

# Upper Hunter Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2024

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# Upper Hunter Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2024

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# Upper Hunter Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2024

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### Overview

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

135 Liverpool Street  
SCONE NSW 2337

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.upperhunter.nsw.gov.au](http://www.upperhunter.nsw.gov.au).

# Upper Hunter Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2024

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 28 October 2024.



Maurice Collison

**Mayor**

30 October 2024



Adam Williamson

**Councillor**

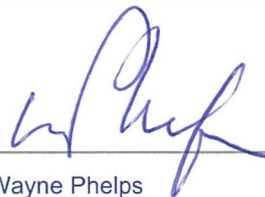
30 October 2024



Greg McDonald

**General Manager**

30 October 2024



Wayne Phelps

**Responsible Accounting Officer**

30 October 2024

# Upper Hunter Shire Council

## Income Statement

for the year ended 30 June 2024

Original unaudited budget 2024	\$ '000	Notes	Actual 2024	Actual 2023
<b>Income</b>				
19,430	Rates and annual charges	B2-1	<b>20,945</b>	19,986
11,995	User charges and fees	B2-2	<b>15,284</b>	14,834
2,600	Other revenues		<b>565</b>	592
9,461	Grants and contributions provided for operating purposes	B2-3	<b>12,401</b>	14,006
44,977	Grants and contributions provided for capital purposes	B2-3	<b>36,384</b>	15,260
482	Interest and investment income		<b>1,446</b>	809
–	Other income		<b>567</b>	475
<b>88,945</b>	<b>Total income</b>		<b>87,592</b>	65,962
<b>Expenses</b>				
18,116	Employee benefits and on-costs	B3-1	<b>18,722</b>	18,071
15,695	Materials and services	B3-2	<b>22,305</b>	23,084
1,049	Borrowing costs		<b>1,067</b>	1,139
13,682	Depreciation, amortisation and impairment of non-financial assets	B3-3	<b>18,858</b>	15,314
2,168	Other expenses		<b>2,932</b>	2,360
–	Net loss from the disposal of assets		<b>2,855</b>	1,662
<b>50,710</b>	<b>Total expenses</b>		<b>66,739</b>	61,630
<b>38,235</b>	<b>Operating result</b>		<b>20,853</b>	4,332
<b>38,235</b>	<b>Net operating result for the year attributable to Council</b>		<b>20,853</b>	4,332
<b>(6,741)</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(15,531)</b>	(10,928)

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

## Upper Hunter Shire Council

### Statement of Comprehensive Income

for the year ended 30 June 2024

\$ '000	Notes	2024	2023
<b>Net operating result for the year – from Income Statement</b>		<b>20,853</b>	4,332
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	<b>59,699</b>	76,448
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>59,699</b>	76,448
<b>Total other comprehensive income for the year</b>		<b>59,699</b>	76,448
<b>Total comprehensive income for the year attributable to Council</b>		<b>80,552</b>	80,780

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

## Upper Hunter Shire Council

## Statement of Financial Position

as at 30 June 2024

\$ '000	Notes	2024	2023
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C1-1	16,341	7,599
Investments	C1-2	26,500	31,500
Receivables	C1-4	8,029	6,799
Inventories		1,642	1,679
Contract assets and contract cost assets	C1-5	12,105	8,569
Other		1,393	1,276
<b>Total current assets</b>		<b>66,010</b>	<b>57,422</b>
<b>Non-current assets</b>			
Investments	C1-2	–	2,000
Infrastructure, property, plant and equipment (IPPE)	C1-6	1,303,735	1,210,266
Intangible assets		234	234
Right of use assets		350	301
<b>Total non-current assets</b>		<b>1,304,319</b>	<b>1,212,801</b>
<b>Total assets</b>		<b>1,370,329</b>	<b>1,270,223</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	C2-1	20,105	14,221
Contract liabilities	C2-2	27,104	17,307
Borrowings	C2-3	6,262	2,173
Employee benefit provisions	C2-4	5,925	5,391
<b>Total current liabilities</b>		<b>59,396</b>	<b>39,092</b>
<b>Non-current liabilities</b>			
Borrowings	C2-3	23,675	29,649
Employee benefit provisions	C2-4	254	253
Provisions	C2-5	23,247	18,024
<b>Total non-current liabilities</b>		<b>47,176</b>	<b>47,926</b>
<b>Total liabilities</b>		<b>106,572</b>	<b>87,018</b>
<b>Net assets</b>		<b>1,263,757</b>	<b>1,183,205</b>
<b>EQUITY</b>			
Accumulated surplus	C3-1	472,311	451,458
IPPE revaluation reserve	C3-1	791,446	731,747
<b>Council equity interest</b>		<b>1,263,757</b>	<b>1,183,205</b>
<b>Total equity</b>		<b>1,263,757</b>	<b>1,183,205</b>

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

## Upper Hunter Shire Council

## Statement of Changes in Equity

for the year ended 30 June 2024

\$ '000	Notes	2024			2023		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		451,458	731,747	1,183,205	448,168	655,299	1,103,467
Correction of prior period errors		-	-	-	(1,042)	-	(1,042)
<b>Opening balance</b>		<b>451,458</b>	<b>731,747</b>	<b>1,183,205</b>	<b>447,126</b>	<b>655,299</b>	<b>1,102,425</b>
Net operating result for the year		20,853	-	20,853	4,332	-	4,332
<b>Net operating result for the period</b>		<b>20,853</b>	<b>-</b>	<b>20,853</b>	<b>4,332</b>	<b>-</b>	<b>4,332</b>
<b>Other comprehensive income</b>							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	-	59,699	59,699	-	76,448	76,448
<b>Other comprehensive income</b>		<b>-</b>	<b>59,699</b>	<b>59,699</b>	<b>-</b>	<b>76,448</b>	<b>76,448</b>
<b>Total comprehensive income</b>		<b>20,853</b>	<b>59,699</b>	<b>80,552</b>	<b>4,332</b>	<b>76,448</b>	<b>80,780</b>
<b>Closing balance at 30 June</b>		<b>472,311</b>	<b>791,446</b>	<b>1,263,757</b>	<b>451,458</b>	<b>731,747</b>	<b>1,183,205</b>

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



## Upper Hunter Shire Council

## Statement of Cash Flows

for the year ended 30 June 2024

Original unaudited budget 2024	\$ '000	Notes	Actual 2024	Actual 2023
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
19,430	Rates and annual charges		20,329	20,150
11,995	User charges and fees		15,203	15,614
482	Interest received		1,606	478
54,438	Grants and contributions		55,215	33,148
–	Bonds, deposits and retentions received		95	–
2,600	Other		7,168	4,137
<i>Payments:</i>				
(18,116)	Payments to employees		(18,113)	(17,878)
(15,695)	Payments for materials and services		(26,910)	(25,712)
(1,049)	Borrowing costs		(1,961)	(9,425)
–	Bonds, deposits and retentions refunded		–	(963)
(2,168)	Other		(2,595)	16,632
51,917	<b>Net cash flows from operating activities</b>	G1-1	<b>50,037</b>	<b>36,181</b>
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
–	Redemption of term deposits		7,000	29
975	Proceeds from sale of IPPE		93	45
<i>Payments:</i>				
(66,039)	Payments for IPPE		(46,327)	(29,192)
(65,064)	<b>Net cash flows from investing activities</b>		<b>(39,234)</b>	<b>(29,118)</b>
<b>Cash flows from financing activities</b>				
<i>Payments:</i>				
(2,038)	Repayment of borrowings		(1,938)	(2,430)
–	Principal component of lease payments		(123)	(155)
(2,038)	<b>Net cash flows from financing activities</b>		<b>(2,061)</b>	<b>(2,585)</b>
(15,185)	<b>Net change in cash and cash equivalents</b>		<b>8,742</b>	<b>4,478</b>
–	Cash and cash equivalents at beginning of year		7,599	3,121
(15,185)	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>16,341</b>	<b>7,599</b>
–	plus: Investments on hand at end of year	C1-2	26,500	33,500
(15,185)	<b>Total cash, cash equivalents and investments</b>		<b>42,841</b>	<b>41,099</b>

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

# Upper Hunter Shire Council

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# Upper Hunter Shire Council

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## A About Council and these financial statements

### A1-1 Basis of preparation

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These financial statements were authorised for issue by Council on 28 October 2024. 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 material accounting policy information related to these consolidated financial statements are set out below. Accounting policies have been consistently applied to all the years presented, unless otherwise stated.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (Act)* and *Local Government (General) Regulation 2021 (Regulation)*, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity. The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

#### **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.

#### **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 C2-5
- (iii) employee benefit provisions – refer Note C2-4

#### **Significant judgements in applying the Council's accounting policies**

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-3.

### **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
- Gummun Place Hostel

#### **The Trust Fund**

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

## A1-1 Basis of preparation (continued)

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Trust monies and property subject to Council's control have been included in these reports.

A separate statement of monies held in the Trust Fund is available for inspection at the council office by any person free of charge.

### Volunteer services

Income relating to volunteer services should be recognised where the amount of these services are material as Council would have normally incurred the cost of these services had not donated. Accordingly these amounts of the volunteer services are also required to be measured reliably.

Council does enlist the services of volunteers however these amounts are not considered material to the financial statements and therefore are not recognised as income.

### New accounting standards and interpretations issued but not yet effective

#### New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2024 reporting period. Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2023.

