

Warrumbungle Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2019



Special Schedules

for the year ended 30 June 2019

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Permissible income for general rates for the year ended 30 June 2019

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	7,932	7,785
Plus or minus adjustments ²	b	4	(28)
Notional general income	c = a + b	7,936	7,757
Permissible income calculation			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	$i = e \times (c + g)$	214	178
Sub-total	k = (c + g + h + i + j)	8,150	7,935
Plus (or minus) last year's carry forward total	l	(4)	11
Less valuation objections claimed in the previous year	m	5	(11)
Sub-total	n = (l + m)	1	-
Total permissible income	o = k + n	8,151	7,935
Less notional general income yield	p	8,153	7,932
Catch-up or (excess) result	q = o - p	(2)	3
Plus income lost due to valuation objections claimed ⁴	r	-	(5)
Less unused catch-up ⁵	s	-	(2)
Carry forward to next year ⁶	t = q + r + s	(2)	(4)

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Warrumbungle Shire Council

To the Councillors of Warrumbungle Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Warrumbungle Shire Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'Cathy Wu', written in a cursive style.

Cathy Wu

Delegate of the Auditor-General for New South Wales

29 October 2019
SYDNEY

Warrumbungle Shire Council

Special Schedules 2019

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings												
	Council Offices	10	820	83	193	8,040	17,720	0.0%	64.0%	36.0%	0.0%	0.0%
	Council Works Depot	215	1,921	98	181	2,000	6,207	6.0%	60.0%	20.0%	5.0%	9.0%
	Council Public Halls	65	1,518	280	218	2,173	7,411	0.0%	93.0%	7.0%	0.0%	0.0%
	Council Houses	77	365	58	98	1,376	4,186	0.0%	20.0%	80.0%	0.0%	0.0%
	Medical Centres	13	65	42	71	1,993	3,851	0.0%	100.0%	0.0%	0.0%	0.0%
	Library	-	-	41	-	979	1,860	0.0%	100.0%	0.0%	0.0%	0.0%
	Recreation and Culture	615	6,927	193	84	5,397	18,743	1.0%	57.0%	40.0%	1.0%	1.0%
	Specialised Buildings	259	3,141	308	8	4,756	11,780	0.0%	83.0%	12.0%	3.0%	2.0%
	Childcare Centres	-	-	28	30	1,178	1,518	0.0%	96.0%	3.0%	1.0%	0.0%
	Amenities/Toilets	70	360	33	-	1,744	3,222	1.0%	94.0%	0.0%	0.0%	5.0%
	Emergency Centres	67	493	81	6	5,287	7,439	0.0%	93.0%	4.0%	3.0%	0.0%
	Other	-	-	-	68	6	6	0.0%	0.0%	0.0%	0.0%	100.0%
	Sub-total	1,391	15,610	1,245	957	34,929	83,943	0.7%	71.9%	24.7%	1.3%	1.4%
Other structures												
	Other structures	39	387	159	242	15,232	24,119	31.0%	28.0%	39.0%	1.0%	1.0%
	Sub-total	39	387	159	242	15,232	24,119	31.0%	28.0%	39.0%	1.0%	1.0%
Roads												
	Sealed roads	167	1,436	1,699	2,125	150,002	187,924	56.0%	25.0%	19.0%	0.0%	0.0%
	Unsealed roads	230	1,814	1,598	1,630	38,223	58,326	45.0%	12.0%	39.0%	1.0%	3.0%
	Bridges	581	2,922	135	2	52,947	57,257	96.0%	1.0%	3.0%	0.0%	0.0%
	Footpaths	5	67	124	44	4,507	6,535	30.0%	14.0%	54.0%	1.0%	1.0%
	Other road assets	-	-	1	-	753	808	86.0%	14.0%	0.0%	0.0%	0.0%
	Bulk earthworks	-	-	-	-	88,645	88,645	100.0%	0.0%	0.0%	0.0%	0.0%
	Kerb & Gutter	-	-	98	-	13,004	14,945	94.0%	6.0%	0.0%	0.0%	0.0%
	Sub-total	983	6,239	3,655	3,801	348,081	414,440	70.4%	13.6%	15.4%	0.2%	0.4%
Water supply network												
	Water supply network	269	3,631	636	916	36,446	69,216	7.0%	44.0%	43.0%	5.0%	1.0%
	Sub-total	269	3,631	636	916	36,446	69,216	7.0%	44.0%	43.0%	5.0%	1.0%
Sewerage network												
	Sewerage network	261	5,915	334	277	16,916	34,139	8.0%	25.0%	46.0%	21.0%	0.0%
	Sub-total	261	5,915	334	277	16,916	34,139	8.0%	25.0%	46.0%	21.0%	0.0%

