this Asset Class in relation to asset management principles.

Asset Management Practices

Asset Management Practices are generally uniform across the board. These Practices have been outlined in the Asset Management Strategy.

Ultimately, final decisions and management of Assets are to be conducted by the Councillors, General Manager and Directors. This plan and others are only to guide Council on decisions to be made.

5. Supporting documentation

Document / System	Content
Community Strategic Plan	Outcomes and Strategies identified by the community.
Council Asset Policy	How we manage assets.
Asset Management Strategy	Overall direction of asset management and portfolio summary.
Asset Management Manual	Procedures and Processes that guide the management of assets.
Condition Assessment Manual	Details on the process of assessing condition, including photographic examples of various conditions.
Enterprise Risk Management Plan	The identification and management of strategic risks across Council operations
Asset Management System (CIVICA)	Electronic system that contains the asset register, condition ratings and uses to model future renewals.
Maintenance Program	Document outlining all scheduled maintenance requirements for the financial year as set out by the Asset Management Plan
GIS (Map Info / QGIS / Intramaps)	Geographical information system that produces maps of assets.
Water and Sewerage Strategic Business Plan	Gives details and supporting information for Council's Community Strategic Plan, Delivery Program and Operational Plan and Budget.
Demand Management Plan (Narromine & Trangie)	Council is responsible for the water supply reticulation, sewerage and stormwater management services within the Narromine Local Government Area (LGA). As a local water utility (LWU), Council aims to be consistent with the NSW Government DPI Water, Best Practice Management of Water Supply and Sewerage Guidelines (DWE, 2007). This Demand Management Plan addresses one of the six "best practice" criteria set out by the guidelines by recommending an appropriate demand management strategy for implementation across Council's water supply systems.
Strategy Report on SCADA and Telemetry System	Proposed strategy to the LMWUA Councils to implement a SCADA telemetry system in line with current industry standards
Australis Asset Advisory Report Valuation Report	2017 Revaluation of all Water and Sewer Assets
Drinking Water Management System Annual Report	Annual Report that documents Narromine Shire Council's Drinking Water Management System (DWMS) implementation and drinking water performance for that financial year. This document is an NSW Department of Health requirement.

Document / System	Content
Strategic Business Plan: Water and Sewer	The Strategic Business Plan covers the development and operation of Council's Water System. It provides supporting information for Council's Management Plan.
Business Continuity Plan	Outlines Council's procedures relating to emergencies in association with certain events.
Water and Sewer Action Plan	Details arrangements for, prevention of, preparation for, response to and recovery from emergencies within the Local Government Area(s).
Drinking Water Management System	Document that demonstrates Narromine Shire Council's compliance with the requirement of the Public Health Act 2010 to develop a Quality Assurance Plan in line with the "Framework for Drinking Water Quality Management" in the Australian Drinking Water Guidelines (ADWG).
Integrated Water Cycle Management Strategy	Integrated Water Cycle Management (IWCM) Evaluation Study (Hydro Science, 2010a) of Council identifying a number of issues that require actions from Council's water and wastewater services section.
Drinking Water Quality Management Plan	Document that records risks identified and actions to be undertaken by Council through the Drinking Water Quality Risk Assessment process.
Water Quality Risk Assessment	Document compiled by a working group including external facilitators, engineering and field staff and stakeholders identifying risks to the provision of Drinking Water that meets ADWG
Australian Drinking Water Guidelines	Provides a framework for the management of drinking water supplies appropriate for local conditions.
Asset Acquisition Plan	Plan outlining the processes for acquiring Assets and required approvals prior to doing so, excluding development acquisition
Asset Disposal and Transfer Plan	Plan outlining the processes for disposal and transferring of Assets and required approvals prior to doing so
Complete Asset Management System (CAMS)	NATSPEC documentation outlining the CAMS associated with the operational activities for the Asset Class and measuring the performance of the activity

Table 2 - Supporting documentation

6. Services Provided and their Classification

6.1 Services Provided

Council provides the towns of Narromine and Trangie with a reticulated water supply that meets current drinking water standards, at minimum pressures, as outlined in our Customer Levels of Service. Assets covered within this Asset Management Plan can be seen in the attachments.

Asset Description	Unit of Measurement	Units
Bores	ea.	10
Storage Dam	ea.	1
Trunk Main	km	6
Treatment Plant	ea.	1
Pumping Station	ea.	2
Service Reservoir	ea.	3
Reticulation Network (<150mm Dia.)	km	119
Automated Meter Reading (as of 04 April 2022)	ea.	500

Table 3 - Summary of Parent Assets

6.2 Theoretical Useful Life

Useful life is the period over which an asset is expected to be available for use by an entity. This is usually in the form of years depending on the asset class.

Asset Class	Asset Type	Asset Subtype	Component	Theoretical Useful Life (years)
Water Passive Asset	Water Main	UPVC	Pipework	120
Water Passive Asset	Water Node	Sluice Valve	Sluice Valve	90
Water Passive Asset	Water Main	AC	Pipework	100
Water Passive Asset	Water Main	CICL	Pipework	140
Water Passive Asset	Water Main	Copper	Pipework	100
Water Passive Asset	Water Main	DICL	Pipework	140
Water Passive Asset	Water Main	FRC	Pipework	140
Water Passive Asset	Water Main	Gal	Pipework	100
Water Passive Asset	Water Main	GRP	Pipework	140
Water Passive Asset	Water Main	MSCL	Pipework	140
Water Passive Asset	Water Main	PE	Pipework	100
Water Passive Asset	Water Meters and Services	Water Meter	Water Meter	100
Water Passive Asset	Water Meters and Services	Water Service	Water Service	100
Water Passive Asset	Water Node	Air Valve	Air Valve	90
Water Passive Asset	Water Node	Altitude Valve	Altitude Valve	90

Asset Class	Asset Type	Asset Subtype	Component	Theoretical Useful Life (years)
Water Passive Asset	Water Node	Backflow Prevention	Backflow Prevention	90
Water Passive Asset	Water Node	Ball Valve	Ball Valve	90
Water Passive Asset	Water Node	Blank Cap	Blank Cap	90
Water Passive Asset	Water Node	Butterfly Valve	Butterfly Valve	90
Water Passive Asset	Water Node	Gate Valve	Gate Valve	90
Water Passive Asset	Water Node	Hydrant	Hydrant	90
Water Passive Asset	Water Node	Non-Return Valve	Non-Return Valve	90
Water Passive Asset	Water Node	Other	Other	90
Water Passive Asset	Water Node	Reducer	Reducer	90
Water Passive Asset	Water Node	RPZ	RPZ	90
Water Passive Asset	Water Node	Scour Valve	Scour Valve	90
Water Passive Asset	Water Node	Stop Valve	Stop Valve	90

Table 4 – Useful Life

6.3 Classification

The classifications of Water Assets aim to reflect optimum asset management practices for the capital, maintenance and operational prioritisation of Assets. This will allow Council to have a more relevant grading of its assets, to determine intervention levels, renewal costs based on risk, design of asset for upgrade or new development and prioritisation of assets during emergencies.

The hierarchy identifies different intervention levels for different assets depending on their assessed criticality and consequence rating. Details of the classification components are contained below.

Asset Description	Classification
Service Reservoir	1
Trunk Main	1
Bores	2
Treatment Plant	2
Reticulation Network (<150mm Dia.)	2
Storage Dam	3
Pumping Station	4
Water Services and Water metres	5

Table 5 – Service Classification

7. Stakeholder Management

Council has a number of methods for collecting feedback on their performance in managing the water assets. These have been used to measure customer expectations and include:

- Narromine Shire Council - Community Survey 2022;
- Informal feedback from stakeholders - ongoing; and
- Analysis of community service requests and customer request management.

The table below describes stakeholder roles and responsibilities

Stakeholder	Stakeholder Issues	Key messages	Participation & Feedback
Councillors	<ul style="list-style-type: none"> • Have a say in proposed strategy 	<ul style="list-style-type: none"> • This Strategic plan is a communication tool and a way to a sustainable fair network, without burdening residents, business, or industry. • The system determines the requirement and priority of the work. • Regular benchmarking and quality management and measuring kpi's, ensures Council is getting value for money, • A strategy and a fair planning and delivery mechanism in place. • Certainty and trust of project delivery when proposed. 	Councillor Workshop, and community consultation
Residents	<ul style="list-style-type: none"> • Have a say in proposed strategy • Perception of fairness • Getting value for money 		Community consultation
State Government	<ul style="list-style-type: none"> • Regulation of LWU provision of Water and Sewage services 		Review of Best Practice and DWQM documentation Provision of Capital Funding via Grants
Council Indoor Staff	<ul style="list-style-type: none"> • Have a say in proposed strategy, • Minimal additions to current workloads 		Engineering and Assets team reviews, Councillor workshop
Council Outdoor Staff	<ul style="list-style-type: none"> • Have a say in proposed strategy, • Structured programs • Want to understand place in process 		Team leader workshops Engineering and Assets team reviews

Table 6 – Stakeholder Management

8. Strategic and Corporate Goals

The AMP provides clear guidelines for the effective management of the assets owned and operated by Council. Local authorities exist principally to supply core services that meet the needs of their communities.

Council's goal in managing assets is to meet the required level of service in a sustainable manner for present and future stakeholders. The key elements to strategic goals of asset management are:

- **Demonstrating responsible stewardship;**
- **Taking a life cycle approach to asset ownership;**
- **Defining the infrastructure assets physically and financially;**
- **Providing a defined Level of Service and monitoring the performance against service levels and service expectations;**
- **Understanding and meeting the demands of growth through demand management and infrastructure investment;**
- **Managing risks associated with asset failure; and**
- **Support long term financial planning.**

Council's objective is to ensure financial strategies underpin Council's Asset Management Policy and Strategic Plan. Its goal is to have long-term vision for sustainability. In order to do so, it is important to prepare and review the Council's short and medium-term financial plans for Risk Management, Plant & Equipment, Information Technology, Section 7.11 and 7.12 Contributions and Asset Management Plans.

Acting as a leader in the delivery of social, financial, environmental, and operational objectives, Council needs to have good governance and administrative support. Council's other goals are to plan, manage and fund Council's public assets to meet the community expectations and defined levels of service. Furthermore, the safety of the community is paramount and is acknowledged and supported through proactive policies, programs and strategies.

9. Legislative Requirements

Council must meet many legislative requirements including Australian and State legislation and State regulations. Relevant legislation is shown in Table 7.

Legislation	Requirement
Local Government Act 1993.	Sets out role, purpose, responsibilities and powers of local governments including the preparation of a long-term financial plan supported by Asset Management Plans for sustainable service delivery.
The Australian Accounting Standards	The Australian Accounting Standards Board Standard, AASB 116 Property Plant & Equipment requires that assets be valued, and reported in the annual accounts, which also includes depreciation value (i.e. how fast are these assets wearing out).
Roads Act 1993.	Other issues affecting asset service levels include judicial decisions relating to Council's role as roads authority for local roads as conferred by the Roads Act 1993, and legislative powers granted to public utilities relating to road openings.
Environmental Planning and Assessment Act 1979.	Sets out guidelines for land use planning and promotes sharing of responsibilities between various levels of government in the state.
Protection of the Environment Operations Act 1997	Sets out Council responsibility and powers of local area environment and its planning functions.
Local Government (General) Regulations 2021	Determines developer charges.
Independent Pricing and Regulatory Tribunal Act 1992	Gives powers to the Independent Pricing and Regulatory Tribunal to inquire into and regulate prices. IPART has developed a set of consistent pricing principles to be adopted by local government authorities. Charging guidelines. Trend towards a user pay system in the industry.
Soil Conservation Act 1938	Conserves soil resources, farm water resources, and the mitigation of erosion and land degradation. Preservation of watercourse environments.

Legislation	Requirement
Catchment Management Act 1989	Promotes the coordination of activities within catchment areas. This Act has implications for the management of river quality and quantity. Requirement for ongoing management plan.
Water Management Act 2000	The act provides for sustainable and integrated management of NSW's water sources, water rights, licences, allocations
Public Health Act 2010	Prevention of the spread of disease. Effluent disposal methods. Delivery of Safe Drinking Water
NSW Public Health Regulation 2012	Part 5 Safety measures for drinking water
Work Health and Safety Act 2011 (and Regulations)	Council's responsibility to ensure health, safety and welfare of employees and others at places of work.

Table 7 - Legislative Requirements



10. Levels of Service

10.1 Introduction

Council is responsible for providing a safe, reliable, and cost-effective drinking water supply, which is customer focused, enhances the environment and caters for the sustainable growth of the Shire. Ongoing consultation is undertaken with the community to ensure the provision of the potable water supply is acceptable to the wider community.

Levels of service indicators have been developed for the services provided by the Water Supply Network based on the objectives set in Council's Community Strategic Plan. These objectives have been used to define Community Levels of Service (CLOS), which relates to how the community receives the service in terms of safety, quality, quantity, reliability, responsiveness, cost efficiency and legislative compliance.

From these CLOS, Technical Levels of Service (TLOS) have been developed that detail how these services will be delivered in terms of quantity, frequency and standard.

Finally, Key Performance Measures and how they will be measured provide the detail on how we determine whether we are delivering what the community are asking for.

Table 8 summarises at a high level what the community desires for each asset and how Council will deliver it. The CSP Ref column identifies the Community Strategic Plan objective that is being supported by the asset group and the LOS defined.

Key Performance Measure	Level of Service Objective
Community Levels of Service	
Quality	Provide safe uninterrupted drinking water supply
Function	Ensure the water service meets Department of Health approval conditions
Safety	Ensure works do not create safety hazards
Technical Levels of Service	
Condition	Provide appropriate water services to meet user requirements
Function/Accessibility	Ensure water services are available to all occupied properties
Cost Effectiveness	Provide Water services in a cost-effective manner
Safety	Effectiveness of WH & S programs and Work Method Statements/Standard Operating Procedures

Table 8 - Community Service Target

Community Levels of Service

Community Levels of Service relate to the service outcomes that the community wants in terms of safety, quality, quantity, reliability, responsiveness, cost effectiveness and legislative compliance.

Community levels of service measures used in the Asset Management Plan are:

- *Quality* *How good is the service?*
- *Function* *Does it meet users' needs?*
- *Safety* *Is the service safe?*

Technical Levels of Service

Supporting the community service levels are operational or technical measures of performance. These technical measures relate to the allocation of resources to service activities that Council undertakes to best achieve the desired community outcomes.