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

#### New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2024.

The following new standard is effective for the first time at 30 June 2024:

- **AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates**

The most significant change introduced by this standard is to remove the requirement to disclose significant accounting policies and instead require disclosure of material accounting policy information.

*“Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.”*

In applying the new requirements, Council has after taking into account the various specific facts and circumstances applied professional judgement to ensure it discloses only material accounting policies as opposed to significant accounting policies throughout these financial statements.

## 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	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
<b>Functions or activities</b>										
Governance	–	–	830	757	(830)	(757)	–	–	–	–
Administration	414	506	2,377	2,896	(1,963)	(2,390)	98	152	69,010	60,261
Public order and safety	387	474	1,606	1,437	(1,219)	(963)	133	254	4,604	4,673
Health	298	204	375	426	(77)	(222)	–	–	–	–
Environment	5,528	5,711	8,014	7,084	(2,486)	(1,373)	46	637	41,764	37,147
Community services and education	4,302	3,574	5,465	4,483	(1,163)	(909)	1,953	1,555	10,308	9,916
Housing and community amenities	1,296	1,269	1,615	1,585	(319)	(316)	862	755	3,977	3,939
Water Supplies	6,815	5,401	8,329	6,001	(1,514)	(600)	1,071	505	106,530	101,288
Sewerage Services	4,257	4,254	5,733	5,362	(1,476)	(1,108)	215	572	61,515	60,363
Recreation and culture	2,184	1,594	5,706	5,298	(3,522)	(3,704)	1,757	1,098	65,708	63,045
Mining, manufacturing and construction	170	208	786	688	(616)	(480)	–	–	688	688
Transport and communication	39,899	20,759	20,496	20,650	19,403	109	35,654	15,338	980,167	899,307
Economic affairs	3,168	2,099	5,407	4,968	(2,239)	(2,869)	776	303	30,166	29,596
General purpose revenue	18,874	19,909	–	–	18,874	19,909	6,221	8,097	–	–
Other	–	–	–	–	–	–	(1)	–	(4,108)	–
<b>Total functions and activities</b>	<b>87,592</b>	<b>65,962</b>	<b>66,739</b>	<b>61,635</b>	<b>20,853</b>	<b>4,327</b>	<b>48,785</b>	<b>29,266</b>	<b>1,370,329</b>	<b>1,270,223</b>

## B1-2 Components of functions or activities

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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

Includes corporate support and other support services, engineering works, and any Council policy compliance.

### Public order and safety

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

### Health

Includes immunisation, food control, health centres etc.

### Environment

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic and other waste management; other sanitation, street cleaning, drainage and stormwater management.

### Community services and education

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

### Housing and community amenities

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

### Water Supplies

Provision of Water Supply services to the Shires residents.

### Sewerage Services

Provision of Sewerage services to the Shire residents.

### Recreation and culture

Includes public libraries; museums; community centres and public halls; sporting grounds and venues; swimming pools; parks; gardens; and other sporting, recreational and cultural services.

### Mining, manufacturing and construction

Includes building control, quarries and pits and mineral resources.

### Transport and communication

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

### Economic affairs

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; and other business undertakings.

### General purpose revenue

Includes General rating, financial assistance grant funding and interest revenues.

## B2 Sources of income

### B2-1 Rates and annual charges

\$ '000	2024	2023
<b>Ordinary rates</b>		
Residential	4,998	4,802
Farmland	6,399	6,180
Mining	137	132
Business	687	653
Less: pensioner rebates	(145)	(143)
<b>Rates levied to ratepayers</b>	<b>12,076</b>	<b>11,624</b>
Pensioner rate subsidies received	80	80
<b>Total ordinary rates</b>	<b>12,156</b>	<b>11,704</b>
<b>Annual charges (pursuant to s496, 496A, 496B, 501 &amp; 611)</b>		
Domestic waste management services	3,576	3,307
Stormwater management services	98	98
Water supply services	1,448	1,383
Sewerage services	3,281	3,122
Waste management services (non-domestic)	210	202
Environmental	129	129
Other	160	151
Less: pensioner rebates	(253)	(251)
<b>Annual charges levied</b>	<b>8,649</b>	<b>8,141</b>
Pensioner annual charges subsidies received:		
– Water	40	38
– Sewerage	37	42
– Domestic waste management	63	61
<b>Total annual charges</b>	<b>8,789</b>	<b>8,282</b>
<b>Total rates and annual charges</b>	<b>20,945</b>	<b>19,986</b>

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

#### Material accounting policy information

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

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area.

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



## B2-2 User charges and fees

\$ '000	2024	2023
<b>Specific user charges</b>		
Water supply services	3,889	3,171
Sewerage services	281	265
<b>Total specific user charges</b>	<b>4,170</b>	<b>3,436</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions</b>		
Building regulation	156	135
Inspection services	39	33
Private works – section 67	237	108
Regulatory/ statutory fees	58	54
Registration fees	20	15
Section 10.7 certificates (EP&A Act)	102	118
Section 603 certificates	42	29
Town planning	231	307
<b>Total fees and charges – statutory/regulatory</b>	<b>885</b>	<b>799</b>
<b>(ii) Fees and charges – other</b>		
Aerodrome	186	123
Aged care	462	455
Caravan park	61	49
CCS fees	6	7
Cemeteries	86	138
Child care	1,809	1,452
Lease rentals	14	22
Library and art gallery	11	10
NSW rural fire services reimbursements	201	182
Park rents	32	25
Public halls	13	18
Refuse and effluent disposal	1	1
Transport for NSW works (state roads not controlled by Council)	4,181	5,428
Roads	54	2
Saleyards	1,012	785
Sport facilities	392	462
Sundry sales	58	151
Tourism	473	277
Waste disposal tipping fees	1,160	1,001
Water connection fees	17	11
<b>Total fees and charges – other</b>	<b>10,229</b>	<b>10,599</b>
<b>Total other user charges and fees</b>	<b>11,114</b>	<b>11,398</b>
<b>Total user charges and fees</b>	<b>15,284</b>	<b>14,834</b>
<b>Timing of revenue recognition for user charges and fees</b>		
User charges and fees recognised over time	–	–
User charges and fees recognised at a point in time	15,284	14,834
<b>Total user charges and fees</b>	<b>15,284</b>	<b>14,834</b>

### Material accounting policy information

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 or a deposit in advance. There is no material obligation for Council in relation to refunds or returns.

Where an upfront fee is charged, such as third party maintenance contributions towards Council's infrastructure the fee is recognised on a straight-line basis over the expected life of the contribution.

## B2-2 User charges and fees (continued)

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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 over the term of the licence.

## B2-3 Grants and contributions

\$ '000	Operating 2024	Operating 2023	Capital 2024	Capital 2023
<b>General purpose grants and non-developer contributions (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	268	1,027	–	–
Financial assistance – local roads component	101	620	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance – general component	3,678	4,005	–	–
Financial assistance – local roads component	2,174	2,445	–	–
<b>Amount recognised as income during current year</b>	<b>6,221</b>	<b>8,097</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>				
<b>Cash contributions</b>				
Water supplies	83	–	705	(36)
Sewerage services	83	–	29	6
Aged care	1,194	1,037	–	5
Child care	494	318	94	–
Community services	179	203	–	–
Economic development	355	202	312	25
Employment and training programs	97	–	–	–
Environmental programs	63	143	30	36
Heritage and cultural	–	29	–	–
Library – per capita	104	141	–	–
LIRS subsidy	–	11	–	–
NSW rural fire services and NSW state emergency services	–	–	64	254
Storm/flood damage	739	608	–	–
Recreation and culture	212	94	1,391	783
Street lighting	59	58	–	–
Transport (roads to recovery)	1,000	1,456	–	–
Transport (other roads and bridges funding)	–	74	23,496	7,791
Transport ancillaries	–	–	9,033	3,542
Other (regulatory)	80	–	–	–
Business development	3	20	–	–
Community services	7	9	–	–
Recreation and culture	37	63	–	–
Transport for NSW contributions (regional roads, block grant)	1,364	1,339	–	265
Sewerage (excl. section 64 contributions)	–	–	8	8
Paving	–	–	84	13
Transport Other	11	73	–	–
Water supplies (excl. section 64 contributions)	–	26	–	–
Sustainability	16	5	–	–
<b>Non-cash contributions</b>				
Drainage	–	–	–	471
Roads and bridges	–	–	–	344
Rural Fire Service - Ancillary building fixtures	–	–	69	–
Sewerage (excl. section 64 contributions)	–	–	46	33
Water supplies (excl. section 64 contributions)	–	–	13	30
<b>Total other contributions – non-cash</b>	<b>–</b>	<b>–</b>	<b>128</b>	<b>878</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>	<b>6,180</b>	<b>5,909</b>	<b>35,374</b>	<b>13,570</b>
<b>Total grants and non-developer contributions</b>	<b>12,401</b>	<b>14,006</b>	<b>35,374</b>	<b>13,570</b>
<b>Comprising:</b>				
– Commonwealth funding	9,028	11,064	7,636	896
– State funding	3,301	2,765	27,519	11,756

continued on next page ...