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Warrumbungle Shire Council

Special Schedules 2019

Report on Infrastructure Assets (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring assets to agreed level of service set by Council	2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage		58	280	157	327	4,829	8,506	14.0%	10.0%	76.0%	0.0%	0.0%
Sub-total		58	280	157	327	4,829	8,506	14.0%	10.0%	76.0%	0.0%	0.0%
TOTAL - ALL ASSETS		3,001	32,062	6,186	6,520	456,433	634,363	48.7%	25.8%	23.0%	2.0%	0.5%

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

Infrastructure asset condition assessment 'key'

- | | | |
|---|----------------------------|---------------------------------------|
| 1 | Excellent/very good | No work required (normal maintenance) |
| 2 | Good | Only minor maintenance work required |
| 3 | Satisfactory | Maintenance work required |
| 4 | Poor | Renewal required |
| 5 | Very poor | Urgent renewal/upgrading required |

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018	Prior periods 2017	Benchmark
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	<u>5,182</u>	54.98%	106.99%	64.44%	>=100.00%
Depreciation, amortisation and impairment	<u>9,425</u>				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	<u>3,001</u>	0.66%	0.65%	0.11%	<2.00%
Net carrying amount of infrastructure assets	<u>456,433</u>				
Asset maintenance ratio					
Actual asset maintenance	<u>6,520</u>	105.40%	107.71%	117.62%	>100.00%
Required asset maintenance	<u>6,186</u>				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>32,062</u>	5.05%	5.02%	1.76%	
Gross replacement cost	<u>634,363</u>				

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

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)
as at 30 June 2019

Buildings and infrastructure renewals ratio



Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

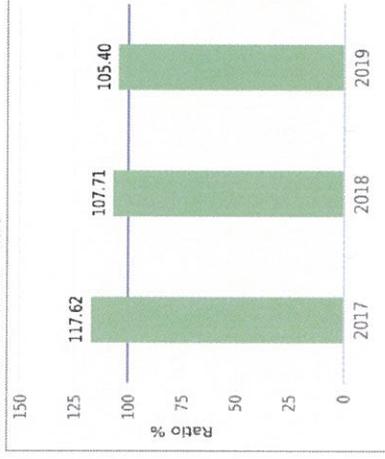
Buildings and infrastructure renewals ratio

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

Commentary on result
18/19 ratio 54.98%

Capital renewals are below the OLG benchmark but year on year are averaging close to the benchmark. Council is working towards allocating more resources to capital renewals.

Asset maintenance ratio



Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

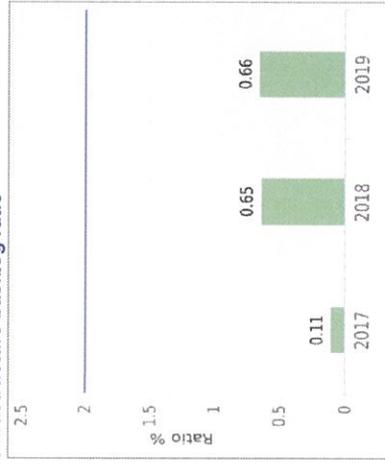
Asset maintenance ratio

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

Commentary on result
18/19 ratio 105.40%

Whilst it is noteworthy that Council is undertaking more than adequate maintenance this ratio compared to the "Infrastructure Renewals" may indicate that there is an imbalance between renewals and maintenance.

Infrastructure backlog ratio



Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

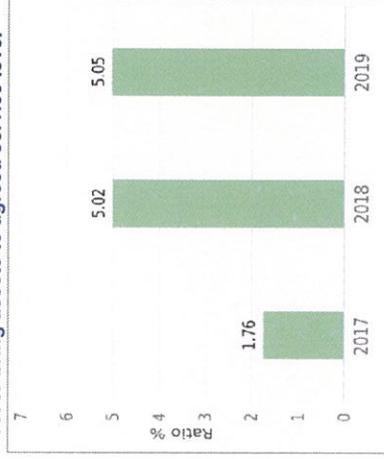
Infrastructure backlog ratio

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

Commentary on result
18/19 ratio 0.66%

The ratio is well under the OLG benchmark and consistent with last year even though Council's asset renewals ratio is lower. The increase in 2018 is primarily due to the Buildings revaluation.

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result
18/19 ratio 5.05%

This jump in 2018 is almost entirely due to the building revaluation which saw the removal of residual values. Effectively increasing depreciation for this asset class by around 150%.

Warrumbungle Shire Council

Special Schedules 2019

Report on Infrastructure Assets (continued)

as at 30 June 2019

	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²	61.99%	126.26%	25.76%	32.65%	31.51%	30.09%	>=100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard	0.61%	0.60%	0.74%	0.69%	1.54%	1.52%	<2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	102.13%	105.17%	144.03%	144.19%	82.93%	82.82%	>100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	4.24%	4.21%	5.25%	5.27%	17.33%	17.52%	
Gross replacement cost							

(1) Excludes Work In Progress (WIP)

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