Technical levels of service measures align with annual budgets covering:

- **Operations**
The regular activities to provide services such as administration, electricity.
- **Maintenance**
The activities necessary to retain an asset as near as practicable to its original condition (e.g. cleaning, pump maintenance, breaks etc.)
- **Acquisition**
The activities required to ensure that new assets and acquired assets are to the required service level.
- **Expansion**
The activities and assets required to ensure that the needs are met by future developments
- **Renewal**
The activities that return the service capability of an asset up to that which it had originally (e.g. pipeline replacement, reservoir external coating and bore casing etc.).
- **Upgrade**
The activities to provide a higher level of service (e.g. increase reservoir capacity, replacing a pipeline with a larger size etc.) or a new service that did not exist previously (e.g. network extension or new reservoir.)

All Levels of Service will be examined as part of the 2021-22 IWCM Strategy Review which includes all Community and Technical Levels of Service. Stakeholder Engagement, Community Engagement and good Stakeholder Management Practices are crucial to quality Asset Management.

Levels of Criticality Service and Intervention should also align with Councils Business Continuity Plans and all NSW Legislative Disaster Management Plans and Practice.

10.2 Intervention Levels

Council maintains a Condition Assessment Manual outlining the frequency of inspection and condition rating, used for all assets. This data is recorded in the Council Asset Management System and is used to predict the timing of renewal/maintenance requirements in the Long-Term Financial Plan.

Assets are rated on a 1 (Near New) to 5 (Completely Failed) scale consistent with the IPWEA Condition Assessment & Asset Performance Guidelines Practice Note 7 Water Supply & Sewerage and advanced asset management practices as outlined in the International Infrastructure Management Manual (IIMM). Details on how Council assesses condition and further information on the rating scale are contained in the Condition Assessment Manual.

The intent of Council is not to undertake renewal on an asset until it reaches its 'Intervention Level'. That is, the condition at which the community has determined renewal is required based on the LOS analysis. Typically, assets are renewed between condition 3 and 4, ranging from fair to poor depending on their classification.

Table 9 outlines the rating scale and association with the remaining life percentages. These ratings are also applied to Long Term Renewal Planning.

Condition Rating	Description	Remaining Life / CWDV (% of CRC)
1	Excellent condition: Only planned maintenance required.	100-80%
2	Very good: Minor maintenance required and planned maintenance.	80-60%
3	Good: Significant maintenance required.	60-40%
4	Fair: Significant renewal/upgrade required.	40-20%
5	Poor: Unserviceable.	20-0%

Table 9 - Intervention Levels

Each asset's condition is kept in the Water Asset Register and is maintained on a cyclic basis.

11. Operations

Operational activities are regular activities required to continuously provide the service including inspections, electricity costs, fuel and overheads.

Some of the Operational services identified relevant to Water Services include:

- **Asset Inspections**
- **Land Rates**
- **Electrical Supply**
- **Engineering Management**
- **Telemetry and Other System Monitoring**
- **Insurances**
- **Customer Request Management**
- **Emergency Management**

Inspections

Inspections can be in the form of condition, compliance, operational, project etc. Asset Management principles focus on the condition inspections for programming and monitoring as other areas, staff and positions within Council are responsible for the delivery and reporting of other inspections associated with operations and delivery.

A full list of condition inspections is outlined in the inspection program, currently under development in conjunction with the Narromine Shire Council Inspection Manual.



Above Ground Assets: Council is currently developing a condition inspection programme that is to be completed by an independent consultant or internal specialised staff. This condition inspection programme includes the above ground infrastructure on all of Councils Water and Sewerage Asset sites.

Below Ground Assets: Due to the sensitivity of contamination of the Water Supply Service and available technologies Council does not inspect the reticulation network. The current cost of inspections for underground assets is not affordable.

Some of the condition inspections are summarised below:

Inspection	Frequency
Condition Assessments of all Above Ground External Assets	Four Yearly
Visual Inspection of all Above Ground External Assets	Annually
Hydrants	Annually
Valves	Biannually
Safety Inspections	Annually
Condition inspection of failed asset (i.e. water main break) incl. CR	Per occurrence

Table 10 - Summary of inspections

All Assets are reviewed and recommended by external consultants during the revaluation period.

12. Maintenance

Maintenance Work is the regular on-going work that is necessary to ensure the asset is as near as practicable to an appropriate service condition, including regular ongoing day-to-day work necessary to keep assets functional, excluding rehabilitation. These activities are required to ensure that the asset reach their expected useful life with no addition to their existing useful life and typically increases as the asset ages. It includes work on an asset where a portion of the asset may fail and need repairs to make it operational again. It may be planned or reactive maintenance work, where works that are programmed, are cyclic in nature and reactive is not programmed and usually reactive such as storm damage or vandalism.

Maintenance may be classified as Planned, Reactive, Specific or Unplanned Maintenance.

Planned Maintenance

Planned Maintenance falls into three categories:

1. **Periodic Maintenance – also known as routine maintenance necessary to ensure the reliability or to sustain the design life of an asset**
2. **Predictive Maintenance – condition monitoring activities used to predict failure**
3. **Preventive Maintenance – maintenance that can be initiated without routine or continuous checking and is not condition based**

Some of the relevant planned maintenance activities and the frequency they are undertaken can be seen in the following table.

Activity	Frequency	Category
Mains Cleaning	Annually	Periodic / Preventative
Hydrant Maintenance	Annually	Periodic
Dead End Hydrant Flushing	Annually	Preventative
Pumps Maintenance	Biannually	Periodic / Preventative
Reservoir Cleaning	Biannually	Periodic
Stop Valve and Hydrant Rotation	Annually	Periodic
Bore Maintenance	Annually	Periodic

Table 11 - Planned Maintenance Activities

Reactive Maintenance

Unplanned repair work that is carried out in response to service requests and management supervisory directions.

Specific Maintenance

Maintenance work to repair components or replace sub-components that need to be identified as a specific maintenance item in the maintenance planning.

Unplanned Maintenance

Corrective work required in the short-term to restore an asset to working condition so it can continue to deliver the required service or to maintain its level of security and integrity.

Adjusting Levels of Service

The adjustment of LOS is for a critical service as potable water supply is only undertaken after consultation with the community, ensuring it is still within statutory regulations and health guidelines.

Figure 3 outlines the increase using a four-year average to project the following ten years.

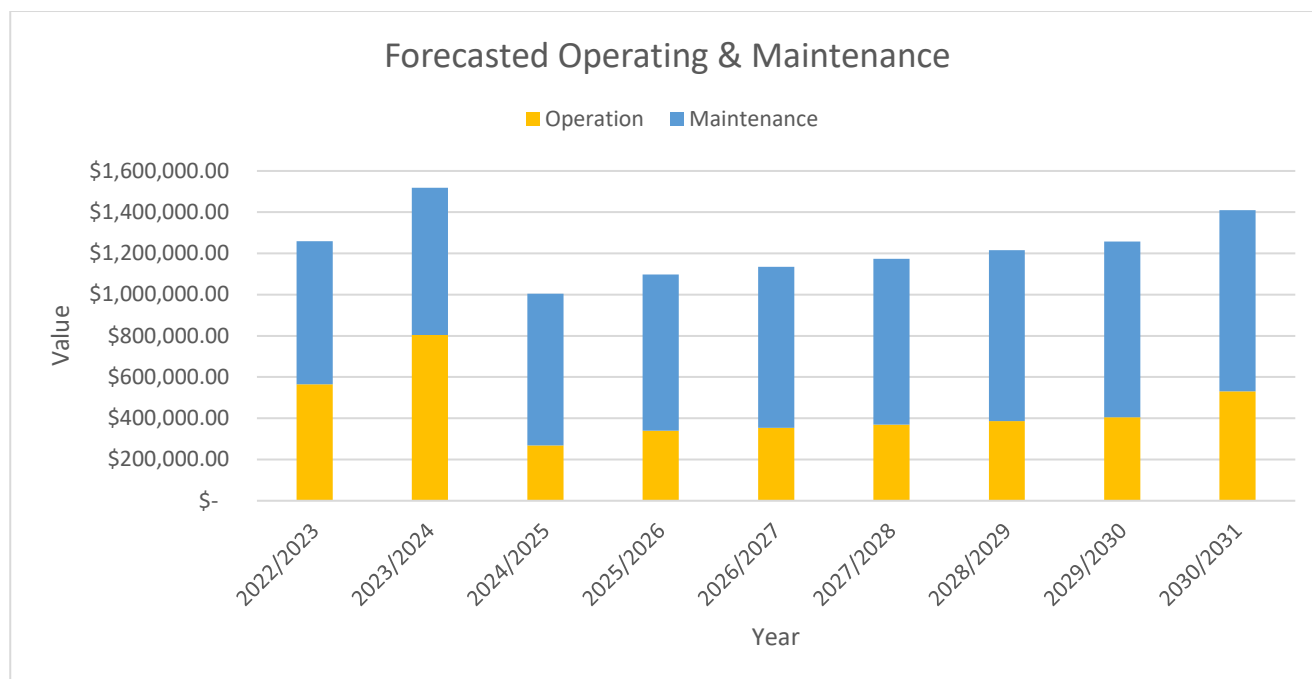


Figure 3 - Projected Operations & Maintenance Expenditure

13. Capital

Capital Work is the act of acquisition by creating, renewing, upgrading and/or disposing of an asset. The Acquisition lifecycle activity identifies the additional assets that will be added to the asset portfolio over the planning period. This includes assets that are purchased, constructed, or contributed. Acquisition expenditure may be classified as:

New

Expenditure which creates a new asset providing a new service/output that did not exist beforehand.

Expansion

Expenditure that extends the capacity of an existing asset to provide benefits, at the same standard as is currently enjoyed by existing beneficiaries, to a new group of users.

Upgrade

Expenditure, which replaces a previously existing asset with enhanced capability or function, where an option existed for replacement without the enhanced capability or functionality. The asset, or infrastructure network, will therefore deliver a higher level of service to the user and extends its life.

Renewal

Renewal expenditure is major work, which does not increase the asset’s design capacity but restores, rehabilitates, replaces, or renews an existing asset to its original capacity. Assets requiring renewal are generally identified from estimates of remaining life and condition assessments. Assets that are scheduled for renewal are assessed to verify the remaining life serviceability and to develop a preliminary renewal estimate. These assets are prioritised based on that assessment and available funds, then scheduled in future works programmes.

Disposal

Disposal of an asset is classed as a Capital work due to the costs associated.

13.1 New / Upgrade / Expansion

New assets and upgrade/expansion of existing assets are identified from various sources such as community requests, proposals identified by strategic plans or partnerships with other organisations and statutory regulatory requirements, or business improvements. Candidate proposals are inspected to verify need and to develop a preliminary renewal estimate. Verified proposals are ranked by priority and available funds and scheduled in future works programmes. It can be seen from the graph below that significant financial contribution will be required in 2029/2030 as a result of the permanent water treatment plant, service reservoir and ancillary works.

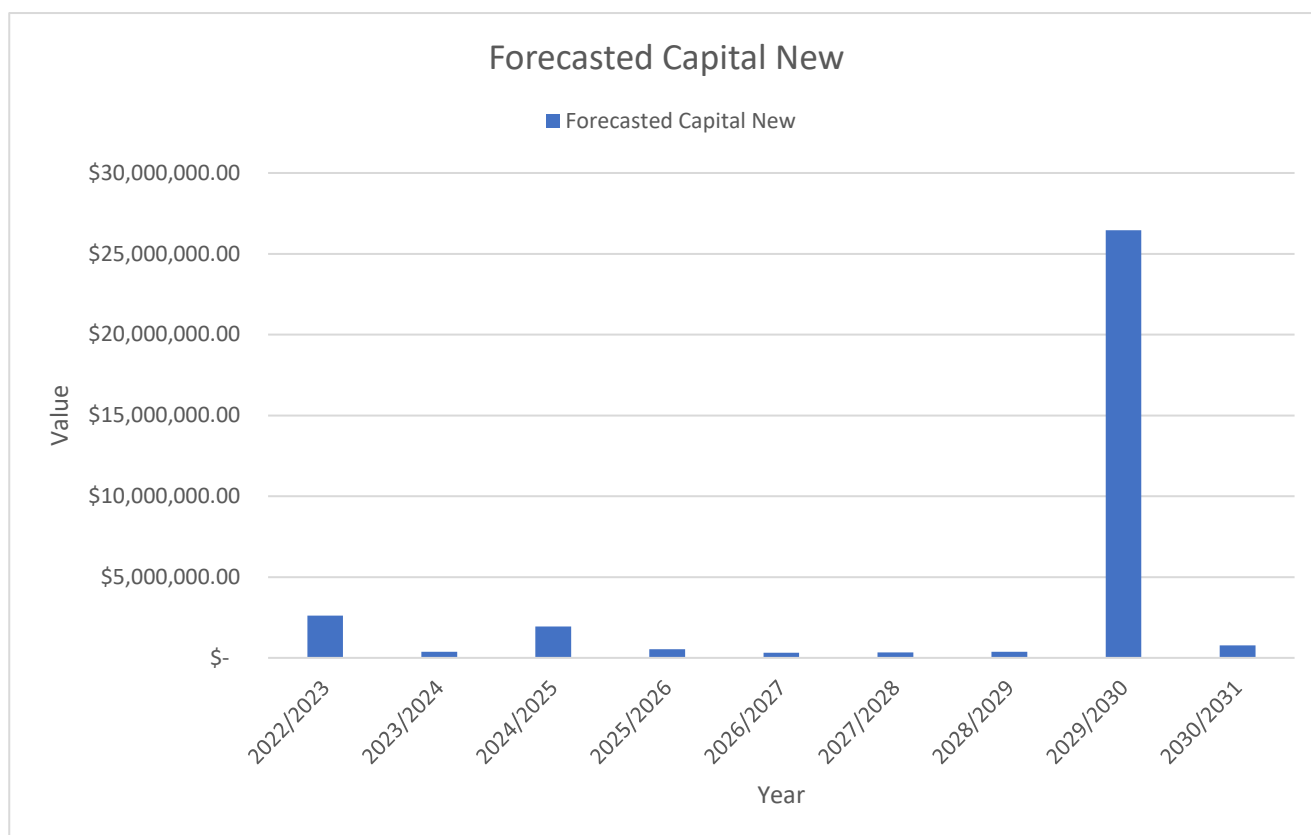


Figure 4 – Ten (10) Year Capital Works Value

A detailed table of the ten-year works program can be seen in Appendix A.