## B2-3 Grants and contributions (continued)

\$ '000	Operating 2024	Operating 2023	Capital 2024	Capital 2023
– Other funding	72	177	219	918
	<b>12,401</b>	<b>14,006</b>	<b>35,374</b>	<b>13,570</b>

### Developer contributions

\$ '000	Notes	Operating 2024	Operating 2023	Capital 2024	Capital 2023
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
	G4				
S 7.4 – contributions using planning agreements		–	–	367	–
S 7.11 – contributions towards amenities/services		–	–	272	51
S 7.12 – fixed development consent levies		–	–	53	628
S 64 – water supply contributions		–	–	270	486
S 64 – sewerage service contributions		–	–	48	525
<b>Total developer contributions</b>		<b>–</b>	<b>–</b>	<b>1,010</b>	<b>1,690</b>
<b>Total grants and contributions</b>		<b>12,401</b>	<b>14,006</b>	<b>36,384</b>	<b>15,260</b>

### Timing of revenue recognition for grants and contributions

Grants and contributions recognised over time	3,917	4,024	35,167	12,679
Grants and contributions recognised at a point in time	8,484	9,982	1,217	2,581
<b>Total grants and contributions</b>	<b>12,401</b>	<b>14,006</b>	<b>36,384</b>	<b>15,260</b>

## B2-3 Grants and contributions (continued)

### Unspent grants and contributions

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

\$ '000	Operating 2024	Operating 2023	Capital 2024	Capital 2023
<b>Unspent grants and contributions</b>				
Unspent funds at 1 July	106	249	16,961	13,488
<b>Add:</b> Funds received and not recognised as revenue in the current year	320	50	28,928	11,260
<b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year	(91)	(193)	(19,360)	(7,787)
<b>Unspent funds at 30 June</b>	<b>335</b>	<b>106</b>	<b>26,529</b>	<b>16,961</b>
<b>Contributions</b>				
Unspent funds at 1 July	–	–	7,005	5,318
<b>Add:</b> contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	959	1,731
<b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	(75)	(44)
<b>Unspent contributions at 30 June</b>	<b>–</b>	<b>–</b>	<b>7,889</b>	<b>7,005</b>

### Material accounting policy information

#### Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but include delivery of services or events for which the grant is provided for such as provision for youth and community services or economic/tourism events. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

#### Capital grants

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

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

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

#### Developer contributions

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

## B2-3 Grants and contributions (continued)

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

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

### **Other grants and contributions**

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

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

## B3 Costs of providing services

### B3-1 Employee benefits and on-costs

\$ '000	2024	2023
Salaries and wages	15,461	14,603
Employee leave entitlements (ELE)	2,727	2,310
Superannuation	1,881	1,695
Workers' compensation insurance	609	546
Fringe benefit tax (FBT)	41	41
Protective clothing	38	55
Other	113	115
<b>Total employee costs</b>	<b>20,870</b>	<b>19,365</b>
Less: capitalised costs	(2,148)	(1,294)
<b>Total employee costs expensed</b>	<b>18,722</b>	<b>18,071</b>

#### Material accounting policy information

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

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

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

**B3-2 Materials and services**

<b>\$ '000</b>	Notes	<b>2024</b>	<b>2023</b>
Raw materials and consumables		<b>8,138</b>	7,809
Contractor costs		<b>53,834</b>	28,593
Audit Fees	F2-1	<b>133</b>	128
Waste services		<b>2,125</b>	1,861
Councillor and Mayoral fees and associated expenses	F1-2	<b>241</b>	153
Advertising		<b>95</b>	146
Bank charges		<b>91</b>	105
Cleaning		<b>44</b>	42
Computer software charges		<b>799</b>	993
Election expenses		<b>–</b>	5
Electricity and heating		<b>1,003</b>	930
Insurance		<b>1,676</b>	1,204
Office expenses (including computer expenses)		<b>47</b>	49
Postage		<b>78</b>	64
Printing and stationery		<b>64</b>	77
Street lighting		<b>234</b>	256
Subscriptions and publications		<b>183</b>	166
Telephone and communications		<b>264</b>	252
Valuation fees		<b>77</b>	69
Travel expenses		<b>76</b>	57
Child carer – carers payments		<b>541</b>	449
Training costs (other than salaries and wages)		<b>283</b>	188
Audit Fees - Other (Non NSW Auditor General firms)		<b>39</b>	–
<b>Legal expenses:</b>			
– Legal expenses: planning and development		<b>65</b>	94
– Legal expenses: other		<b>151</b>	64
Variable lease expense relating to usage		<b>41</b>	70
<b>Total materials and services</b>		<b>70,322</b>	<b>43,824</b>
Less: capitalised costs		<b>(48,017)</b>	(20,740)
<b>Total materials and services</b>		<b>22,305</b>	<b>23,084</b>



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

\$ '000	Notes	2024	2023
<b>Depreciation and amortisation</b>			
Plant and equipment		1,788	1,803
Office equipment		31	37
Furniture and fittings		113	105
Infrastructure assets	C1-6	15,593	12,316
Right of use assets		127	150
<b>Other assets:</b>			
– Other		10	10
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Waste disposal assets	C3-5,C1-6	1,196	1,038
– Quarry assets	C3-5,C1-6	–	8
<b>Total gross depreciation and amortisation costs</b>		<b>18,858</b>	<b>15,467</b>
Less: capitalised costs		–	(153)
<b>Total depreciation and amortisation costs</b>		<b>18,858</b>	<b>15,314</b>
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>18,858</b>	<b>15,314</b>

#### Material accounting policy information

##### Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-6 for IPPE assets.

##### Impairment of non-financial assets

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

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

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

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

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

## B4 Performance against budget

### B4-1 Material budget variations

Council's original budget was adopted by the Council on 24 June 2024 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	2024 Budget	2024 Actual	2024 ----- Variance -----	
<b>Revenues</b>				
<b>Rates and annual charges</b>	19,430	20,945	1,515	8% <b>F</b>
<b>User charges and fees</b>	11,995	15,284	3,289	27% <b>F</b>
Council received an increased level of demand from Transport for NSW for works to be completed on the Golden Highway. In addition Council also had increased requirements for a number of its services such as childcare during the year.				
<b>Other revenues</b>	2,600	565	(2,035)	(78)% <b>U</b>
Included in the budget were revenue streams from commercial and residential rentals which is now shown as other income in the financial statements. Also, Council did not achieve the level of plant replacements as expected in the budget which significantly decreased the level revenue.				
<b>Operating grants and contributions</b>	9,461	12,401	2,940	31% <b>F</b>
Council received 85% of its financial assistance grants for 2024/2025 year in advance which was higher than expected. Also, Council continued with its flood restoration works which were not included in the original budget for the 2023/2024 year.				
<b>Capital grants and contributions</b>	44,977	36,384	(8,593)	(19)% <b>U</b>
Council commenced restoration works for Coulsons Creek Road Merriwa (MR358) later than originally included in the budget resulting in lower than expected capital funding received.				
<b>Interest and investment revenue</b>	482	1,446	964	200% <b>F</b>
Council obtained higher than expected interest returns on its investments following the constant increase in the RBA cash rate during the last 18 months.				
<b>Other income</b>	-	567	567	∞ <b>F</b>
Commercial and residential rental income was recognised in the other revenues of the original budget prepared.				
<b>Expenses</b>				
<b>Employee benefits and on-costs</b>	18,116	18,722	(606)	(3)% <b>U</b>
<b>Materials and services</b>	15,695	22,305	(6,610)	(42)% <b>U</b>
Council underwent a large repair program for its water and sewer networks as well as flood damage works during the year.				
<b>Borrowing costs</b>	1,049	1,067	(18)	(2)% <b>U</b>
<b>Depreciation, amortisation and impairment of non-financial assets</b>	13,682	18,858	(5,176)	(38)% <b>U</b>
Change in methodology for write-down of infrastructure assets from a consumption curve approach to straightline method.				
<b>Other expenses</b>	2,168	2,932	(764)	(35)% <b>U</b>

**B4-1 Material budget variations (continued)**

\$ '000	2024 Budget	2024 Actual	2024 ----- Variance -----	
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Council incurred a higher than expected level waste levy during the year following deposits of construction material from a number of Council's major infrastructure projects.

<b>Net losses from disposal of assets</b>	-	2,855	(2,855)	∞	U
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Council incurred losses on disposal of a number of redundant infrastructure assets that were replaced and/or renewed during the year. The losses for redundant infrastructure were not budgeted for due to the uncertainty of the infrastructure assets to be disposed of.

**Statement of cash flows**

<b>Cash flows from operating activities</b>	51,917	50,037	(1,880)	(4)%	U
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<b>Cash flows from investing activities</b>	(65,064)	(39,234)	25,830	(40)%	F
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Reduction in infrastructure works resulting from delay in commencement of the rectification works of Coulsons Creek Road Merriwa.