The total value of new / upgrade / expansion of infrastructure is \$34,458,673.

13.2 Capital Renewal Asset

Renewal expenditure is major work that restores, rehabilitates or replaces an existing asset to its original capacity. Work over and above restoring an asset to original capacity is classed as an upgrade or expansion.

It is expenditure on an existing asset or on replacing an existing asset, which returns the service capability of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components or sub-components of the asset being renewed. Renewal activities allow the service to continue to be used after the original asset has reached the end of its useful life. As it reinstates existing service capacity, it generally has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time, e.g., resurfacing or Resheeting a material part of a road network, replacing a material section of a drainage network with pipes of the same capacity, resurfacing an oval.

Assets requiring renewal are identified from estimates of remaining life and condition assessments. Assets that are scheduled for renewal are assessed to verify the remaining life/ serviceability and to develop a preliminary renewal estimate. These assets are prioritised based on that assessment and available funds, then scheduled in future works programmes.

Assets requiring renewal are identified from one of three methods provided in the 'Expenditure Template'.

- **Method 1 uses Asset Register data to project the renewal costs for renewal years using acquisition year and useful life, or**
- **Method 2 uses capital renewal expenditure projections from external condition modelling systems, or**
- **Method 3 uses a combination of average network renewals plus defect repairs in the Renewal Plan and Defect Repair Plan worksheets on the 'Expenditure template'.**

Method 1 is the primary method for this Asset Management Plan but also in conjunction with asset inspections and prioritisation based upon hierarchy and condition rating.

13.3 Renewal Standards

Renewal work is carried out in accordance with the following Standards and Specifications:

- **Water Services Association of Australia (WSAA)**
- **Relevant Australian Standards**

13.4 Summary of Projected Renewal Expenditure

A summary of projected renewal expenditure includes the following:

- **Projected future renewal expenditures are forecast to increase over time as the asset stock ages. The costs are summarised in Figure 5.**
- **The projected capital renewal program is shown in Appendix A.**

Figure 5 indicates that, based on current projections, Council will spend approximately \$4,923,889 on renewals over the next ten years.

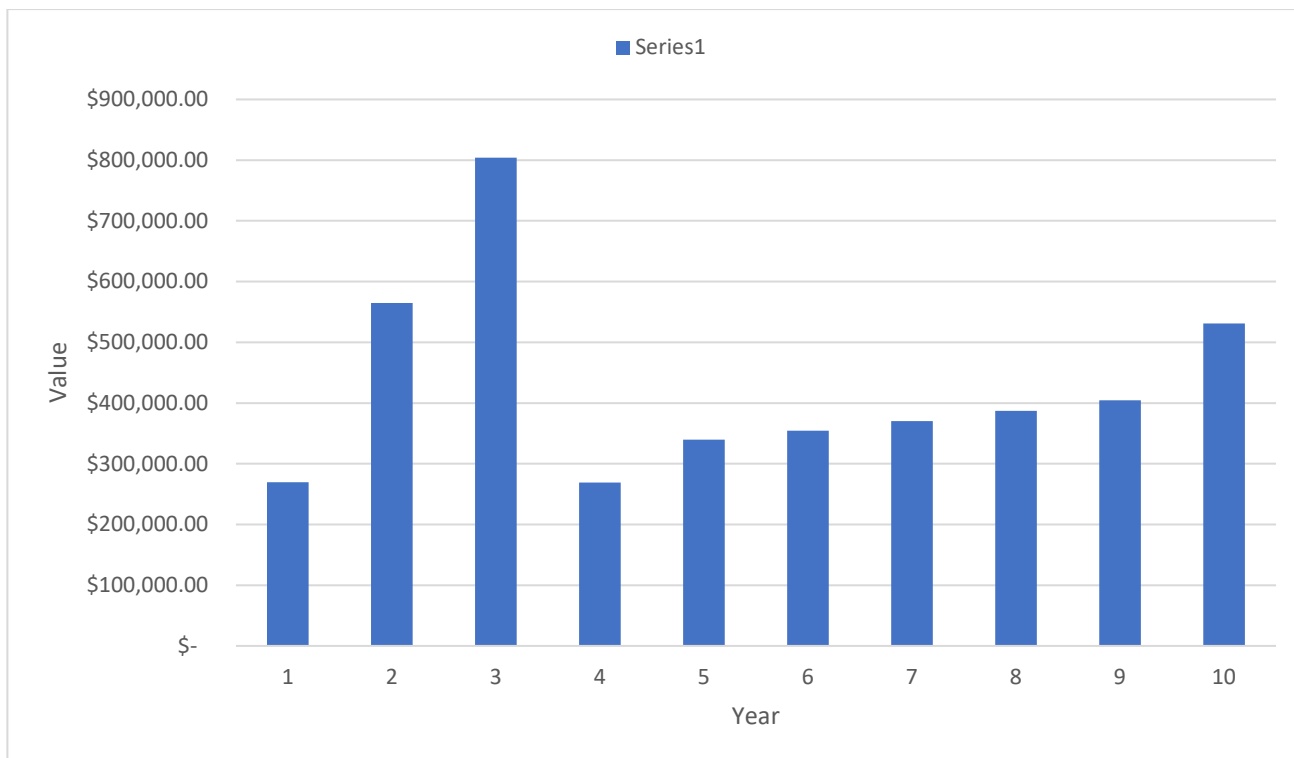


Figure 5 - Proposed Renewal Allocations Delivery Program

13.5 Disposal Plan

The Disposal lifecycle activity identifies any significant costs associated with the decommissioning of an asset when it is removed from service.

Disposal is any activity associated with the disposal of a decommissioned asset including sale, demolition, or relocation. Assets with a condition rating of 5 (poor condition), where Council has received no contact through the Customer Request System, analysis of usage and a cost analysis indicates that the community doesn't require the asset any further. These assets may be considered redundant or not utilised and therefore, with the approval of the General Manager and Council at a Council meeting, will decommission and dispose of the asset unless considered critical infrastructure by the Council.

Through careful analysis of all the existing assets, Council may become aware of assets no longer required. Revenue can, therefore, increase through their disposal. An example of this may be surplus areas of land. An added advantage is if such assets that are sold, there will be a saving on maintenance expenditure in relation to those assets.

There are currently no plans for the disposal of assets in this Asset Class.

14 Future Demands

New works are those works that create a new asset that did not previously exist, or works, which upgrade or improve an existing asset beyond its existing capacity. They may result from growth, social, regulatory or environmental needs.

14.1 Demand Drivers

Demand drivers can be broadly divided into two categories:

- Demand for increased levels of service such as improvements to network capacity; and
- Increased costs from creation or acquisition of new assets.

14.2 Demand forecast

ABS census data statements regarding demand within the shire can be seen below:

2001:

On Census Night 7th August 2001, 6,611 people were counted in Narromine (A) (Local Government Areas): of these 50.4% were male and 49.6% were female. Of the total population 14.6% were Aboriginal and Torres Strait Islander people.

2006:

In the 2006 Census, 6,508 people were usually resident in Narromine (A) (Local Government Areas): of these 49.7% were male and 50.3% were female. Of the total population 15.8% were Aboriginal and Torres Strait Islander people.

2011:

In the 2011 Census, there were 6,585 people in Narromine (A) (Local Government Areas) of these 50.0% were male and 50.0% were female. Aboriginal and Torres Strait Islander people made up 19.6% of the population.

2016:

In the 2016 Census, there were 6,444 people in Narromine (A) (Local Government Areas). Of these 49.9% were male and 50.1% were female. Aboriginal and/or Torres Strait Islander people made up 19.9% of the population.

The total dwellings in Narromine Shire Council as per the ABS website.

LGA	Year	Value	Percentage Change
NSC	2001	2,872	
NSC	2006	2,637	-8.12%
NSC	2011	2,741	+3.94%
NSC	2016	2,695	-1.71%

Table 12 - Australian Bureau of Statistics Data

The census study area, for Narromine Shire, did not change during each period.

14.2.1 Narromine

Narromine experienced a decline in population between 2006 and 2011 of 353 persons, however, a major shift in the census boundary is greatly decreased in 2011. Narromine had an increase in population of 108 persons between 2011 and 2016 census, with a total increase of 2.31% (4581/4689) over a period of 4 years at a rate of 27 persons per year (approx. 0.6% per annum), the census boundary was somewhat consistent during this period.

It's expected that Narromine's future population growth will primarily occur in residential developments to the East and South of the Township due to the locality of Dubbo, land availability and the flood levee. The water assets in these private developments will be handed over to Narromine Shire Council to maintain and manage increasing current total water asset value and maintenance costs over the period of this AMP. It should be noted that investigations are still required to determine the feasibility of future developments.

Narromine's total dwelling information can be seen in the following table:

Town	Year	Value	Percentage Change
Narromine	2006	2,096	
Narromine	2011	1,969	-6.45%
Narromine	2016	2,040	+3.48%

Table 13 – total data for dwellings in Township of Narromine

The study area has significantly decreased between 2006 and 2011, however, relatively the same in 2011 and 2016.

14.2.2 Trangie

Trangie experienced a growth period between 2006 and 2011 of 383 people, a 12% increase, however, the boundary change of the census analysis was greatly increased in 2011, being the cause of the population increase. Trangie has decreased in population by 62 people between the 2011 and 2016 census, with a total decrease of 5% (1188/1250) over a period of 4 years at a rate of 15 persons per year (approx. 1% per annum), the census boundary was somewhat consistent during this period.

The water assets in any future private developments will be handed over to Narromine Shire Council to maintain and manage increasing current total water asset value and maintenance costs over the period of this Asset Management Plan, which is expected to be no greater than 1%.

Trangie's total dwelling information can be seen in the following table:

Town	Year	Value	Percentage Change
Trangie	2006	426	
Trangie	2011	591	+28%
Trangie	2016	517	-14%

Table 14 – total data for dwellings in Township of Trangie

The study area significantly increased changed between 2006 and 2011, however, relatively the same in 2011 and 2016.

14.2.3 Tomingley

Tomingley experienced an increase in population between 2006 and 2011 of 100 persons, however, a major shift in the census boundary is greatly increased in 2011. Tomingley had a decrease in population of persons between 2011 and 2016 census, with a total decrease of 7.84% (330/306) over a period of 4 years at a rate of 6 persons per year (approx. 1.96% per annum), the census boundary was somewhat consistent during this period.

Tomingley's future population growth will primarily occur due to mining developments within the area due to the existing local gold mine.

Tomingley's total dwelling information can be seen in the following table:

Town	Year	Value	Percentage Change
Tomingley	2006	115	
Tomingley	2011	181	-57%
Tomingley	2016	138	+24%

Table 15 – total data for dwellings in Township of Tomingley

The study area has significantly decreased between 2006 and 2011, however, relatively the same in 2011 and 2016.

14.3 Anticipated Changes in Customer Expectations

Based on experience to date, community expectations on quality, delivery and costs associated with the water related assets indicates that expectations increase over time, particularly in areas that impact on risk. Information on community expectation of water assets service levels has not been accumulated over enough time to project likely future expectations, but it is reasonably safe to assume that these will not be lower over the period of this AMP.

14.4 Demand Impacts on Water Assets

A steady development growth in the existing suburbs of Narromine will lead to an increase in water usage through the existing water network. Council must ensure they understand their water network capacity requirements to allow for increased volumes.

14.5 Demand Management

14.5.1 Asset and Non-Asset Solutions

Techniques available to Narromine Shire Council to assist the management of its water assets include the development of a detailed hierarchy linked to service levels and a capital evaluation program will assist in the allocation of funds and in minimising risk when managing the major water assets.

14.5.2 Asset Programs to Meet Demands

Asset programs to meet future demands within existing water networks can only be conducted once studies are completed to plan and understand future urban infill within Narromine. A clear understanding of the existing network capacity will be essential in this process.

14.5.3 Key Considerations/Recommendations

- Conduct studies to identify capacity constraints in the existing water network when considering demand increase due to infill development.
- Effective control over the water assets handed over to Council by private developers ensuring assets are designed to minimise maintenance.
- Review the history of development applications within existing suburbs of Narromine to predict infill development and the increased demand more accurately to the existing water networks. Ensure existing water network restrictions do not prevent land development and economic growth in Narromine.

15 Financial Plan

This section contains the financial requirements resulting from all the information presented in the previous sections of this Asset Management Plan. The financial projections will be improved as further information becomes available on desired levels of service and current and projected future asset performance.

15.1 Financial Statements and Projections

The financial projections are shown in Figure 6 for projected operating (operations and maintenance) and capital expenditure (renewal and upgrade/expansion/new assets), net disposal expenditure and estimated budget funding.

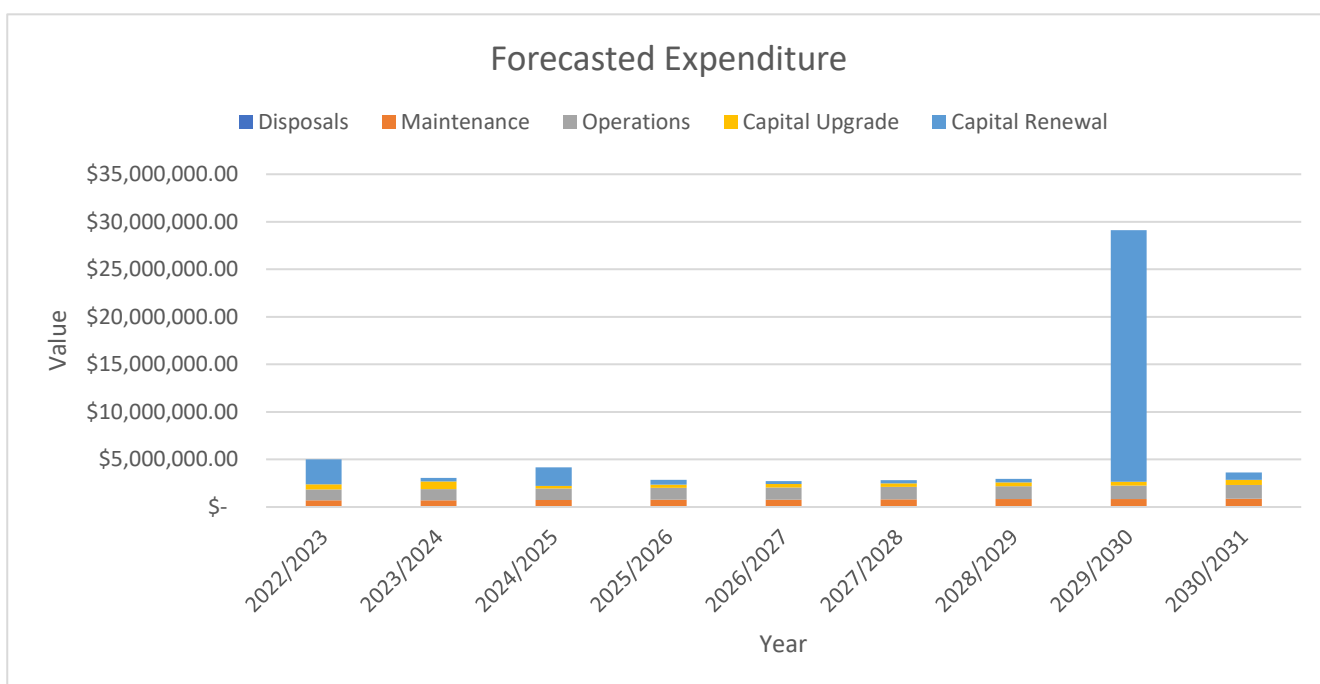


Figure 6 - Projected Operating and Capital Expenditure and Budget

15.2 Financial Sustainability in Service Delivery

There are three key indicators for financial sustainability, that have been considered in the analysis of the services provided by this asset category, these being long-term life cycle costs/expenditures and medium term projected/budgeted expenditures over 5 and 10 years of the planning period.

15.3 Long Term Life Cycle Cost

Life cycle costs (or whole of life costs) are the average cost estimates that are required to sustain the service levels over the longest asset life. Life cycle costs include operations and maintenance expenditure and asset consumption (depreciation expense).

Life cycle costs estimates can be compared to life cycle expenditure to give an indicator of sustainability in service provision. Life cycle expenditure includes operations, maintenance and capital expenditure. Life cycle expenditure peaks and troughs will experience volatility primarily due to the timing of the capital work due to the sharp increase of the costs associated with the work.

A shortfall between life cycle cost and life cycle expenditure is the life cycle gap, a positive gap indicates a surplus reserve and a negative gap indicated a gap in the reserve.

The life cycle costs, and life cycle expenditure estimates comparison highlights any difference between present outlays and the average cost of providing the service over the long term. If the life cycle expenditure is less than that life cycle cost, it is most likely that outlays will need to be increased or reductions in services made in the future.

Knowing the extent and timing of any required increase in outlays and the service consequences if funding is not available will assist organisations in providing services to their communities in a financially sustainable manner. This is the purpose of the Asset Management Plans and long-term financial plan including strategies that are required to attempt to bridge the gap associated, such as, but not limited to:

- Reduction in level of service for capital, maintenance or operational;
- Sale of disused assets;
- Grant funding;
- Increased revenue;
- Improved technology; and
- Reduction in service requirements, and so on.

Funding Strategy

Projected expenditure identified is to be funded from future operating and capital budgets from reserves and grant funding. The funding strategy is detailed in the organisation's 10-year long-term financial plan.

Key Assumptions made in Financial Forecasts

This section details the key assumptions made in presenting the information contained in this Asset Management Plan and in preparing forecasts of required operating and capital expenditure and asset values, depreciation expense and carrying amount estimates. It is presented, to enable readers to gain an understanding of the levels of confidence in the data behind the financial forecasts.

Key assumptions made in this Asset Management Plan are:

- Asset useful lives are achieved before they require replacement.
- Regulation does not require significant change to the operations.
- The operating environment (physical, demographic and technical) does not change significantly.
- Operating and maintenance averages and associated costs do not fluctuate substantially.
- All delivery requirements can be met within the allotted time.

16 Key Performance Measures

Key Performance Measures (KPM's) have been extracted from the Strategic Business Plan (2013) which considers the statutory regulated quality of potable water and agreed customer service levels. Although some key performance measures are operational, they are still classified as an Asset delivery.

DESCRIPTION	UNIT	TARGET
AVAILABILITY OF SUPPLY		
Quantity Available		
• Domestic Peak Day	L/tenement/ day	<5,000
• Domestic Annual	kL/tenement / year	< 215
• Total Annual Average Consumption	ML/yr	<660
• Total Peak Daily Consumption	L/tenement/day	<5,000
Water for Fire Fighting:		
• Availability from hydrants at minimum flow rates at determined by LG Regulations and NSW Fire and Rescue and relevant Australian Standards and Plumbing Code	% Urban Area Serviced	100%
Pressure:		
• Minimum pressure at the water meter when delivering 0.1L/sec	Meters Head	> 12 for 90% of Properties
Consumption Restrictions in Droughts:		
• Long run proportion of time with water restrictions applied	%	<5%
• Average frequency of restriction events		<1 event per 10 years
• Supply capacity during of normal worst recorded drought demand	% of Normal Demand	90%
Water Quality (Potable Water)		
Compliance with 2011NHMRC & NRMCC Australian Drinking Water Quality Guidelines		
Physical parameters	%	100
Chemical parameters	%	100
Faecal coliforms	%	100

Microbiological Parameters:		
• E-coliforms	Mean	0
	CFU/100m1	
• Sampling frequency	Samples/wk./ zone	1
Physical-chemical Parameters:		
• pH	Unit	6.5 — 8.5
• Colour	HU	<15
• Turbidity	NTU	<5
• Fluoride	mg/L	<1.5
• Free available chlorine (WTP)	mg/L	4.1
• Free available chlorine (Reticulation)	mg/L	0.2 — 4.1
• Iron	mg/L	<0.3
• Manganese	mg/L	<0.5
RESPONSE TIME TO CUSTOMER COMPLAINTS OF SUPPLY FAILURE		
1. Priority 1: failure to maintain continuity or quality of supply to a large number of customers or to a critical use at a critical time		
All Customers:		
• During working hours	Minutes	60
• Out of working hours	Minutes	120
2. Priority 2: failure to maintain continuity or quality to a critical use at a non-critical time		
All Customers:		
• During working hours	Minutes	180
• Out of working hours	Minutes	240

3. Priority 3: failure to maintain continuity or quality of supply to a single customer		
All Customers:	Working Days	1
4. Priority 4: a minor problem or complaint that can be dealt with at a mutually convenient time		
All Customers:	Working Days	14
Catastrophe		
		Immediate Action
CUSTOMER COMPLAINTS & GENERAL INQUIRIES		
i.e. complaints other than a supply failure		
• Written complaints or enquiries: 95% response time	Working Days	10
• Personal complaints or enquiries: 95% response time	Working Days	1
SPECIAL CUSTOMERS		
• Specific service levels and associated charges will be negotiated with customers on an individual basis.		

Table 16 - Performance Measures

Annual reporting on these KPMs are reflective in the Drinking Water Management System Annual Report. This outlines Council's Drinking Water Management System implementation, outcomes and drinking water performance for each financial year. This document is an NSW requirement.

17 Risk Management Plan

Narromine Shire Council is committed to a structured and systematic approach to the management of risk and has committed resources to the implementation of an Enterprise Risk Management Program. This program aims to embed the principles of risk management in all aspects of Council's operations, which will ultimately:

- **Increase the likelihood of Council achieving its objectives;**
- **Create an environment where all employees have a key role in managing risk;**
- **Encourage proactive management;**
- **Improve the identification of opportunities and threats;**
- **Improve stakeholder confidence and trust;**
- **Improve financial stability and minimise losses; and**
- **Improve organisational performance.**

Council is committed to the identification, elimination and/or reduction of risks associated with hazards that arise throughout Council operations as far as reasonably practicable. To facilitate this process an Enterprise Risk Management Plan has been developed.

18 Asset Monitoring

The Asset Improvement Plan is intended to provide improvements in the knowledge of our assets and their management. This plan will ensure that acceptable progress is made on improving asset management processes and procedures and that progress can be verified and quantified. This improvement plan should ensure asset management progresses at an acceptable pace and moves in the "right" direction - that is "improvement" is embedded in the process.

18.1 Accounting/ Financial Systems

Council uses an application called Authority for its core Financial Management. The financial system is managed by Council's Finance and Corporate Strategy Department. Financial reporting is to follow the requirements of the Local Government Act 1993 and relevant Australian Accounting Standards.

18.2 Asset Management Information System (AMIS)

Council has installed an Asset Management System 'Authority' with the following functionality:

- Asset Register;
- Capital Values;
- Defect Management;
- Customer Request Management;
- Asset capitalisation;
- Inspection/defect logging;
- Store dimension/ numeric data;
- Historic information about each assets condition, work and valuation;
- Valuation and depreciation;
- Condition or failure mode ratings;
- Maintenance management with periodic/cyclic scheduling; and;
- Producing work order.



18.3 Geographical Information System (GIS)

Council currently has Intramaps and QGIS as its primary GIS. GIS allows users to spatially visualise both data and information – primarily to assist with decision-making and planning. GIS is a corporate tool that presents an efficient means of accessing, analysing and reporting corporate data.

18.4 Customer Request Management System (CRM)

Council currently operates a Customer Request Management System in “Authority”. This system links the customer request to a property identifier.

It is recognised that it is important to integrate the AMIS with GIS, CRM and Finance for tracking complaints and responses against individual assets effectively and efficiently. This will provide information relating to the operational cost of each asset.

18.5 Workforce Planning and Training

Council currently employs trained operators in Water Asset Class as part of its recruitment process. Job specific training is identified during annual performance appraisals where relevant training requirements are discussed and included in a training plan.

Council currently has a succession strategy and is in progress of developing a position / skills matrix that is to be employed within its operations.

18.6 Performance Measures

The effectiveness of the asset management plan can be measured in the following ways:

- The degree to which the required cashflows identified in this asset management plan are incorporated into the organisation’s Long-Term Financial Plan and Community/Strategic Planning processes and documents.
- The degree to which the 4-year detailed works programs, budgets, corporate business plans and organisational structures consider the ‘global’ works program trends provided by the asset management plan.
- Measurement of particulars associated with general inspections on a frequency base to measure the performance of the operations vs the AMP LOS. Reporting of the outcomes of these performance measures will be as required by the General Manager and Director of Infrastructure and Engineering Services.
- Telemetry Data is primarily used for measuring the operational performance of the Asset and ensuring that the infrastructure is delivering the performance requirements of the customer.
- Operational data in association with the Key Performance Measures.
- Customer Request Management vs Operational delivery time.

In addition to the Asset Management Strategy, Table 17 includes improvements to the management and planning of Water assets.

18.7 Field Logs

As per the improvement plan as the Level of Service Performance Measurement measures are formed and data is generated, data associated with the performance will be attached to the Asset Management Plan in future years.

19 Improvement Plan

The asset management improvement plan generated from this asset management plan is shown in Table 17.

The improvement plan is categorized by the following types:

- Legislative: compliance requirements
- Performance: development of existing asset principles associated performance of assets and staff
- Knowledge: based on improvement of asset knowledge base or development of existing asset knowledge base
- Service Focused: improvements associated with the development of services
- Skills: any skills associated with the improvement of Asset Management within3 the Organisation including operational asset management such as Human Resources.

#	Type	Task	Priority	Expected Completion
1	Legislative	Revaluation of Assets	1	2021/22
2	Performance	Review Renewal of all Assets	1	2021/22
3	Knowledge	Update Asset Register	3	Ongoing
4	Knowledge	Finalise Maintenance Program	2	2022/23
5	Knowledge	Input Maintenance Program into AMS	2	2022/23
6	Performance	Maintain Levels of Service	3	Ongoing
7	Knowledge	Develop 10 Year Plans	3	Ongoing
8	Performance	Review Inspection Procedures	2	2022/23
9	Knowledge	Update Attributes in AMS	3	Ongoing
10	Service Focus	Review Levels of Service	2	2022/23
11	Service Focus	LOS Performance Measurement	1	Ongoing
12	Skills	Development of an Operational Staff skills matrix	2	2023/24
13	Performance	Risk Management Plan for Water Assets	1	Ongoing
14	Performance	Align AMP with Business Continuity Plan	5	As required
15	Legislative	Review of existing inspections program and compliance with Legislation	1	2023/24
16	Knowledge	Link Assets in AIMS to the GIS system	4	2023/24
17	Knowledge	Determine and input income of Infrastructure into the AMP to determine Return on Asset (ROA)	4	2021/22

Table 17 - Asset Management Improvement Plan – Water

19.1 Monitoring and Review Procedures

This asset management plan will be reviewed annually during budget preparation and will be amended to recognise any material changes in levels of service and/or resources available to provide those services as a result of the budget decision process.

The Asset Management Plan has a life of 4 years along with the Long Term Financial Plan.

20 References

Abs.gov.au. 2022. *Search Census data | Australian Bureau of Statistics*. [online] Available at: <<https://www.abs.gov.au/websitedbs/D3310114.nsf/Home/2016%20QuickStats>> [Accessed 28 April 2022].

Planning.nsw.gov.au. 2022. *Projections*. [online] Available at: <<https://www.planning.nsw.gov.au/Research-and-Demography/Population-projections/Projections>> [Accessed 28 April 2022].