<b>Cash flows from financing activities</b>	(2,038)	(2,061)	(23)	1%	U
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## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

\$ '000	2024	2023
<b>Cash assets</b>		
Cash on hand and at bank	16,341	7,599
<b>Total cash and cash equivalents</b>	<b>16,341</b>	<b>7,599</b>

#### C1-2 Financial investments

\$ '000	2024 Current	2024 Non-current	2023 Current	2023 Non-current
<b>Debt securities at amortised cost</b>				
Interest bearing deposits	26,500	-	31,500	2,000
<b>Total</b>	<b>26,500</b>	<b>-</b>	<b>31,500</b>	<b>2,000</b>
<b>Total financial investments</b>	<b>26,500</b>	<b>-</b>	<b>31,500</b>	<b>2,000</b>

#### Material accounting policy information

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

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

#### Financial assets

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

#### Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

#### Amortised cost

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

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

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

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

\$ '000	2024	2023
(a) Externally restricted cash, cash equivalents and investments		
<b>Total cash, cash equivalents and investments</b>	<b>42,841</b>	41,099
Less: Externally restricted cash, cash equivalents and investments	<u>(42,293)</u>	<u>(39,954)</u>
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>548</b>	1,145
<b>External restrictions</b>		
Specific purpose unexpended grants – general fund	<b>26,864</b>	17,067
Hostel	<b>853</b>	824
Developer contributions – general	<b>2,267</b>	1,579
Developer contributions – water fund	<b>2,628</b>	2,250
Developer contributions – sewer fund	<b>3,335</b>	3,151
Water fund	<b>2,122</b>	6,071
Sewer fund	<b>4,135</b>	8,923
Other contributions	<b>21</b>	21
Other	<b>68</b>	68
<b>External restrictions</b>	<b>14,576</b>	22,063
<b>Total external restrictions</b>	<b>42,293</b>	39,954

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	2024	2023
(b) Internal allocations		
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>548</b>	1,145
Less: Internally allocated cash, cash equivalents and investments	<u>–</u>	<u>(1,000)</u>
<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>548</b>	145
<b>Internal allocations</b>		
At 30 June, Council has internally allocated funds to the following:		
Employee leave entitlements	<u>–</u>	<u>1,000</u>
<b>Total internal allocations</b>	<b>–</b>	1,000

## C1-4 Receivables

\$ '000	2024	2024	2023	2023
	Current	Non-current	Current	Non-current
Rates and annual charges	2,417	–	1,787	–
Interest and extra charges	240	–	165	–
User charges and fees	3,496	–	2,243	–
Private works	61	–	80	–
Contributions to works	30	–	30	–
– Interest on investments	234	–	469	–
Government grants and subsidies	823	–	1,119	–
Net GST receivable	1,295	–	923	–
Other debtors	2	–	12	–
Insurance claim settlement proceeds	–	–	464	–
Wages advance	21	–	22	–
<b>Total</b>	<b>8,619</b>	<b>–</b>	<b>7,314</b>	<b>–</b>
<b>Less: provision for impairment</b>				
Rates and annual charges	(70)	–	(70)	–
User charges and fees	(270)	–	(195)	–
Other debtors	(250)	–	(250)	–
<b>Total provision for impairment – receivables</b>	<b>(590)</b>	<b>–</b>	<b>(515)</b>	<b>–</b>
<b>Total net receivables</b>	<b>8,029</b>	<b>–</b>	<b>6,799</b>	<b>–</b>

### Material accounting policy information

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.

#### Impairment

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

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

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

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

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

Council writes off a receivable when there is information indicating that the debtor is in severe financial 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 if the likelihood of recovery is non-existent, whichever occurs first.

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

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

## C1-5 Contract assets and Contract cost assets

\$ '000	2024 Current	2024 Non-current	2023 Current	2023 Non-current
Contract assets	12,105	–	8,569	–
<b>Total contract assets and contract cost assets</b>	<b>12,105</b>	<b>–</b>	<b>8,569</b>	<b>–</b>

### Contract assets

Work relating to infrastructure grants	12,105	–	8,569	–
<b>Total contract assets</b>	<b>12,105</b>	<b>–</b>	<b>8,569</b>	<b>–</b>

### **Significant changes in contract assets**

Increase in contract assets due to significant infrastructure projects currently in construction.

### (i) Externally restricted assets

\$ '000	2024 Current	2024 Non-current	2023 Current	2023 Non-current
<b>Total unrestricted assets</b>	<b>12,105</b>	<b>–</b>	<b>8,569</b>	<b>–</b>
<b>Total contract assets and contract cost asset</b>	<b>12,105</b>	<b>–</b>	<b>8,569</b>	<b>–</b>

## C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2023			Asset movements during the reporting period							At 30 June 2024		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments (decrements) to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>													
Capital work in progress	18,218	–	18,218	10,177	24,005	–	–	(9,741)	–	–	42,659	–	42,659
Plant and equipment	25,430	(17,871)	7,559	–	550	(69)	(1,788)	284	–	–	26,064	(19,528)	6,536
Office equipment	1,213	(1,087)	126	–	3	–	(31)	–	–	–	1,216	(1,118)	98
Furniture and fittings	1,626	(882)	744	–	106	–	(113)	–	–	–	1,732	(995)	737
<b>Land:</b>													
– Operational land	17,232	–	17,232	–	334	–	–	–	–	–	17,566	–	17,566
– Community land	7,499	–	7,499	–	–	–	–	–	–	–	7,499	–	7,499
– Crown Land	5,945	–	5,945	–	–	–	–	–	–	–	5,945	–	5,945
– Land under roads (post 30/6/08)	85	–	85	–	–	–	–	–	–	–	85	–	85
<b>Infrastructure:</b>													
– Buildings – non-specialised	500	–	500	–	–	–	(10)	–	–	–	500	(10)	490
– Buildings – specialised	71,813	(21,146)	50,667	247	–	–	(1,440)	131	–	3,519	77,179	(24,055)	53,124
– Other structures	2,891	(500)	2,391	–	14	–	(62)	–	–	–	2,906	(563)	2,343
– Roads	455,794	(90,613)	365,181	4,763	366	(613)	(6,062)	1,012	–	19,596	484,849	(100,606)	384,243
– Bridges	121,907	(28,842)	93,065	3,442	3,442	(244)	(1,348)	3,856	–	4,994	137,271	(30,064)	107,207
– Footpaths	9,676	(1,805)	7,871	–	282	–	(124)	–	–	422	10,477	(2,026)	8,451
– Bulk earthworks (non-depreciable)	393,538	(2,713)	390,825	514	–	–	–	–	–	20,972	415,169	(2,858)	412,311
– Stormwater drainage	41,173	(11,588)	29,585	61	–	–	(483)	–	–	965	42,577	(12,449)	30,128
– Water supply network	145,760	(59,994)	85,766	571	882	(1,561)	(2,738)	3,373	–	4,416	154,394	(63,685)	90,709
– Sewerage network	88,283	(42,566)	45,717	267	46	(461)	(1,370)	954	–	2,331	93,398	(45,914)	47,484
– Ancillary infrastructure	49,599	(4,948)	44,651	–	–	–	(1,064)	–	–	1,457	51,217	(6,173)	45,044
– Swimming pools	11,022	(6,658)	4,364	–	76	–	(205)	–	–	142	11,457	(7,080)	4,377
– Other open space/recreational assets	34,158	(7,033)	27,125	67	11	–	(687)	131	–	885	35,482	(7,950)	27,532
<b>Other assets:</b>													
– Library books	829	(829)	–	–	–	–	–	–	–	–	829	(829)	–
– Other	325	(269)	56	–	–	–	(10)	–	–	–	325	(279)	46
<b>Reinstatement, rehabilitation and restoration assets (refer Note 15):</b>													
– Quarry assets	594	(594)	–	–	–	–	–	–	–	–	594	(594)	–
– Tip assets	17,430	(12,336)	5,094	–	–	–	(1,196)	–	5,223	–	22,654	(13,533)	9,121
<b>Total infrastructure, property, plant and equipment</b>	<b>1,522,540</b>	<b>(312,274)</b>	<b>1,210,266</b>	<b>20,109</b>	<b>30,117</b>	<b>(2,948)</b>	<b>(18,731)</b>	<b>–</b>	<b>5,223</b>	<b>59,699</b>	<b>1,644,044</b>	<b>(340,309)</b>	<b>1,303,735</b>

(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)