21 Appendix A: Ten Year Capital Works Program

	1	2	3	4	5	6	7	8	9	10
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
LIFE CYCLE RENEWAL										
Water Network - Capital Program - Replacement / Rehabilitation	190,550	196,267	202,155	208,219	214,466	220,900	227,527	234,352	241,383	248,625
Automated Meter Reading - Capital Program - Replacement Program						59,703	61,494	63,339	65,239	67,196
Pumps - Capital Program - Renewal / Rehabilitation	26,151	28,767	31,643	34,808	38,288	42,117	46,329	50,962	56,058	61,664
Valves - Capital Program - Renewal / Rehabilitation	19,613	21,574	23,732	26,105	28,715	31,587	34,746	38,220	42,042	46,246
Bores - Narromine - Capital Program - Narromine										40,317
Bores - Narromine - Capital Program - Trangie	33,000									
Potable Water Reservoir - Trangie - Renewal / Rehabilitation		318,270	546,364							
Telemetry - Capital Program - Renewal / Rehab					57,964					67,196
NEW, ACQUISITION AND/OR UPGRADE										
Major										
Water Treatment Plant - Narromine - New									19,571,598	
Reservoir and Rising Main - Narromine - New									6,523,866	
Pressure Management - Narromine - Booster - North		636,540								
Pressure Management - Narromine - Booster - South	500,000									
River Offtake - Narromine		1,591,350		1,688,263						
Trunk Main & Standpipe - Trangie - Harris Street - Upgrade	66,000									
Minor										
Water Quality Monitoring System	22,000									
Telemetry		37,132								

	1	2	3	4	5	6	7	8	9	10
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Bore Flow Recorders		96,945								
Minor Capital Works Program	18,128	19,941	21,935	24,128	26,541	29,195	32,115	35,326	38,859	42,745
Backflow Prevention Devices - Capital Program		32,782		34,778		36,896		39,143		41,527
Major Under bore			163,909							
Growth										
Automated Meter Reading - Capital Program - Installation Program	152,408	167,649	184,414	202,855	223,141	245,455	270,001	297,001	326,701	359,371
Trunk Main & Standpipe - Trangie - Harris Street - Upgrade					69,556					80,635
Water Quality Monitoring System - Trangie - Upgrade					34,778					40,317
Bore - Trangie - Flow Recorder		26,523					30,747			
Network Reticulation - Pipeline Mitchell Highway - Narromine - Under bore					173,891					201,587

Narromine Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2022

*To enhance our Shire's image, lifestyle and environment
through effective leadership, community involvement and
commitment to service.*



Narromine Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

Contents	Page
Understanding Council's Financial Statements	3
Statement by Councillors and Management	4
Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	69
On the Financial Statements (Sect 417 [3])	70

Overview

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

124 Dandaloo Street
Narromine NSW 2821

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

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

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

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

Narromine Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2022.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the Financial Statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the audit report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

Narromine Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on dd MMMM yyyy.

[Mayor]

Mayor

dd MMMM yyyy

[Councillor]

Councillor

dd MMMM yyyy

[GeneralManager]

General Manager

dd MMMM yyyy

[ResponsibleAccountingOfficer]

Responsible Accounting Officer

dd MMMM yyyy

Narromine Shire Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Income from continuing operations				
-	Rates and annual charges	B2-1	-	9,409
-	User charges and fees	B2-2	-	2,936
-	Other revenues		-	341
-	Grants and contributions provided for operating purposes	B2-3	-	8,001
-	Grants and contributions provided for capital purposes	B2-3	-	9,125
-	Interest and investment income	B2-4	-	2,262
-	Other income		-	479
-	Total income from continuing operations		-	32,553
Expenses from continuing operations				
-	Employee benefits and on-costs	B3-1	-	7,131
-	Materials and services	B3-2	-	6,930
-	Borrowing costs		-	108
-	Depreciation, amortisation and impairment for non-financial assets	B3-3	-	6,632
-	Other expenses	B3-4	-	1,261
-	Net loss from the disposal of assets	B4-1	-	231
-	Total expenses from continuing operations		-	22,293
-	Operating result from continuing operations		-	10,260
-	Net operating result for the year attributable to Council		-	10,260
-	Net operating result for the year before grants and contributions provided for capital purposes		-	1,135

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

Narromine Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
Net operating result for the year – from Income Statement		–	10,260
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain / (loss) on revaluation of IPP&E	C1-6	–	1,251
Other comprehensive income – joint ventures and associates		(330)	–
Total items which will not be reclassified subsequently to the operating result		(330)	1,251
Total other comprehensive income for the year		(330)	1,251
Total comprehensive income for the year attributable to Council		(330)	11,511

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

Narromine Shire Council

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	-	5,125
Investments	C1-2	-	21,189
Receivables	C1-4	-	1,991
Inventories	C1-5	-	2,586
Other		-	84
Total current assets		-	30,975
Non-current assets			
Receivables	C1-4	-	491
Inventories	C1-5	-	3,700
Infrastructure, property, plant and equipment (IPPE)	C1-6	-	315,474
Investment property		-	48
Right of use assets		-	28
Investments accounted for using the equity method	D2-3	-	330
Total non-current assets		-	320,071
Total assets		-	351,046
LIABILITIES			
Current liabilities			
Payables	C2-1	-	2,692
Lease liabilities		-	28
Borrowings	C2-2	-	2,530
Employee benefit provisions	C2-3	-	1,629
Total current liabilities		-	6,879
Non-current liabilities			
Borrowings	C2-2	-	2,244
Employee benefit provisions	C2-3	-	51
Provisions	C2-4	-	1,921
Total non-current liabilities		-	4,216
Total liabilities		-	11,095
Net assets		-	339,951
EQUITY			
Accumulated surplus	C3-1	150,692	151,022
IPPE revaluation reserve	C3-1	188,929	188,929
Council equity interest		339,621	339,951
Total equity		339,621	339,951

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

Narromine Shire Council

Statement of Changes in Equity

for the year ended 30 June 2022

\$ '000	Notes	as at 30/06/22			as at 30/06/21		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		151,022	188,929	339,951	140,762	187,678	328,440
Net operating result for the year		-	-	-	10,260	-	10,260
Net operating result for the period		-	-	-	10,260	-	10,260
Other comprehensive income							
- Gain / (loss) on revaluation of IPP&E	C1-6	-	-	-	-	1,251	1,251
Joint ventures and associates		(330)	-	(330)	-	-	-
Other comprehensive income		(330)	-	(330)	-	1,251	1,251
Total comprehensive income		(330)	-	(330)	10,260	1,251	11,511
Closing balance at 30 June		150,692	188,929	339,621	151,022	188,929	339,951

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

Narromine Shire Council

Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Cash flows from operating activities				
<i>Receipts:</i>				
-	Rates and annual charges		-	9,484
-	User charges and fees		-	2,484
-	Interest received		-	2,288
-	Grants and contributions		-	17,126
-	Other		-	(594)
<i>Payments:</i>				
-	Payments to employees		-	(6,857)
-	Payments for materials and services		-	(6,503)
-	Borrowing costs		-	(108)
-	Other		-	(2,100)
-	Net cash flows from operating activities	G1-1a	-	15,220
Cash flows from investing activities				
<i>Receipts:</i>				
-	Proceeds from sale of IPPE		-	580
<i>Payments:</i>				
-	Purchase of investments		-	(3,219)
-	Purchase of investment property		-	(48)
-	Payments for IPPE		-	(13,271)
-	Purchase of real estate assets		-	(133)
-	Purchase of intangible assets		-	(261)
-	Net cash flows from investing activities		-	(16,352)
Cash flows from financing activities				
<i>Payments:</i>				
-	Repayment of borrowings		-	(995)
-	Net cash flows from financing activities		-	(995)
-	Net change in cash and cash equivalents		-	(2,127)
-	Cash and cash equivalents at beginning of year		5,125	7,252
-	Cash and cash equivalents at end of year	C1-1	5,125	5,125
-	plus: Investments on hand at end of year	C1-2	-	21,189
-	Total cash, cash equivalents and investments		5,125	26,314

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

Narromine Shire Council

Contents for the notes to the Financial Statements for the year ended 30 June 2022

A About Council and these financial statements	12
A1-1 Basis of preparation	12
B Financial Performance	15
B1 Functions or activities	15
B1-1 Functions or activities – income, expenses and assets	15
B1-2 Components of functions or activities	16
B2 Sources of income	18
B2-1 Rates and annual charges	18
B2-2 User charges and fees	19
B2-3 Grants and contributions	20
B2-4 Interest and investment income	23
B3 Costs of providing services	24
B3-1 Employee benefits and on-costs	24
B3-2 Materials and services	24
B3-3 Depreciation, amortisation and impairment of non-financial assets	25
B3-4 Other expenses	26
B4 Gains or losses	26
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	26
B5 Performance against budget	26
B5-1 Material budget variations	26
C Financial position	28
C1 Assets we manage	28
C1-1 Cash and cash equivalents	28
C1-2 Financial investments	28
C1-3 Restricted and allocated cash, cash equivalents and investments	30
C1-4 Receivables	32
C1-5 Inventories	33
C1-6 Infrastructure, property, plant and equipment	34
C2 Liabilities of Council	38
C2-1 Payables	38
C2-2 Borrowings	38
C2-3 Employee benefit provisions	40
C2-4 Provisions	40
C3 Reserves	42
C3-1 Nature and purpose of reserves	42
D Council structure	43
D1 Results by fund	43
E Risks and accounting uncertainties	44
E1-1 Risks relating to financial instruments held	44
E2-1 Fair value measurement	47

Narromine Shire Council

Contents for the notes to the Financial Statements for the year ended 30 June 2022

E3-1 Contingencies	53
F People and relationships	56
F1 Related party disclosures	56
F1-1 Key management personnel (KMP)	56
F1-2 Councillor and Mayoral fees and associated expenses	56
F1-3 Other related parties	57
F2 Other relationships	58
F2-1 Audit fees	58
G Other matters	59
G1-1 Statement of Cash Flows information	59
G2-1 Commitments	60
G3-1 Events occurring after the reporting date	61
G4 Changes from prior year statements	62
G4-1 Changes in accounting policy	62
G5 Statement of developer contributions as at 30 June 2022	63
G5-1 Summary of developer contributions	63
G6 Statement of performance measures	64
G6-1 Statement of performance measures – consolidated results	64
G6-2 Statement of performance measures by fund	65
H Additional Council disclosures (unaudited)	67
H1-1 Statement of performance measures – consolidated results (graphs)	67

A About Council and these financial statements

A1-1 Basis of preparation

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

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

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

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

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-6
- (ii) estimated tip remediation provisions – refer Note C3-4
- (iii) employee benefit provisions – refer Note C3-3

Monies and other assets received by Council

The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

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.

A1-1 Basis of preparation (continued)

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.

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2020 reporting period.

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

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 1059 Service Concession Arrangements: Grantors

AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of AASB 1059

AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059

This standard provides guidance for public sector entities (grantors) who have entered into service concession arrangements with private sector operators.

AASB 1059 requires grantors to recognise a service concession asset and, in most cases, a corresponding liability on the balance sheet.

A control approach is used to assess the service concession arrangements in place.

On initial recognition the asset is measured at current replacement cost based on AASB 13 Fair Value Measurement and existing assets of the grantors are reclassified at the date of transition.

After initial recognition, the grantor accounts for the assets under either AASB 116 Property, Plant and Equipment or AASB 138 Intangible Assets.

The nature of the consideration given to the operator will affect whether the grantor applies either the 'financial liability' or the 'grant of right' model for the recognition of the liability.

AASB 2019-2 makes amendments to the recognition and measurement of the asset and liability where the modified retrospective approach to transition is being used and provides a practical expedient due to the different effective dates of AASB 16 and AASB 1059.

Council does not expect any material impact to future financial statements as we do not generally enter into service concession arrangements.

This standard has an effective date for the 30 June 2021 reporting period.

AASB2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

AASB2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128

AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

The standard amendments address an acknowledged inconsistency between the requirements in AASB10 and those in AASB128 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

These amendments will only impact Council where there has been a sale or contribution of assets between Council and any Joint Venture or Associate.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

A1-1 Basis of preparation (continued)

New accounting standards adopted during the year

No new accounting standards are applicable to the 2020-21 financial year.

COVID-19 implications on financial reporting

For the financial year ending 30 June 2020, the Office of Local Government, NSW Treasury and the Australian Securities and Investments Commission each issued guidance on areas to be considered when preparing financial statements. Management has assessed various activities of Council including impairment of assets, contracts, asset fair values, employee benefits provisions, revenue, liquidity and going concern.

The impact on Council's financial statements 2020-21 of COVID-19 restrictions were found to be immaterial.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Functions or activities										
Governance	-	60	-	2,060	-	(2,000)	-	-	-	2,273
Administration	-	185	-	1,825	-	(1,640)	-	-	-	7,241
Public Order & Safety	-	255	-	532	-	(277)	-	-	-	128
Environment & Health	-	206	-	238	-	(32)	-	103	-	1,081
Community & Cultural Services	-	1,307	-	1,071	-	236	-	76	-	538
Planning & Development	-	70	-	338	-	(268)	-	113	-	61
Waste Management	-	1,732	-	1,656	-	76	-	-	-	1,113
Infrastructure	-	7,541	-	7,550	-	(9)	-	5,867	-	233,466
Recreational Facilities	-	1,656	-	2,277	-	(621)	-	-	-	20,659
Economic Development	-	637	-	1,203	-	(566)	-	1,566	-	61
Water Supplies	-	3,061	-	2,117	-	944	-	955	-	17,832
Sewerage Services	-	2,303	-	1,426	-	877	-	2	-	19,907
General Purpose Income	-	10,607	-	-	-	10,607	-	-	-	-
Joint Ventures	-	6	-	-	-	6	-	-	-	330
Other	-	2,927	-	-	-	2,927	-	8,444	-	46,356
Total functions and activities	-	32,553	-	22,293	-	10,260	-	17,126	-	351,046

B1-2 Components of functions or activities

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

Governance

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

Administration

- Executive services - provision of effective and efficient support to councillors, Council and the community
- Legal advice and services for Council, its delegates and officers, procure adequate and appropriate insurance coverage at a minimum cost, manage claims against Council and manage litigation by and against Council
- Provision of management accounting, financial reporting, rates, payroll, creditors, accounts receivable, cashiering, debt recovery and investments
- Computing and support services to Council
- Management and improvement of the quality, performance, opportunities & safety conditions of Council's staff
- Civic administration building.

Public Order & Safety

- Co-operation and liaison with the Rural Fire Service and other Emergency Service organisations.

Environment & Health

- Protection of the environment, its enhancement and the promotion of environmental sustainability
- Maintenance of the health standards and safety of premises that are accessible to and impact upon the community
- Development of an innovative best practice policy to control the incidence of noxious plants
- Companion animal management and issues in relation to straying livestock.

Community & Cultural Services

- Provision of community, cultural and educational services and facilities to enhance the community's way of life
- Provision of programs and services for young people between 12-24 years of age
- Active participation in and co-operation with community organisations in the delivery of Aged & Disability Services
- Provision for the development and management of a range of community facilities
- Provision of effective public library lending, information and referral services
- Provision of quality cemetery services and memorial facilities
- Advocate for a strong cultural role in community revitalisation and identity by the encouragement & promotion of local historical, cultural and art organisations and activities.

Planning & Development

- Creation of a quality environment for the community in which land use and development is planned and assessed and the social, environmental, economic, agricultural, heritage and physical wellbeing of the community is enhanced and protected
- Planning the Shire's future whilst embracing the principles of Ecologically Sustainable Development
- Assessment and determination of development applications
- Regulatory inspections.

Waste Management

- Effective management of waste collection, minimise waste whilst encouraging commercial and residential recycling
- Collection & recycling
- Disposal.

Infrastructure

- Provision of well constructed, maintained and functional roads, drains, public buildings and associated engineering structures; including operational support, construction and maintenance, design, stormwater management and aerodromes.

Recreational Facilities

- Provision of equitable access to social, cultural, sporting and recreational services and facilities
- Parks, playing fields and reserves
- Recreational buildings and infrastructure

B1-2 Components of functions or activities (continued)

- Swimming Pools.

Economic Development

- Development and assistance in the implementation of strategies, programs and policies that will provide employment and a positive environment for the local economy
- Tourism & area promotion
- Real estate development
- Saleyards and markets
- External partnerships
- Camping areas.

Water Supplies

- Provision of a cost effective, environmentally sensitive and ecologically sustainable water supply service including business plan, service delivery, customer service, demand management, infrastructure management.

Sewerage Services

- Provision of a cost effective, environmentally sensitive & ecologically sustainable sewerage service. Including business plan, service delivery, customer service, demand management, infrastructure management.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2022	2021
Ordinary rates		
Residential	-	1,542
Farmland	-	3,407
Mining	-	289
Business	-	886
Less: pensioner rebates (mandatory)	-	(71)
Rates levied to ratepayers	-	6,053
Pensioner rate subsidies received	-	45
Total ordinary rates	-	6,098
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	-	1,194
Stormwater management services	-	52
Water supply services	-	700
Sewerage services	-	1,179
Waste management services (non-domestic)	-	244
Less: pensioner rebates (mandatory)	-	(120)
Annual charges levied	-	3,249
Pensioner subsidies received:		
– Water	-	20
– Sewerage	-	21
– Domestic waste management	-	21
Total annual charges	-	3,311
Total rates and annual charges	-	9,409

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

Accounting policy

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

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.

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

B2-2 User charges and fees

\$ '000	2022	2021
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Water supply services	-	1,226
Sewerage services	-	347
Waste management services (non-domestic)	-	138
Total specific user charges	-	1,711
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	-	139
Private works – section 67	-	285
Other	-	61
Total fees and charges – statutory/regulatory	-	485
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Cemeteries	-	99
Gravel pits	-	390
Recycling income (non-domestic)	-	75
Other	-	176
Total fees and charges – other	-	740
Total other user charges and fees	-	1,225
Total user charges and fees	-	2,936
Timing of revenue recognition for user charges and fees		
User charges and fees recognised at a point in time	-	2,936
Total user charges and fees	-	2,936

Accounting policy

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

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

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

B2-3 Grants and contributions

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	–	1,504	–	–
Financial assistance – local roads component	–	720	–	–
Payment in advance - future year allocation				
Financial assistance – general component	–	1,610	–	–
Financial assistance – local roads component	–	773	–	–
Other				
Other grants	–	50	–	363
Amount recognised as income during current year	–	4,657	–	363
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Previously specific grants:				
Pensioners' rates subsidies:				
– Other	–	40	–	–
Water supplies	–	63	–	1,444
Bushfire and emergency services	–	116	–	2,926
Community centres	–	–	–	1,025
Economic development	–	–	–	154
Library	–	80	–	–
LIRS subsidy	–	–	–	44
Noxious weeds	–	103	–	–
Recreation and culture	–	–	–	1,173
Community infrastructure grant	–	–	–	375
Traffic route subsidy	–	–	–	77
Transport (roads to recovery)	–	1,365	–	–
Transport (other roads and bridges funding)	–	–	–	130
Other specific grants	–	218	–	1,341
Previously contributions:				
Dedications – subdivisions (other than by s7.11)	–	139	–	–
Transport for NSW contributions (regional roads, block grant)	–	998	–	–
Other contributions	–	88	–	4
Total special purpose grants and non-developer contributions – cash	–	3,210	–	8,693
Non-cash contributions				
Other	–	–	–	19
Total other contributions – non-cash	–	–	–	19
Total special purpose grants and non-developer contributions (tied)	–	3,210	–	8,712
Total grants and non-developer contributions	–	7,867	–	9,075
Comprising:				
– Commonwealth funding	–	4,608	–	2,056
– State funding	–	606	–	3,744
– Other funding	–	2,653	–	3,275
	–	7,867	–	9,075

B2-3 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G5				
Cash contributions					
S 7.12 – fixed development consent levies		–	56	–	–
S 64 – water supply contributions		–	–	–	50
S 64 – sewerage service contributions		–	78	–	–
Total developer contributions – cash		–	134	–	50
Total developer contributions		–	134	–	50
Total contributions		–	134	–	50
Total grants and contributions		–	8,001	–	9,125
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time (1)		–	–	–	–
Grants and contributions recognised at a point in time (2)		–	8,001	–	9,125
Total grants and contributions		–	8,001	–	9,125

Unspent grants and contributions

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

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Unspent grants and contributions				
Operating grants recognised as income in a previous reporting period	4,758	3,934	–	–
Unspent grants and contributions				
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	3,207	–	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	–	–	–	–
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	–	(2,383)	–	–
Unspent funds at 30 June	4,758	4,758	–	–

B2-3 Grants and contributions (continued)

Accounting policy

Grant income under AASB 15

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

The performance obligations are varied based on the agreement but include milestones such as as executing the agreement, providing reports and expending amounts within agreed timeframes. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Grant income

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

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

Capital grants

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

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

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

Contributions

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

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

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

B2-4 Interest and investment income

\$ '000	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	–	37
– Cash and investments	–	212
Distribution income (TCorp)	–	2,013
Total interest and investment income (losses)	–	2,262

Accounting policy

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	–	5,538
Other	–	2,103
Total employee costs	–	7,641
Less: capitalised costs	–	(510)
Total employee costs expensed	–	7,131
Number of 'full-time equivalent' employees (FTE) at year end	–	89

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.

B3-2 Materials and services

\$ '000	Notes	2022	2021
Raw materials and consumables		–	3,533
Contractor and consultancy costs		–	1,447
Audit Fees	F2-1	–	60
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	–	152
Advertising		–	112
Computer software charges		–	197
Electricity and heating		–	365
Insurance		–	463
Office expenses (including computer expenses)		–	89
Street lighting		–	148
Subscriptions and publications		–	114
Telephone and communications		–	69
Other expenses		–	109
Legal expenses:			
Expenses from leases of low value assets		–	24
– Legal expenses: other		–	31
Other		–	14
Total materials and services		–	6,930
Total materials and services		–	6,930

B3-3 Depreciation, amortisation and impairment of non-financial assets

\$ '000	Notes	2022	2021
Depreciation and amortisation			
Plant and equipment		–	865
Office equipment		–	62
Furniture and fittings		–	10
Infrastructure:	C1-6		
– Buildings – non-specialised		–	184
– Buildings – specialised		–	906
– Other structures		–	167
– Roads		–	1,891
– Bridges		–	199
– Footpaths		–	84
– Stormwater drainage		–	386
– Water supply network		–	567
– Sewerage network		–	439
– Swimming pools		–	260
– Other infrastructure		–	187
Other assets:			
– Aerodrome		–	164
Intangible assets		–	119
Total depreciation and amortisation costs		–	6,490
Impairment / revaluation decrement of IPPE			
Intangible assets		–	142
Total IPPE impairment / revaluation decrement costs charged to Income Statement		–	142
Total depreciation, amortisation and impairment for non-financial assets		–	6,632

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 10 for IPPE assets.

Impairment of non-financial assets

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

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

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

B3-4 Other expenses

\$ '000	2022	2021
Other	-	1,191
– Other contributions/levies	-	70
Total other expenses	-	1,261

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

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

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

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Revenues				
Other revenues	-	-	-	∞ F
Capital grants and contributions	-	-	-	∞ F
Interest and investment revenue	-	-	-	∞ F
Other income	-	-	-	∞ F
Expenses				
Materials and services	-	-	-	∞ F
Borrowing costs	-	-	-	∞ F
Other expenses	-	-	-	∞ F
Net losses from disposal of assets	-	-	-	∞ F

Statement of cash flows

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----		
Cash flows from operating activities	-	-	-	∞	F
Cash flows from investing activities	-	-	-	∞	F
Cash flows from financing activities	-	-	-	∞	F

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash assets		
Cash on hand and at bank	-	5,195
Cash equivalent assets		
– Other financial assets	-	(70)
Total cash and cash equivalents	-	5,125

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	-	5,125
Balance as per the Statement of Cash Flows	-	5,125

Accounting policy

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

C1-2 Financial investments

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Financial assets at fair value through the profit and loss				
Managed funds	-	-	21,189	-
Total	-	-	21,189	-
Total financial investments	-	-	21,189	-
Total cash assets, cash equivalents and investments	-	-	26,314	-

No strategic investments were disposed of during 2022, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

C1-2 Financial investments (continued)

Accounting policy

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

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

Financial assets

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

Classification

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

- amortised cost
- fair value through profit and loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments in New South Wales Treasury Corporation (TCorp) Managed Funds in the Statement of Financial Position.

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

\$ '000	2022	2021
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	-	26,314
Less: Externally restricted cash, cash equivalents and investments	-	14,047
Cash, cash equivalents and investments not subject to external restrictions	-	12,267
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants – general fund	-	824
External restrictions – included in liabilities	-	824
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	-	135
Developer contributions – water fund	-	215
Developer contributions – sewer fund	-	178
Specific purpose unexpended grants (recognised as revenue) – general fund	-	2,375
Water fund	-	1,807
Sewer fund	-	7,516
Board of control	-	121
Other	-	35
Street Lighting - Special Purpose loan	-	-
Domestic waste management	-	841
External restrictions – other	-	13,223
Total external restrictions	-	14,047

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

\$ '000	2022	2021
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	-	12,267
Less: Internally restricted cash, cash equivalents and investments	-	9,528
Unrestricted and unallocated cash, cash equivalents and investments	-	2,739

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

\$ '000	2022	2021
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Alkane community contributions	-	185
Alkane environmental monitoring	-	138
Carry over works	-	3,112
Election expenses	-	66
Employees leave entitlement	-	555
FAGS advance grant	-	2,383
Infrastructure replacement (LTP)	-	2,511
Other	-	578
Total internal allocations	-	9,528

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

\$ '000	2022	2021
(c) Unrestricted and unallocated		
Unrestricted and unallocated cash, cash equivalents and investments	-	2,739

C1-4 Receivables

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Rates and annual charges	-	-	528	296
Interest and extra charges	-	-	19	-
User charges and fees	-	-	1,239	195
Accrued revenues				
Net GST receivable	-	-	207	-
Other debtors	-	-	57	-
Total	-	-	2,050	491
Less: provision for impairment				
Interest and extra charges	-	-	(23)	-
User charges and fees	-	-	(36)	-
Total provision for impairment – receivables	-	-	(59)	-
Total net receivables	-	-	1,991	491

Accounting policy

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

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

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

Impairment

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

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

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

Rates and annual charges outstanding are secured against the property.

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

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

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

On initial recognition of the asset, an estimate of the ECL 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.

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 5 years past due, whichever occurs first.

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.

C1-5 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(i) Inventories at cost				
Real estate for resale	-	-	2,268	3,700
Stores and materials	-	-	318	-
Total inventories at cost	-	-	2,586	3,700
Total inventories	-	-	2,586	3,700

(i) Real estate assets for resale

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(a) Details for real estate development				
Residential	-	-	2,268	-
Industrial/commercial	-	-	-	3,700
Total real estate for resale	-	-	2,268	3,700
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	-	-	-	241
Development costs	-	-	2,268	3,459
Total costs	-	-	2,268	3,700
Total real estate for resale	-	-	2,268	3,700
Movements:				
Real estate assets at beginning of the year	2,268	3,700	1,128	4,707
- Purchases and other costs	(2,268)	(3,700)	1,140	(1,007)
Total real estate for resale	-	-	2,268	3,700

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.

Real estate held for resale includes residential and industrial development. Residential land has been largely sold and accordingly transferred from non-current to current. Industrial land is still non-current.

C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021			At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000						
Capital work in progress	5,880	–	5,880	–	–	–
Plant and equipment	16,557	(8,982)	7,575	–	–	–
Office equipment	1,282	(947)	335	–	–	–
Furniture and fittings	329	(284)	45	–	–	–
Land:						
– Operational land	4,569	–	4,569	–	–	–
– Community land	2,246	–	2,246	–	–	–
Infrastructure:						
– Buildings – non-specialised	5,642	(3,104)	2,538	–	–	–
– Buildings – specialised	34,076	(18,554)	15,522	–	–	–
– Other structures	5,328	(1,731)	3,597	–	–	–
– Roads	233,667	(39,654)	194,013	–	–	–
– Bridges	20,454	(7,424)	13,030	–	–	–
– Footpaths	3,880	(1,883)	1,997	–	–	–
– Stormwater drainage	23,268	(8,333)	14,935	–	–	–
– Water supply network	32,097	(14,518)	17,579	–	–	–
– Sewerage network	29,756	(10,250)	19,506	–	–	–
– Swimming pools	5,035	(1,418)	3,617	–	–	–
– Other open space/recreational assets	5,767	(2,354)	3,413	–	–	–
– Other infrastructure	414	(149)	265	–	–	–
Other assets:						
– Aerodrome	16,236	(13,276)	2,960	–	–	–
– Intangibles	1,062	(766)	296	–	–	–
– Remediation Assets	1,726	(170)	1,556	–	–	–
Total infrastructure, property, plant and equipment	449,271	(133,797)	315,474	–	–	–

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

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period						At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	4,729	–	4,729	3,995	–	–	(2,615)	(229)	–	5,880	–	5,880
Plant and equipment	8,605	(3,922)	4,683	1,272	(5)	(865)	31	–	–	16,557	(8,982)	7,575
Office equipment	1,173	(884)	289	108	–	(62)	–	–	–	1,282	(947)	335
Furniture and fittings	328	(273)	55	–	–	(10)	–	–	–	329	(284)	45
Land:												
– Operational land	4,221	–	4,221	–	(34)	–	–	–	382	4,569	–	4,569
– Community land	1,696	–	1,696	–	–	–	–	(3)	553	2,246	–	2,246
Infrastructure:												
– Buildings – non-specialised	5,634	(2,920)	2,714	8	–	(184)	–	–	–	5,642	(3,104)	2,538
– Buildings – specialised	33,870	(17,768)	16,102	263	–	(992)	141	–	–	34,076	(18,554)	15,522
– Other structures	4,945	(1,407)	3,538	244	–	(184)	–	–	–	5,328	(1,731)	3,597
– Roads	229,803	(37,608)	192,195	3,864	–	(2,039)	882	–	–	233,667	(39,654)	194,013
– Bridges	20,454	(7,225)	13,229	–	–	(199)	–	–	–	20,454	(7,424)	13,030
– Footpaths	3,476	(1,799)	1,677	404	–	(84)	194	–	–	3,880	(1,883)	1,997
– Stormwater drainage	23,009	(8,102)	14,907	258	–	(231)	162	–	–	23,268	(8,333)	14,935
– Water supply network	30,848	(13,819)	17,029	965	–	(567)	843	–	151	32,097	(14,518)	17,579
– Sewerage network	28,452	(9,763)	18,689	1,094	–	(439)	298	–	165	29,756	(10,250)	19,506
– Swimming pools	5,035	(1,246)	3,789	–	–	(172)	–	–	–	5,035	(1,418)	3,617
– Other open space/recreational assets	5,216	(2,191)	3,025	557	(1)	(169)	64	–	–	5,767	(2,354)	3,413
– Other infrastructure	414	(149)	265	–	–	(10)	–	–	–	414	(149)	265
Other assets:												
– Aerodrome	16,072	(12,917)	3,155	20	(23)	(164)	–	–	–	16,236	(13,276)	2,960
– Intangibles	943	(676)	267	–	–	(119)	–	–	–	1,062	(766)	296
– Remediation Assets	1,880	–	1,880	–	–	–	–	–	–	1,726	(170)	1,556
Total infrastructure, property, plant and equipment	430,803	(122,669)	308,134	13,052	(63)	(6,490)	–	(232)	1,251	449,271	(133,797)	315,474

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

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

Accounting policy

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

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

Increases in the carrying amounts arising on revaluation are credited to the asset 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.