By aggregated asset class	At 1 July 2022			Asset movements during the reporting period							At 30 June 2023		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments (decrements) to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>													
Capital work in progress	8,704	–	8,704	7,617	4,535	(892)	–	(1,746)	–	–	18,218	–	18,218
Plant and equipment	25,088	(16,124)	8,964	–	439	(41)	(1,803)	–	–	–	25,430	(17,871)	7,559
Office equipment	1,188	(1,050)	138	–	25	–	(37)	–	–	–	1,213	(1,087)	126
Furniture and fittings	1,482	(777)	705	–	144	–	(105)	–	–	–	1,626	(882)	744
<b>Land:</b>													
– Operational land	13,497	–	13,497	–	–	–	–	–	–	3,735	17,232	–	17,232
– Community land	4,761	–	4,761	–	–	–	–	–	–	2,738	7,499	–	7,499
– Land under roads (post 30/6/08)	85	–	85	–	–	–	–	–	–	–	85	–	85
– Crown Land	4,548	–	4,548	–	–	–	–	–	–	1,397	5,945	–	5,945
<b>Infrastructure:</b>													
– Buildings – non-specialised	335	(34)	301	–	–	–	(17)	–	–	216	500	–	500
– Buildings – specialised	69,554	(23,569)	45,985	–	–	–	(1,411)	–	–	6,093	71,813	(21,146)	50,667
– Other structures	2,853	(453)	2,400	–	38	–	(47)	–	–	–	2,891	(500)	2,391
– Roads	425,140	(81,592)	343,548	5,147	1,715	(478)	(4,922)	–	(191)	20,362	455,794	(90,613)	365,181
– Bridges	116,079	(27,232)	88,847	–	–	(127)	(596)	–	(304)	5,245	121,907	(28,842)	93,065
– Footpaths	8,175	(1,626)	6,549	–	1,017	–	(49)	–	(33)	387	9,676	(1,805)	7,871
– Bulk earthworks (non-depreciable)	370,290	(2,561)	367,729	967	324	–	–	–	–	21,805	393,538	(2,713)	390,825
– Stormwater drainage	38,513	(10,154)	28,359	693	–	(1)	(402)	–	(514)	1,450	41,173	(11,588)	29,585
– Water supply network	134,424	(53,914)	80,510	–	1,197	(94)	(1,914)	–	–	6,067	145,760	(59,994)	85,766
– Sewerage network	81,821	(38,416)	43,405	–	102	(74)	(1,097)	–	–	3,381	88,283	(42,566)	45,717
– Ancillary infrastructure	47,011	(3,744)	43,267	–	187	–	(1,012)	–	–	2,209	49,599	(4,948)	44,651
– Swimming pools	10,446	(6,149)	4,297	–	44	–	(195)	–	–	218	11,022	(6,658)	4,364
– Other open space/recreational assets	32,091	(6,069)	26,022	–	612	–	(654)	–	–	1,145	34,158	(7,033)	27,125
<b>Other assets:</b>													
– Library books	829	(829)	–	–	–	–	–	–	–	–	829	(829)	–
– Other	325	(259)	66	–	–	–	(10)	–	–	–	325	(269)	56
<b>Reinstatement, rehabilitation and restoration assets (refer Note C3-5):</b>													
– Tip assets	19,374	(11,299)	8,075	–	–	–	(1,038)	–	(1,943)	–	17,430	(12,336)	5,094
– Quarry assets	592	(586)	6	–	–	–	(8)	–	2	–	594	(594)	–
<b>Total infrastructure, property, plant and equipment</b>	<b>1,417,205</b>	<b>(286,437)</b>	<b>1,130,768</b>	<b>14,424</b>	<b>10,379</b>	<b>(1,707)</b>	<b>(15,317)</b>	<b>(1,746)</b>	<b>(2,983)</b>	<b>76,448</b>	<b>1,522,540</b>	<b>(312,274)</b>	<b>1,210,266</b>

(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)

### Material accounting policy information

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

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

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

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

#### Useful lives of IPPE

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

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

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

#### Revaluation model

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

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

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

#### Land under roads

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

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

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

### **Crown reserves**

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

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.

## C2 Liabilities of Council

### C2-1 Payables

\$ '000	2024		2023	
	Current	Non-current	Current	Non-current
Goods and services – operating expenditure	6,650	–	4,280	–
Goods and services – capital expenditure	9,941	–	6,180	–
Accrued expenses:				
– Borrowings	51	–	53	–
– Salaries and wages	671	–	597	–
– Other expenditure accruals	877	–	1,215	–
Security bonds, deposits and retentions	330	–	235	–
Prepaid rates	599	–	585	–
Retirement home contributions	854	–	825	–
Other	132	–	251	–
<b>Total payables</b>	<b>20,105</b>	<b>–</b>	<b>14,221</b>	<b>–</b>

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

\$ '000	2024	2023
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Security bonds, deposits and retentions	100	100
Retirement home contributions	640	618
Other payables	30	30
<b>Total payables</b>	<b>770</b>	<b>748</b>

#### 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 Contract Liabilities

\$ '000	Notes	2024 Current	2024 Non-current	2023 Current	2023 Non-current
<b>Grants and contributions received in advance:</b>					
Unexpended capital grants (to construct Council controlled assets)	(i)	26,529	-	16,960	-
Unexpended operating grants (received prior to performance obligation being satisfied)		335	-	106	-
<b>Total grants received in advance</b>		<b>26,864</b>	<b>-</b>	<b>17,066</b>	<b>-</b>
<b>User fees and charges received in advance:</b>					
Radio tower lease fees		38	-	37	-
Maintenance contributions		38	-	38	-
Water usage charges		164	-	166	-
<b>Total user fees and charges received in advance</b>		<b>240</b>	<b>-</b>	<b>241</b>	<b>-</b>
<b>Total contract liabilities</b>		<b>27,104</b>	<b>-</b>	<b>17,307</b>	<b>-</b>

### Notes

(i) Council has received milestone funding to construct assets including Roads, community, sporting and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised over the completion of the respective projects over the next 12 months.

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

\$ '000	2024	2023
<b>Grants and contributions received in advance:</b>		
Capital grants (to construct Council controlled assets)	9,297	5,177
Operating grants (received prior to performance obligation being satisfied)	91	153
<b>User fees and charges received in advance:</b>		
Radio tower lease fees	37	30
Maintenance Contributions	38	32
Water usage charges	166	187
Event Contribution and fees	-	42
<b>Total revenue recognised that was included in the contract liability balance at the beginning of the period</b>	<b>9,629</b>	<b>5,621</b>

### Significant changes in contract liabilities

During the year Council continued to be successful obtaining a number of significant grant funding opportunities to delivery major infrastructure works over the next two to three years. These funding opportunities included upfront milestone payments on signing of the funding deed and milestones at the commencement of construction. Projects include:

- State & Federal Funding - Coulsons Creek Road (MR358) Rectification works
- Fixing Local Roads Round 4 - Hunter Road
- Heavy Vehicle Safety Productivity Program - Hunter Road
- Fixing Local Roads - Regional and Local Roads Repair Program
- Resources for Regions - Round 9
- Local Roads and Community Infrastructure Program - Phase 3
- Stronger Country Community Fund - Road 5
- Regional Youth Investment Program - Round 1
- Regional Tourism Activation Fund

## C2-3 Borrowings

\$ '000	2024	2024	2023	2023
	Current	Non-current	Current	Non-current
Loans – secured <sup>1</sup>	6,141	23,446	2,043	29,482
Lease liabilities	121	229	130	167
<b>Total borrowings</b>	<b>6,262</b>	<b>23,675</b>	<b>2,173</b>	<b>29,649</b>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note E1-1.

### (a) Changes in liabilities arising from financing activities

\$ '000	2023		Non-cash movements	2024
	Opening Balance	Cash flows	Acquisition	Closing balance
Loans – secured	31,525	(1,938)	–	29,587
Lease liability	297	53	–	350
<b>Total liabilities from financing activities</b>	<b>31,822</b>	<b>(1,885)</b>	<b>–</b>	<b>29,937</b>

\$ '000	2022		Non-cash movements	2023
	Opening Balance	Cash flows	Acquisition	Closing balance
Loans – secured	33,955	(2,430)	–	31,525
Lease liability	372	(75)	–	297
<b>Total liabilities from financing activities</b>	<b>34,327</b>	<b>(2,505)</b>	<b>–</b>	<b>31,822</b>

### (b) Financing arrangements

\$ '000	2024	2023
<b>Total facilities</b>		
Total financing facilities available to Council at the reporting date are:		
Bank overdraft facilities <sup>1</sup>	600	600
Credit cards/purchase cards	20	20
Master lease facilities	163	233
<b>Total financing arrangements</b>	<b>783</b>	<b>853</b>
<b>Drawn facilities</b>		
Financing facilities drawn down at the reporting date are:		
– Lease facilities	163	233
<b>Total drawn financing arrangements</b>	<b>163</b>	<b>233</b>
<b>Undrawn facilities</b>		
Undrawn financing facilities available to Council at the reporting date are:		
– Bank overdraft facilities	600	1,200
– Credit cards/purchase cards	20	40
<b>Total undrawn financing arrangements</b>	<b>620</b>	<b>1,240</b>

### Additional financing arrangements information

#### Breaches and defaults

In regards to one (1) of the three (3) NSW Treasury Corporation Loans held by Council, it was noted that Council was in breach of the financial covenant relating to the "Unrestricted Cash Expense Ratio" for the financial year end 30 June 2023 with the

## C2-3 Borrowings (continued)

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calculated ratio being 0.4 months versus the contractually required 2.0 months. This covenant is set out in clause 10.2.1 (c) of the 28 June 2021 Loan Agreement.

The Council again failed to meet this covenant for the year ended 30 June 2024. The balance of the loan of \$4.224 million has been classified as current at the reporting date in accordance with the Australian Accounting Standards.

NSW Treasury Corporation specifically reserves all its rights under the Loan Agreements arising from the Events of Default.

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

## C2-4 Employee benefit provisions

\$ '000	2024	2024	2023	2023
	Current	Non-current	Current	Non-current
Annual leave	1,632	–	1,573	–
Long service leave	3,613	230	3,209	231
Accrued time	47	–	57	–
Leave on-costs	633	24	552	22
<b>Total employee benefit provisions</b>	<b>5,925</b>	<b>254</b>	<b>5,391</b>	<b>253</b>

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

\$ '000	2024	2023
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	3,891	3,561
	<b>3,891</b>	<b>3,561</b>

### Material accounting policy information

#### 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.



## C2-5 Provisions

\$ '000	2024		2023	
	Current	Non-Current	Current	Non-Current
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	23,247	–	18,024
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>23,247</b>	<b>–</b>	<b>18,024</b>
<b>Total provisions</b>	<b>–</b>	<b>23,247</b>	<b>–</b>	<b>18,024</b>

### Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
<b>2024</b>		
At beginning of year	18,024	18,024
<b>Changes to provision:</b>		
– Revised costs	6,115	6,115
– Revised discount rate	(892)	(892)
Total other provisions at end of year	23,247	23,247
<b>2023</b>		
At beginning of year	19,966	19,966
<b>Changes to provision:</b>		
– Revised discount rate	(1,942)	(1,942)
Total other provisions at end of year	18,024	18,024

### Nature and purpose of provisions

#### Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council waste management facilities and quarries.