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	1 to 4		
Vehicles	5 to 20	Buildings	
Heavy plant/road making equipment	5 to 20	Buildings: masonry	50 to 100
Other plant and equipment	5 to 50	Buildings: other	20 to 40
		Stormwater assets	
Water and sewer assets		Drains	80 to 100
Dams and reservoirs	80 to 100	Culverts	50 to 100
Bores	20 to 40	Flood control structures	80 to 100
Reticulation pipes: PVC	70 to 80		
Reticulation pipes: other	25 to 100		
Pumps and telemetry	15 to 75		
		Other infrastructure assets	
Transportation assets		Bulk earthworks	infinite
Sealed roads: surface	15 to 100	Swimming pools	50 to 70
Sealed roads: structure	20 to 100	Other open space/recreational assets	10 to 100
Unsealed roads	10 to 30	Other infrastructure	50 to 100
Bridge: concrete	80 to 300		
Bridge: other	50 to 80		
Road pavements	60 to 100		
Kerb, gutter and footpaths	40 to 100		

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

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

Land under roads

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

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

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

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.

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

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

Rural Fire Service assets

Council's financial statements are prepared in accordance with:

- Local Government Act 1993
- Australian Accounting Standards and other pronouncements
- Local Government Code of Accounting Practice and Financial Reporting

Australian accounting standards prevail over other agreements and acts. Section 119 of the *Rural Fire Services Act 1997 (NSW)*, states "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".

As the assets are not controlled by Council they do not meet AASB's SAC4 definition of an asset and cannot be recognised. Until such time as discussions on this matter have concluded and the legislation changed. Council will not recognise rural fire service assets including land, building, plant and vehicles.

C2 Liabilities of Council

C2-1 Payables

\$ '000	2022		2021	2021
	Current	Non-current	Current	Non-current
Goods and services – operating expenditure	–	–	1,918	–
Accrued expenses:				
– Salaries and wages	–	–	193	–
Other	–	–	255	–
Prepaid rates	–	–	326	–
Total payables	–	–	2,692	–

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.

C2-2 Borrowings

\$ '000	2022		2021	2021
	Current	Non-current	Current	Non-current
Loans – secured ¹	–	–	2,530	2,244
Total borrowings	–	–	2,530	2,244

(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 C2-1.

(a) Changes in liabilities arising from financing activities

\$ '000	2021		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	4,774	(4,774)	–	–	–	–	–
Lease liability (Note C2-1b)	28	(28)	–	–	–	–	–
Total liabilities from financing activities	4,802	(4,802)	–	–	–	–	–

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	5,769	(995)	–	–	–	–	4,774
Lease liability (Note C2-1b)	28	–	–	–	–	–	28
Total liabilities from financing activities	5,797	(995)	–	–	–	–	4,802

C2-2 Borrowings (continued)

(b) Financing arrangements

\$ '000	2022	2021
Total facilities		
Credit cards/purchase cards	-	60
Total financing arrangements	-	60
Undrawn facilities		
- Credit cards/purchase cards	-	60
Total undrawn financing arrangements	-	60

Additional financing arrangements information**Breaches and defaults**

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

Accounting policy

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

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

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or 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.

C2-3 Employee benefit provisions

\$ '000	2022		2021	2021
	Current	Non-current	Current	Non-current
Annual leave	-	-	465	-
Long service leave	-	-	963	51
Other leave	-	-	40	-
ELE on-costs	-	-	161	-
Total employee benefit provisions	-	-	1,629	51

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

\$ '000	2022	2021
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	-	1,004
	-	1,004

Description of and movements in provisions

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C2-4 Provisions

\$ '000	2022		2021	2021
	Current	Non-Current	Current	Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	-	-	-	1,921
Sub-total – asset remediation/restoration	-	-	-	1,921
Total provisions	-	-	-	1,921

C2-4 Provisions (continued)

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Net carrying amount
2022		
At beginning of year	1,921	1,921
Additional provisions	-	-
Amounts used (payments)	-	-
Other	(1,921)	(1,921)
Total other provisions at end of year	-	-
2021		
At beginning of year	1,874	1,874
Additional provisions	-	-
Amounts used (payments)	-	-
Other	47	47
Total other provisions at end of year	1,921	1,921

Accounting policy

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

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

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

Asset remediation – tips and quarries

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

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

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

C3 Reserves

C3-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment 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.

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 2022	Carrying value 2021	Fair value 2022	Fair value 2021
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	–	5,125	–	5,194
Receivables	–	2,482	–	2,482
Fair value through profit and loss				
Investments				
– Held for trading	–	21,189	–	21,189
Total financial assets	–	28,796	–	28,865
Financial liabilities				
Payables	–	2,692	–	2,692
Loans/advances	–	4,774	–	4,774
Total financial liabilities	–	7,466	–	7,466

Fair value is determined as follows:

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

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

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

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

The risks associated with the investments held are:

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

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

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

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

(a) Market risk – interest rate and price risk

\$ '000	2022	2021
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	–	86
Impact of a 10% movement in price of investments		
– Equity / Income Statement	–	2,119

(b) Credit risk

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

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

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

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

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

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

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors. There are no material receivables that have been subjected to a re-negotiation of repayment terms.

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue rates and annual charges			Total
	Not yet overdue	< 5 years	≥ 5 years	
2022				
Gross carrying amount	–	–	–	–
2021				
Gross carrying amount	650	174	–	824

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
2022						
Gross carrying amount	–	–	–	–	–	–
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	2.70%	0.00%
ECL provision	–	–	–	–	–	–
2021						
Gross carrying amount	1,278	2	2	1	434	1,717
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	2.70%	0.68%
ECL provision	–	–	–	–	12	12

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

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2021							
Payables	0.00%	–	2,366	–	–	2,366	2,692
Borrowings	3.75%	–	1,022	3,635	117	4,774	4,774
Total financial liabilities		–	3,388	3,635	117	7,140	7,466

Loan agreement breaches

There have been no breaches to loan agreements during the reporting year.

Fair value measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

E2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy									
		Date of latest valuation		Level 1 Quoted prices in active mkts		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Recurring fair value measurements											
Financial assets											
Financial investments	C1-2										
– ‘Held for trading/fair value through profit or loss’		30/06/21		–	26,384	–	–	–	–	–	26,384
Total financial assets				–	26,384	–	–	–	–	–	26,384
Infrastructure, property, plant and equipment											
Operational land	C1-6	30/06/18		–	–	–	4,802	–	–	–	4,802
Community land		30/06/18		–	–	–	2,246	–	–	–	2,246
Buildings – non-specialised		30/06/18		–	–	–	–	–	2,538	–	2,538
Buildings – specialised		30/06/18		–	–	–	–	–	15,105	–	15,105
Other structures		30/06/19		–	–	–	–	–	3,596	–	3,596
Roads		30/06/20		–	–	–	–	–	194,154	–	194,154
Bridges		30/06/20		–	–	–	–	–	13,030	–	13,030
Footpaths		30/06/20		–	–	–	–	–	1,997	–	1,997
Stormwater drainage		30/06/20		–	–	–	–	–	15,068	–	15,068
Water supply network		30/06/17		–	–	–	–	–	18,199	–	18,199
Sewerage network		30/06/17		–	–	–	–	–	19,273	–	19,273
Swimming pools		30/06/19		–	–	–	–	–	3,617	–	3,617
Other open space/recreational assets		30/06/19		–	–	–	–	–	3,410	–	3,410
Other infrastructure		30/06/20		–	–	–	–	–	265	–	265
Aerodrome		30/06/19		–	–	–	–	–	3,391	–	3,391
Total infrastructure, property, plant and equipment				–	–	–	7,048	–	293,643	–	300,691

E2-1 Fair value measurement (continued)

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

Valuation techniques

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

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

Infrastructure, property, plant and equipment (IPPE)

Plant and equipment, office equipment and furniture and fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value, with depreciation rates applicable to the nature of the items. Examples of assets within these classes are as follows:

- Plant and Equipment - Graders, trucks, rollers, tractors, mowers and motor vehicles.
- Office Equipment - Computer Servers, surveillance equipment, Software, photocopiers, radio equipment etc.
- Furniture & Fittings - Desks, Cabinets, Ergonomic chairs

Operational and community land

Operational Land is based on the Land Value provided by an external Valuer in 2018. It is based on average unit rate based on the Land Value for similar properties, having regard to the highest and best use for the land. Community Land has been valued in 2017 using valuations of the Valuer General.

Buildings – non-specialised and specialised

Non-Specialised & Specialised Buildings values were provided by an external Valuer in 2018. The approach estimated the replacement cost for each building by componentising the building into significant parts and taking into account asset condition and remaining useful life. While all buildings were physically inspected and the unit rates based on square metres no market based evidence (Level 2) could not be established. As such these assets were classified as having been valued as Level 3 valuation inputs.

Other structures

Other Structures comprise of telemetry systems, cemetery, sale yards, waste facilities, and the family day care etc. The cost approach has been utilised whereby replacement cost was estimated for each asset by taking into account a range of factors including asset condition and remaining useful life. Other Structures were revalued externally during 2018/19 by AssetVal Pty Ltd using the brownfield approach.

Roads

Roads were externally valued using the brownfield approach during 19/20 by AssetVal Pty Ltd, major changes include giving road pavement and Seal a long life and a short life component, and separating the floodways which have shorter lives. Market based evidence (level 2) were used for Gravel pavement, Seal, Culverts, Footpath, and K&G.

Bridges

Bridges were externally valued using the brownfield approach during 19/20 by AssetVal Pty Ltd, major changes include componentising bridges from one asset into components, Substructure, superstructure, abutments etc. Major Culverts over 6m long were considered bridges and transferred from stormwater into bridges.

Footpaths

Footpaths were externally valued using the brownfield approach during 19/20 by AssetVal Pty Ltd, Market based evidence (level 2) were used for concrete Footpaths and cycleways. The cost approach has been utilised whereby replacement cost was estimated for each asset by taking into account a range of factors including asset condition and remaining useful life.

Stormwater drainage

Stormwater assets were externally valued using the brownfield approach during 19/20 by AssetVal Pty Ltd, with previously unaccounted for assets now valued Market based evidence (level 2) were used for culverts, and K&G. The cost approach has been utilised whereby replacement cost was estimated for each asset by taking into account a range of factors including asset condition and remaining useful life.

Water supply network

Assets in this class comprise of pipes, valves, pumps, bores, and reservoirs and are valued using the brownfield and cost approach. The Water Network values were provided by an external valuer in 2017. The unit rates are based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. This asset class is indexed each year in line with the NSW Reference Rates Manual as publish by the Office of Water.

E2-1 Fair value measurement (continued)

Sewerage network

Assets in this class comprise of Treatment Plants, Pumping stations, sewerage pipelines and Manholes and are valued using the brownfield and cost approach. The Sewerage Network values were provided by an external valuer in 2017. The unit rates are based on linear metres of certain diameter pipes and prices per treatment item or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. This asset class is indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

Open space recreation

Assets within this class comprise playground equipment, softfall surfaces, shade structures, irrigation, fencing, lighting, furniture, sculptures and monuments etc. and are valued using the cost approach whereby replacement cost was estimated for each asset by taking into account a range of factors including asset condition and remaining useful life. All Open Space Recreation Assets were last revalued externally during 2018/19 by AssetVal Pty Ltd using the brownfield approach.

Aerodrome

Assets within this class comprise the Aerodrome sealed runways at Narromine along with associated furniture, signage, lighting, fencing, and control structures and are valued using the cost approach whereby replacement cost was estimated for each asset by taking into account a range of factors including asset condition and remaining useful life. All assets were last valued externally during 2018/19 by AssetVal Pty Ltd using the brownfield approach.

Swimming pools

Assets within this class comprise the 50m 8 lane outdoor pool, and childrens pool at Narromine, and the 25m outdoor pool at Trangie with associated furniture, filtration systems etc and are valued using the cost approach whereby replacement cost was estimated for each asset by taking into account a range of factors including asset condition and remaining useful life. All assets were last valued externally during 2018/19 by AssetVal Pty Ltd using the brownfield approach.

The valuation process for level 3 fair value measurements

Fair Value - Valuation techniques

Class	Valuation Technique(s)	Unobservable Inputs
Plant, equipment, furniture, fittings and office equipment	Fair value	Current replacement cost of modern equivalent asset, asset condition, useful life and residual value
Operational Land	Fair value	Land value, land area, level of restriction
Community Land	Fair value	VG value (price per square metre)
Buildings	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value
Roads, Bridges & Footpaths	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value
Stormwater Drainage	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value
Water Supply Network	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value
Sewerage Network	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value
Swimming Pools, Other Open Space/Recreational Assets	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value
Other Infrastructure	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value
Aerodrome	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value

E2-1 Fair value measurement (continued)

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

\$ '000	Plant and equipment		Office equipment		Furniture and fittings		Operational Land	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	7,575	4,682	335	289	45	55	4,569	4,221
Total gains or losses for the period								
Other movements								
Purchases (GBV)	-	1,303	-	109	-	1	-	-
Disposals (WDV)	-	(5)	-	-	-	-	-	(34)
Depreciation and impairment	-	(865)	-	(62)	-	(10)	-	-
Revaluation	-	2,460	-	(1)	-	(1)	-	382
Closing balance	7,575	7,575	335	335	45	45	4,569	4,569

\$ '000	Community Land		Buildings non-specialised		Buildings specialised		Other structures	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	2,246	1,695	2,538	2,714	15,522	16,102	3,597	3,538
Total gains or losses for the period								
Other movements								
Purchases (GBV)	-	-	-	8	-	404	-	244
Depreciation and impairment	-	-	-	(184)	-	(992)	-	(184)
Revaluation	-	551	-	-	-	8	-	(1)
Closing balance	2,246	2,246	2,538	2,538	15,522	15,522	3,597	3,597

\$ '000	Roads		Bridges		Footpaths		Stormwater drainage	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	194,013	192,195	13,030	13,229	1,997	1,677	14,935	14,907
Total gains or losses for the period								
Other movements								
Purchases (GBV)	-	4,746	-	-	-	598	-	420
Depreciation and impairment	-	(2,039)	-	(199)	-	(84)	-	(231)
Revaluation	-	(889)	-	-	-	(194)	-	(161)
Closing balance	194,013	194,013	13,030	13,030	1,997	1,997	14,935	14,935

E2-1 Fair value measurement (continued)

\$ '000	Water supply network		Sewerage network		Swimming pools		Other open space/ recreational assets	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	19,506	17,029	19,806	18,688	3,617	3,789	3,413	3,025
Total gains or losses for the period								
Other movements								
Purchases (GBV)	-	1,808	-	1,392	-	-	-	621
Disposals (WDV)	-	-	-	-	-	-	-	(1)
Depreciation and impairment	-	(567)	-	(439)	-	(172)	-	(169)
Revaluation	-	1,236	-	165	-	-	-	(63)
Closing balance	19,506	19,506	19,806	19,806	3,617	3,617	3,413	3,413

\$ '000	Other infrastructure		Aerodrome		Total	
	2022	2021	2022	2021	2022	2021
Opening balance	265	265	2,960	3,155	309,969	301,255
Purchases (GBV)	-	-	-	20	-	11,674
Disposals (WDV)	-	10	-	(23)	-	(53)
Depreciation and impairment	-	(10)	-	(164)	-	(6,371)
Revaluation	-	-	-	(28)	-	3,464
Closing balance	265	265	2,960	2,960	309,969	309,969

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.

(i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The scheme's most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme is a defined benefit plan that has been deemed to be a "multi-employer fund" for the purposes of AASB 119 Employee Benefits and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purpose of AASB119. Pooled Employers are required to pay future service employer contributions and past service employer contributions to the Fund.

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

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

(*) For 180 Point Members, employers are required to contribute 7% of salaries for the year ended 30 June 2021 (increasing to 7.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to member's defined benefits.

The past service contribution for each Pooled Employer is a share of the past service contributions of \$40.0 million per annum for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. 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.

As stated 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.

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 entity.

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.

E3-1 Contingencies (continued)

The plan is a defined benefit plan. However, 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). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2021 was \$ 90,377.92.

The last valuation of the scheme was performed by Mr Richard Boyfield FIAA (AFS Licence # 411770) as at 30 June 2020.

Council's expected contribution to the Fund for the next annual reporting period is \$77,787.00.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2021 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	2,620.5	
Past Service Liabilities	2,445.6	107.2%
Vested Benefits	2,468.7	106.2%

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

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

Investment return	5.75% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

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

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 has been completed around December 2021.

Council's additional lump sum contribution per annum of 0.10% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub group.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

E3-1 Contingencies (continued)

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

2. Other liabilities

(iv) 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.

(v) 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.

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	2022	2021
Compensation:		
Short-term benefits	-	1,093
Post-employment benefits	-	89
Total	-	1,182

Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Transactions during the year	Outstanding balances including commitments	Terms and conditions
\$ '000				
2022				
Office Supplies	1	-	-	30 days
2021				
Office Supplies	1	13	-	30 days

1 Council makes ad hoc purchases from Stationery Store Online, a company which is controlled by a member of the KMP of the council. The total annual contract value is around \$11,000 and purchases are made in accordance with the Procurement policy and based on market rates.

2 During the financial year 2020-21, a related party of a KMP sold a parcel of land to the Council. Payment was made in full at settlement.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2022	2021
---------	------	------

The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:

Mayoral fee	-	24
Councillors' fees	-	99
Other Councillors' expenses (including Mayor)	-	29
Total	-	152

F1-3 Other related parties

\$ '000	Ref	Transactions during the year	Outstanding balances including commitments	Terms and conditions
2022				
Library Services	3	–	–	30 days
2021				
Library Services	3	384	–	30 days

- 3 Council has joined with Western Plains Regional Council and Warrumbungle Shire Council to form a Joint Venture arrangement called Macquarie Regional Library. Council contributes a proportion of the costs of the entity and receives a share of profits and net assets.

F2 Other relationships

F2-1 Audit fees

\$ '000	2022	2021
---------	------	------

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

	-	60
Remuneration for audit and other assurance services	-	60
Total Auditor-General remuneration	-	60

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2022	2021
Net operating result from Income Statement	–	10,260
Adjust for non-cash items:		
Depreciation and amortisation	–	6,490
Net losses/(gains) on disposal of assets	–	231
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	–	(289)
– Revaluation decrements / impairments of IPP&E direct to P&L	–	142
Share of net (profits)/losses of associates/joint ventures using the equity method	–	(6)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	2,541	(297)
Increase/(decrease) in provision for impairment of receivables	(59)	(17)
Decrease/(increase) in inventories	318	(59)
Decrease/(increase) in other current assets	84	8
Increase/(decrease) in payables	(1,918)	486
Increase/(decrease) in other accrued expenses payable	(193)	(1,890)
Increase/(decrease) in other liabilities	(581)	33
Increase/(decrease) in provision for employee benefits	(1,680)	81
Increase/(decrease) in other provisions	(1,921)	47
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	(3,409)	15,220

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2022	2021
---------	------	------

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

Property, plant and equipment

Sewerage and water infrastructure	-	261
Buildings	-	330
Road infrastructure	-	322
Sports & Recreation	-	2,703
Other	-	335

Total commitments

	-	3,951
--	---	-------

These expenditures are payable as follows:

Within the next year	-	3,951
----------------------	---	-------

Total payable

	-	3,951
--	---	-------

G3-1 Events occurring after the reporting date

Pre-amble

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

G4 Changes from prior year statements

G4-1 Changes in accounting policy

G5 Statement of developer contributions as at 30 June 2022

G5-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
S7.12 levies – under a plan	135	-	-	-	-	-	135	-
Total S7.11 and S7.12 revenue under plans	135	-	-	-	-	-	135	-
S64 contributions	393	-	-	-	-	-	393	-
Total contributions	528	-	-	-	-	-	528	-

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.

S7.12 Levies – under a plan

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
S7.12 LEVIES – UNDER A PLAN								
Drainage	10	-	-	-	-	-	10	-
Roads	8	-	-	-	-	-	8	-
Open space	26	-	-	-	-	-	26	-
Community facilities	91	-	-	-	-	-	91	-
Total	135	-	-	-	-	-	135	-

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021 2020		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	—	∞	10.39%	6.15%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	—				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	—	∞	46.91%	51.97%	> 60.00%
Total continuing operating revenue ¹	—				
3. Unrestricted current ratio					
Current assets less all external restrictions	—	∞	3.22x	2.86x	> 1.50x
Current liabilities less specific purpose liabilities	—				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	—	∞	8.16x	11.46x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	—				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	—	0.00%	7.94%	8.72%	< 10.00%
Rates and annual charges collectable	820				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	—	∞	3.71 mths	8.23 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities	—				

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

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

G6-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2022	2021	2022	2021	2022	2021	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	∞	8.09%	∞	1.32%	∞	37.69%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	∞	39.98%	∞	68.05%	∞	99.09%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	∞	3.22x	∞	53.83x	∞	∞	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	∞	6.44x	∞	∞	∞	∞	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	0.00%	9.65%	∞	0.00%	∞	0.00%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	∞	(0.54)	∞	∞	∞	∞	> 3.00
Monthly payments from cash flow of operating and financing activities		mths					mths

(1) - (2) Refer to Notes at Note 23a above.

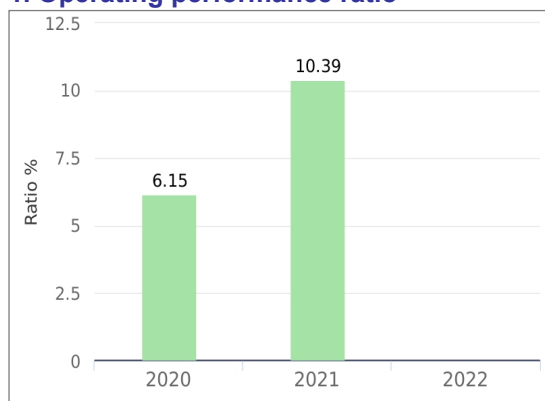
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

End of the audited financial statements

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2021/22 result

2021/22 ratio ∞

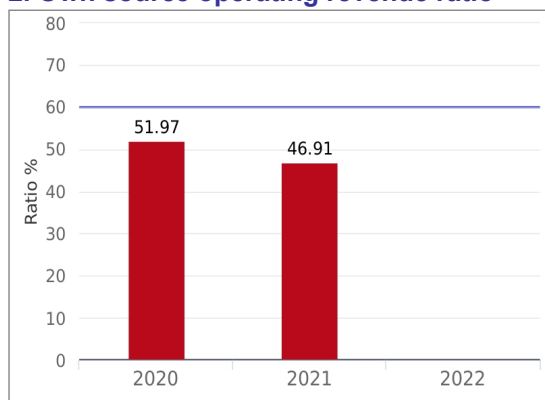
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2021/22 result

2021/22 ratio ∞

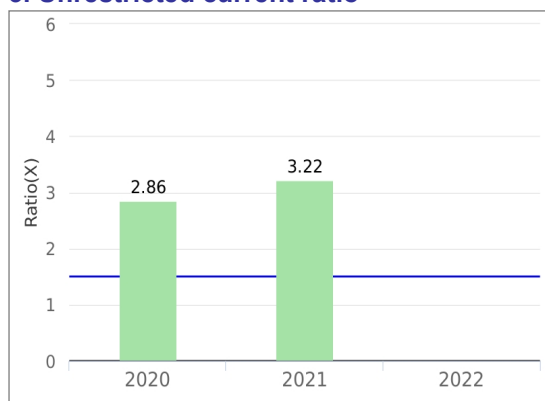
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2021/22 result

2021/22 ratio ∞

Benchmark: — > 1.50x

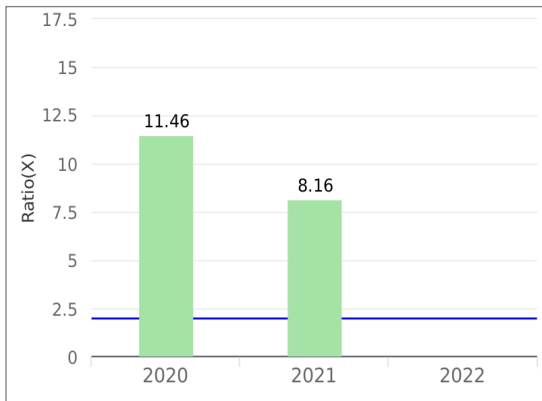
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2021/22 result

2021/22 ratio ∞

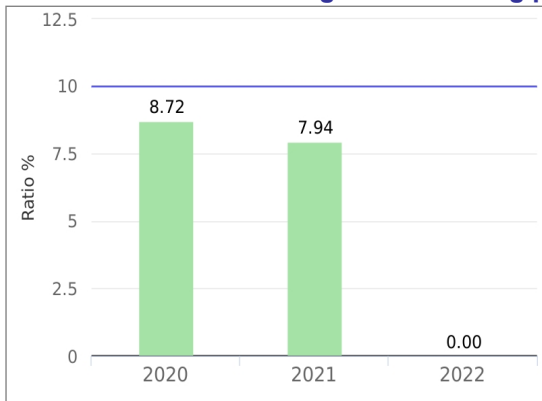
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2021/22 result

2021/22 ratio 0.00%

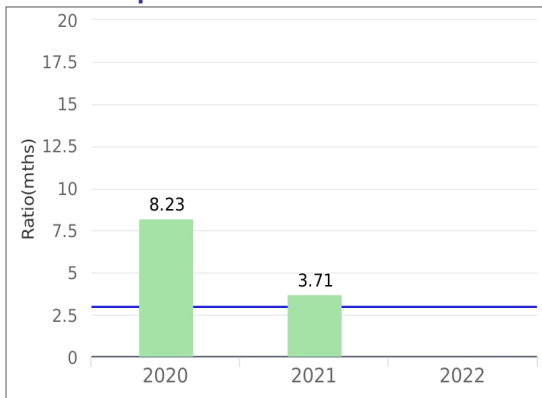
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2021/22 result

2021/22 ratio ∞

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

Narromine Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

Independent Auditor's Reports:

On the Financial Statements (Sect 417 [2])

Independent Auditor's Report

Please uplift Council's Audit Report PDF (opinion) for inclusion in the GPFS report (via the Home screen).

Narromine Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

Independent Auditor's Reports: (continued)

On the Financial Statements (Sect 417 [3])

Independent Auditor's Report

Please uplift Council's Audit Report PDF (commentary) for inclusion in the GPFS report (via the Home screen).