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

During the 2024 financial year Council received revised closure and remediation costs for three (3) of its facilities, Scone, Merriwa and Murrurundi from specialised consultants. Review of these costs was undertaken with updated estimates provided by consultants for the three sites listed.

#### Material accounting policy information

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.

## C2-5 Provisions (continued)

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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

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#### **IPPE Revaluation reserve**

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

## D Council structure

### D1 Results by fund

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

#### D1-1 Income Statement by fund

\$ '000	General 2024	Water 2024	Sewer 2024
<b>Income</b>			
Rates and annual charges	16,081	1,521	3,343
User charges and fees	10,836	4,157	291
Interest and investment revenue	872	253	321
Other revenues	408	107	50
Grants and contributions provided for operating purposes	12,156	124	121
Grants and contributions provided for capital purposes	35,264	988	132
Other income	567	–	–
<b>Total income</b>	<b>76,184</b>	<b>7,150</b>	<b>4,258</b>
<b>Expenses</b>			
Employee benefits and on-costs	14,306	2,571	1,845
Materials and services	19,495	869	1,941
Borrowing costs	862	205	–
Depreciation, amortisation and impairment of non-financial assets	14,750	2,738	1,370
Other expenses	1,677	738	517
Net losses from the disposal of assets	832	1,562	461
<b>Total expenses</b>	<b>51,922</b>	<b>8,683</b>	<b>6,134</b>
<b>Operating result</b>	<b>24,262</b>	<b>(1,533)</b>	<b>(1,876)</b>
<b>Net operating result for the year</b>	<b>24,262</b>	<b>(1,533)</b>	<b>(1,876)</b>
<b>Net operating result attributable to each council fund</b>	24,262	(1,533)	(1,876)
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(11,002)</b>	<b>(2,521)</b>	<b>(2,008)</b>

#### D1-2 Statement of Financial Position by fund

##### ASSETS

##### Current assets

Cash and cash equivalents	15,621	250	470
Investments	15,000	4,500	7,000
Receivables	5,820	1,738	471
Inventories	1,245	335	62
Contract assets and contract cost assets	12,105	–	–
Other	1,388	2,503	2,502
<b>Total current assets</b>	<b>51,179</b>	<b>9,326</b>	<b>10,505</b>

##### Non-current assets

Infrastructure, property, plant and equipment	1,155,755	96,970	51,010
Intangible assets	–	234	–
Right of use assets	350	–	–
<b>Total non-current assets</b>	<b>1,156,105</b>	<b>97,204</b>	<b>51,010</b>
<b>Total assets</b>	<b>1,207,284</b>	<b>106,530</b>	<b>61,515</b>

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

\$ '000	General 2024	Water 2024	Sewer 2024
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	18,676	1,095	334
Contract liabilities	27,104	–	–
Borrowings	10,913	349	–
Employee benefit provision	5,113	406	406
<b>Total current liabilities</b>	<b>61,806</b>	<b>1,850</b>	<b>740</b>
<b>Non-current liabilities</b>			
Borrowings	19,515	4,160	–
Employee benefit provision	250	2	2
Provisions	23,247	–	–
<b>Total non-current liabilities</b>	<b>43,012</b>	<b>4,162</b>	<b>2</b>
<b>Total liabilities</b>	<b>104,818</b>	<b>6,012</b>	<b>742</b>
<b>Net assets</b>	<b>1,102,466</b>	<b>100,518</b>	<b>60,773</b>
<b>EQUITY</b>			
Accumulated surplus	392,595	59,847	19,869
Revaluation reserves	709,871	40,671	40,904
<b>Council equity interest</b>	<b>1,102,466</b>	<b>100,518</b>	<b>60,773</b>
<b>Total equity</b>	<b>1,102,466</b>	<b>100,518</b>	<b>60,773</b>

## D1-3 Details of internal loans

(in accordance with s410(3) of the *Local Government Act 1993*)

<b>Details of individual internal loans</b>	<b>Internal Loan 1</b>	<b>Internal Loan 2</b>
Borrower (by purpose)	General Fund	General Fund
Lender (by purpose)	Water Fund	Sewer Fund
Date of Minister's approval	27 June 2024	27 June 2024
Date raised	30 June 2024	30 June 2024
Term years	1 Year	1 Year
Dates of maturity	30 June 2025	30 June 2025
Rate of interest (%)	4.35%	4.35%
Amount originally raised (\$'000)	\$5,000	\$5,000
Total repaid during year (principal and interest) (\$'000)	\$0	\$0
<b>Principal outstanding at end of year (\$'000)</b>	<b>\$5,000</b>	<b>\$5,000</b>

## 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)** market risk, **(2)** credit risk and **(3)** liquidity 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.

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

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 it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the financial instruments held are:

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

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

\$ '000	2024	2023
<p>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.</p>		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	428	411

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

### (b) Credit risk

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

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

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

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

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

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

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

#### 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	
<b>2024</b>				
Gross carrying amount	–	2,347	70	2,417
<b>2023</b>				
Gross carrying amount	–	1,717	70	1,787

##### 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	
<b>2024</b>						
Gross carrying amount	7,802	466	2,753	104	7,182	18,307
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	8.21%	3.22%
<b>ECL provision</b>	–	–	–	–	590	590
<b>2023</b>						
Gross carrying amount	–	6,248	97	134	7,617	14,096
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	5.73%	3.10%
<b>ECL provision</b>	–	–	–	–	436	436

### (c) Liquidity risk

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

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 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		
<b>2024</b>							
Payables	0.00%	330	20,105	–	–	20,435	20,105
Borrowings	3.35%	–	2,999	11,878	21,146	36,023	29,587
Lease liabilities	5.00%	–	136	244	–	380	350
<b>Total financial liabilities</b>		<b>330</b>	<b>23,240</b>	<b>12,122</b>	<b>21,146</b>	<b>56,838</b>	<b>50,042</b>
<b>2023</b>							
Payables	0.00%	235	14,014	–	–	14,249	14,221
Borrowings	3.41%	–	3,087	11,985	24,038	39,110	31,525
Lease liabilities	4.26%	140	176	–	–	316	297
<b>Total financial liabilities</b>		<b>375</b>	<b>17,277</b>	<b>11,985</b>	<b>24,038</b>	<b>53,675</b>	<b>46,043</b>



## E2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment

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).

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2024	2023	2024	2023	2024	2023
<b>Recurring fair value measurements</b>							
<b>Infrastructure, property, plant and equipment</b>							
	C1-6						
Plant and equipment		–	–	6,536	7,559	6,536	7,559
Office furniture and equipment		–	–	835	871	835	871
Land		31,095	30,761	–	–	31,095	30,761
Buildings		–	–	53,614	51,167	53,614	51,167
Other structures		–	–	2,343	2,390	2,343	2,390
Roads (incl bulk earthworks)		–	–	796,554	756,292	796,554	756,292
Bridges		–	–	107,207	93,521	107,207	93,521
Footpaths		–	–	8,451	7,921	8,451	7,921
Drainage		–	–	30,128	30,356	30,128	30,356
Ancillary infrastructure		–	–	45,044	44,651	45,044	44,651
Water supply network		–	–	93,447	85,765	93,447	85,765
Sewer network		–	–	48,854	45,717	48,854	45,717
Swimming pools		–	–	4,377	4,365	4,377	4,365
Open spaces		–	–	27,532	27,125	27,532	27,125
Other assets		–	–	46	56	46	56
Waste disposal sites and quarries		–	–	9,121	5,094	9,121	5,094
<b>Total infrastructure, property, plant and equipment</b>		<b>31,095</b>	<b>30,761</b>	<b>1,234,089</b>	<b>1,162,850</b>	<b>1,265,184</b>	<b>1,193,611</b>

### 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 & Equipment, Office Equipment and Furniture & Fittings*

Plant & equipment, office equipment and furniture & fittings are valued at cost but are disclosed at fair value in the notes. The carrying value of these assets are assumed to approximate fair value due to the nature of the items.

## E2-1 Fair value measurement (continued)

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Examples of assets within these classes are as follows:

- Plant and Equipment: Trucks, tractors, mowers, street sweepers, earthmoving Equipment and vehicles.
- Office Equipment: Computer equipment, projectors, printers, general electronic office equipment.
- Furniture & Fittings: Chairs, desks, blinds, shelving, benches.

The key unobservable inputs to the valuation are the remaining useful life and residual value of these classes of assets. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking into account the pattern of consumption, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

### ***Operational Land***

Generally, fair value is the most advantageous value reasonably obtainable by the seller and the most advantageous value reasonably obtainable by the purchaser. This is not necessarily the market selling price of the asset, but rather the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset and cashflows from the future use and disposal. There has been no change to the valuation process during the reporting period.

### ***Community Land***

Valuations of all Council's community land and Council managed land were based on either the Unimproved Capital Value (UCV) provided by the Valuer-General or an average unit rate based on the UCV for similar properties where the Valuer-General did not provide a UCV having regard to the highest and best use for this land. There has been no change to the valuation process during the reporting period.

### ***Land Under Roads***

Council has elected to recognise land under roads where the road was acquired on or after 1 July 2008. 'Land under roads' have been valued using the square metres rates applicable for nearby or adjacent Community Land having regard to the unimproved capital value. As these rates were not considered to be observable market evidence they have been classified as Level 3. There has been no change to the valuation process during the reporting period.

### ***Buildings - Non specialised and Specialised***

Buildings were valued by APV Valuers and Asset Management during the 2023 year using the cost approach. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While all buildings were physically inspected and the unit rates based on square metres could be supported from market evidence, which included a comparison of sale prices of comparable properties after adjusting for differences in key attributes such as property size (Level 2) other inputs (such as estimates of residual value, asset condition and pattern of consumption) required extensive professional judgement and impacted significantly on the final determination of fair value. It should be noted that Council does not believe it has any material buildings that could be held at market value rather than replacement cost as the nature of the buildings are specific to council needs. As such these assets were classified as having been valued using Level 3 valuation inputs.

### ***Other Structures***

This asset class comprises cemeteries, tourism fixtures and communication towers.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. While some elements of gross replacement values could be supported from market evidence (Level 2 input) 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. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

### ***Roads and Bulk Earthworks***

This asset class comprises both sealed and unsealed roads for regional, rural and urban vicinities including kerb & guttering and bulk earthworks. The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter. The 'Cost Approach' using Level 3 inputs was used to value the road carriageway and other road infrastructure. Valuations for the road carriageway, comprising surface, pavement and formation were based on Council, contractor and industry averages for construction. The Road network is mapped and condition assessed using a combination of photography condition assessment and physical inspection. Condition information is updated as changes in the network are observed

## E2-1 Fair value measurement (continued)

through regular inspections. A residual base has also been calculated into the value of the asset class when assessing condition basis assessments.

The cost approach was utilised and while the unit rates based on square metres, linear metres or similar could be supported from market evidence (Level 2) other inputs (such as estimates pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally there has been some limitations in data collection including historical data pertaining to the construction specifications, dimensions and rehabilitation cost aspects of the road network which are affected in part by heavy vehicle traffic usage and soil compound under the road construction. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

### **Bridges**

Bridges were valued in-house by experienced engineering & asset management staff. The approach in estimating the replacement cost for each bridge was based on square metre of construction calculated using Council, contractor and industry averages for both timber and concrete structures. Bridges are condition assessed using a combination of photography condition assessment and physical inspection. Condition information is updated as changes in the network are observed through regular inspections. It should be noted that these values were not derived from componentising the asset itself but valued as a whole asset unit.

While all bridges were physically inspected and the unit rates based on square metres could be supported from market evidence (Level 2) other inputs (such as estimates of residual value, asset condition and pattern of consumption) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally there has been some limitations in data collection including historical data pertaining to build date, construction specifications, dimensions and rehabilitation cost aspects of the concrete and timber bridges which are affected in part by heavy vehicle traffic usage. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

### **Footpaths**

Footpaths were valued in-house by experienced engineering & asset management staff. Footpaths were segmented to match the adjacent road segment and no further componentisation was undertaken. Footpaths were originally mapped and condition assessed using a combination of photography condition assessment and physical inspection. Condition information is updated as changes in the network are observed through regular inspections.

While all footpaths were physically inspected and the unit rates based on square metres could be supported from market evidence (Level 2) other inputs (such as estimates of residual value, asset condition and pattern of consumption) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

### **Drainage**

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The Level of componentisation adopted by Council is in accordance with OLG Circular 09- 09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM).

While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could 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. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

### **Ancillary Infrastructure**

Assets within this class comprise aerodrome, depots, saleyards and transport ancillaries. Ancillary infrastructure assets were valued in-house by experienced engineering & asset management staff.

While some elements of gross replacement values could be supported from market evidence (Level 2 input) 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. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

## E2-1 Fair value measurement (continued)

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### **Water Supply Network**

This asset class comprises the bores, wells, dams, reservoirs, treatment plants, meters, pipes, pump stations, augmentations and other related infrastructure. As at 30 June 2022 the Water systems were revalued in accordance with DLG Fair Valuation - Infrastructure, Property, Plant and Equipment Circular(s) by in-house experienced engineering & asset management staff. For the period post the valuation an incremental adjustment based on the NSW Reference Rates Manual NSW Water & Sewerage Construction Costs Indices.

The cost approach was utilised and while the unit rates based on square metres, linear metres or similar could be supported from market evidence (Level 2) other inputs (such as estimated pattern of consumption, residual value, condition based asset assessment and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. A major factor involved in this process has been the condition based assessment of the network which has been arrived at using data pertaining to historical breakage maintenance, pipe digups and pipe material type. Additionally there has been some limitations in the data collection which included obtaining historical data of installation date, construction specifications (dimensions, depth of pipe, pipe type, ect. ) and rehabilitation cost of the water network. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

### **Sewer Network**

This asset class comprises the pump stations, treatment plants, pipes and other related infrastructure. As at 30 June 2022 the Sewer systems were revalued in accordance with OLG Fair Valuation - Infrastructure, Property, Plant and Equipment Circular(s) by in-house experienced engineering & asset management staff. For the period post the valuation an incremental adjustment based on the NSW Reference Rates Manual NSW Water & Sewerage Construction Costs Indices.

The cost approach was utilised and while the unit rates based on square metres, linear metres or similar could be supported from market evidence (Level 2) other inputs (such as estimated pattern of consumption, residual value, condition based asset assessment and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. A major factor involved in this process has been the condition based assessment of the network which has been arrived at using data pertaining to CCTV footage, historical breakage maintenance and pipe material type. Additionally there has been some limitations in the data collection which included obtaining historical data of installation date, construction specifications (dimensions, depth of pipe, pipe type, ect. ) and rehabilitation cost of the water network. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

### **Swimming Pools**

Assets within this class comprise Council's swimming pools at three separate locations. The pools were valued in-house using the cost approach by experienced Council engineers and asset management staff. The approach estimated the replacement cost for each pool by componentising its significant parts.

While some elements of gross replacement values could be supported from market evidence (Level 2 input) 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. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

### **Open Spaces**

Assets within this class comprise parks & gardens, camping grounds and sporting grounds. Open space assets were valued in-house by experienced engineering & asset management staff.

While some elements of gross replacement values could be supported from market evidence (Level 2 input) 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. As such these assets were all classified as having been valued using Level 3 valuation inputs. here has been no change to the valuation process during the reporting period.

### **Library Books & Other Assets**

Library books and other assets 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 due to the nature of the items.

Council reviews the value of both these classes of assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

## E2-1 Fair value measurement (continued)

### Waste Disposal Landfills & Quarries

The Council maintains four (4) waste facility sites and thirty eight (38) quarry sites within the Shire.

The waste facility sites encompasses a landfilling operation as well as a wide range of waste disposal services, resource recovery services, recycled and reclaimed products, and waste management educational activities while the quarry pits encompasses a gravel extraction operations. It has been recognised that there will be significant costs associated with the closure and post closure management of both the landfill and quarry sites.

Closure of the landfill will involve a wide range of activities including preparation of a Landfill Closure and Management Plan, final capping of the landfill waste and site re-vegetation, installation of a final landfill gas management system, revision of the surface water management system and leachate management infrastructure to suit post-closure operation, decommissioning and removing infrastructure and equipment that will not be required post-closure, and fencing sensitive infrastructure. While closure of the quarry pits will involve a wide range of activities including preparation of a Closure and Management Plan, site re-vegetation, decommissioning and removing infrastructure and equipment that will not be required post-closure.

The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

If there are changes in valuation techniques from prior years, these and the reasons for change also need to be listed.

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

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 furniture and equipment		Infrastructure Assets		Other assets	
	2024	2023	2024	2023	2024	2023	2024	2023
<b>Opening balance</b>	<b>7,559</b>	8,964	<b>870</b>	843	<b>1,147,712</b>	1,081,219	<b>56</b>	66
<b>Total gains or losses for the period</b>								
<b>Other movements</b>								
Change in useful life and PV cost estimate	-	-	-	-	<b>59,699</b>	68,294	-	-
Purchases (GBV)	<b>834</b>	439	<b>109</b>	169	<b>24,504</b>	12,046	-	-
Disposals (WDV)	<b>(69)</b>	(41)	-	-	<b>(2,879)</b>	(774)	-	-
Depreciation and impairment	<b>(1,788)</b>	(1,803)	<b>(144)</b>	(142)	<b>(15,593)</b>	(12,316)	<b>(10)</b>	(10)
Other movement (Assets Located or Corrected)	-	-	-	-	-	(757)	-	-
<b>Closing balance</b>	<b>6,536</b>	7,559	<b>835</b>	870	<b>1,213,443</b>	1,147,712	<b>46</b>	56

\$ '000	Tips and quarries		Total	
	2024	2023	2024	2023
<b>Opening balance</b>	<b>5,094</b>	8,081	<b>1,161,291</b>	1,099,173
Change in useful life and PV cost estimate	<b>5,223</b>	(1,942)	<b>64,922</b>	66,352
Purchases (GBV)	-	-	<b>25,447</b>	12,654
Disposals (WDV)	-	-	<b>(2,948)</b>	(815)
Depreciation and impairment	<b>(1,196)</b>	(1,045)	<b>(18,731)</b>	(15,316)
Other movement (Assets Located or Corrected)	-	-	-	(757)
<b>Closing balance</b>	<b>9,121</b>	5,094	<b>1,229,981</b>	<b>1,161,291</b>

### Highest and best use

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

## E3-1 Contingencies

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

### LIABILITIES NOT RECOGNISED

#### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

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

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

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

*(a) a description of the funding arrangements, including the method used to determine the Council's rate of contributions to the Fund.*

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

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

Division B	1.9 times 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 8.5% of salaries for the year ending 30 June 2024 (increasing to 9.0% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$20 million for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2023. 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, the next of which is due effective 30 June 2024, and monitored annually between triennials.

*(b) a description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan.*

As stated above, each sponsoring employer 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 past service contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

*(c) a description of any agreed allocation of a deficit or surplus on:*

- (i) Wind-up of the plan



## E3-1 Contingencies (continued)

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

(ii) the Council's withdrawal from the plan

There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

(d) given Council accounts for the plan as if it were a defined contribution plan in accordance with the following information:

(i) the fact that the plan is a defined benefit plan.

(ii) the reason why sufficient information is not available to enable Council to account for the plan as a defined benefit plan.

(iii) the expected contributions to the plan for the next annual reporting period are \$61,074.88.

The requirement for contributions in order to maintain the adequacy of the funding position for the accrued liabilities (currently \$20m per annum) is assessed annually by the Actuary.

(iv) information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any, for Council.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2024 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	2,237.5	
Past Service Liabilities	2,141.9	104.5%
Vested Benefits	2,159.8	103.6%

\* 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	6.00% per annum
Salary inflation *	3.50% per annum
Increase in CPI	3.5% for FY 23/24 2.50% per annum thereafter

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed by December 2024.

Based on a past services liabilities methodology the share of any funding surplus or deficit that can be attributed to Council is 0.31%.

(v) an indication of the level of participation of Council in the plan compared with other participating Council's.

An employer's past service contribution per annum as a percentage of the total past service contributions for all Pooled Employers (of \$20m for each year from 1 January 2022 to 31 December 2024) provides an indication of the level of participation of that employer compared with other employers in the Pooled Employer sub-group.

It is estimated that there are \$31,189.36 past service contributions remaining.

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2024 was \$94,229.19. The last formal valuation of the Fund was undertaken by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2023.

### (ii) Statewide Limited

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

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

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

## E3-1 Contingencies (continued)

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### **(iii) StateCover Limited**

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

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

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

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

### **2. Other liabilities**

#### **(i) 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	2024	2023
<b>Compensation:</b>		
Short-term benefits	967	944
Post-employment benefits	87	71
<b>Total</b>	<b>1,054</b>	<b>1,015</b>

#### Other transactions with KMP and their related parties

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

Nature of the transaction		Transactions	Outstanding		Impairment	
\$ '000	Ref	during the year	balances	Terms and conditions	provision on	Impairment
			including		outstanding	expense
			commitments		balances	
<b>2024</b>						
Supply of fabrication services	1	23	–	Normal Trade Terms & Conditions	–	–
Supply of fabrication services	2	10	–	Normal Trade Terms & Conditions	–	–
Employee expenses relating to close family member of KMP	3	155	–	Employment Conditions	–	–
Supply of flowers and decorates	4	–	–	Normal Trade Terms & Conditions	–	–
<b>2023</b>						
Supply of fabrication services	1	17	–	Normal Trade Terms & Conditions	–	–
Supply of fabrication services	2	–	–	Normal Trade Terms & Conditions	–	–
Employee expenses relating to close family member of KMP	3	136	–	Employment Conditions	–	–
Supply of flowers and decorates	4	1	–	Normal Trade Terms & Conditions	–	–

1 Council acquired fabrication services from Sycolah, a business which is owned by the direct family members of a member of the KMP of the Council. These services were invoiced on an arms length basis and were payable under normal payment terms following the Council's procurement processes.

## F1-1 Key management personnel (KMP) (continued)

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- 2 Council acquired fabrication services from FNL Industries, a business which is owned by associated family members of a member of the KMP of the Council. These services were invoiced on an arms length basis and were payable under normal payment terms following the Council's procurement processes.
- 3 One (3) close family members of one (3) members of Council's KMP was employed by Council under the relevant employee award on an arm's length basis. From the 23 November to 25 April 2023 one (1) additional close family members of one (1) members of Council's KMP were employed by Council under the relevant employee award on an arm's length basis.
- 4 Council acquired flowers and decorates from Jolimilla Pty Ltd Trading as Chocolate and Moss Floristry, a business which is owned by a member of the KMP of the Council. These acquisitions were invoiced on an arms length basis and were payable under normal payment terms following the Council's procurement processes.

## F1-2 Councillor and Mayoral fees and associated expenses

<b>\$ '000</b>	<b>2024</b>	2023
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	<b>66</b>	40
Councillors' fees	<b>157</b>	99
Other Councillors' expenses (including Mayor)	<b>18</b>	14
<b>Total</b>	<b>241</b>	<b>153</b>

## F2 Other relationships

### F2-1 Audit fees

\$ '000	2024	2023
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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	90	85
Additional audit fees for works completed	43	18

<b>Remuneration for audit and other assurance services</b>	<b>133</b>	<b>103</b>
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<b>Total Auditor-General remuneration</b>	<b>133</b>	<b>103</b>
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## G Other matters

### G1-1 Statement of Cash Flows information

#### Reconciliation of Operating Result

\$ '000	2024	2023
<b>Net operating result from Income Statement</b>	<b>20,853</b>	4,332
<b>Add / (less) non-cash items:</b>		
Depreciation and amortisation	18,858	15,314
(Gain) / loss on disposal of assets	2,855	1,662
Non-cash capital grants and contributions	(128)	(878)
Unwinding of discount rates on reinstatement provisions	(892)	–
<b>Movements in operating assets and liabilities and other cash items:</b>		
(Increase) / decrease of receivables	(1,305)	314
Increase / (decrease) in provision for impairment of receivables	75	40
(Increase) / decrease of inventories	37	(36)
(Increase) / decrease of other current assets	(117)	113
(Increase) / decrease of contract asset	(3,536)	–
Increase / (decrease) in payables	2,370	1,330
Increase / (decrease) in accrued interest payable	(2)	(4)
Increase / (decrease) in other accrued expenses payable	(264)	747
Increase / (decrease) in other liabilities	19	46
Increase / (decrease) in contract liabilities	9,797	3,279
Increase / (decrease) in employee benefit provision	535	180
Increase / (decrease) in other provisions	882	9,742
<b>Net cash flows from operating activities</b>	<b>50,037</b>	<b>36,181</b>

## G2-1 Commitments

### Capital commitments (exclusive of GST)

\$ '000	2024	2023
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Plant and equipment	45	113
Footpaths	–	11
Bridge infrastructure	–	5,220
Ancillary Infrastructure	2,922	13,706
Road infrastructure	32,182	37,077
Sewerage Services	1,683	1,107
Water Supply	1,917	1,445
<b>Total commitments</b>	<b>38,749</b>	<b>58,679</b>

### Details of capital commitments

#### 2023

Plant & Equipment: Purchase of 2x work utility vehicles

Footpath: Merriwa Footpath and cycleway extension

Bridges: Replacement of 14 Bridges (increased from 9) under the Fixing Country Bridges Program

Ancillary Transport Infrastructure: Scone CBD Revitalisation

Road Infrastructure: Coulsons Creek Road Merriwa (MR358) reconstruction & rehabilitation & Design of Barrington Forest Road Moonan

Water Infrastructure: Water Mains Replacement program and Upgrade of Aberdeen Intake infrastructure pumps & electrical

Sewer Infrastructure: Merriwa Sewer Treatment Plant sludge removal & relining program

Water & Sewerage Management Plans: Development of the Integrated Water Cycle Management Strategy

#### 2024

Plant & Equipment: Purchase 1x work utility

Ancillary Transport Infrastructure: Completion of Stage 1 Scone CBD Upgrade

Road Infrastructure: Coulsons Creek Road (MR358) reconstruction and rehabilitation

Water Infrastructure: Scone UV Contained Package Plant & water main renewals

Sewer Infrastructure: Desludging and rehabilitation Scone sewer treatment ponds

### G3-1 Events occurring after the reporting date

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Council is unaware of any material or significant events after the reporting period that are not disclosed.

## G4 Statement of developer contributions

### G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2023	Contributions received during the year - Cash	Interest and investment income earned	Amounts expended	Held as restricted asset at 30 June 2024
Roads	390	6	17	-	413
Parking	5	21	-	-	26
Open space	44	19	4	-	67
Cycleways	46	-	2	-	48
Bushfire	-	-	-	-	-
Waste	-	-	-	-	-
<b>S7.11 contributions – under a plan</b>	<b>485</b>	<b>46</b>	<b>23</b>	<b>-</b>	<b>554</b>
<b>S7.12 levies – under a plan</b>	<b>1,094</b>	<b>272</b>	<b>55</b>	<b>(75)</b>	<b>1,346</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>1,579</b>	<b>318</b>	<b>78</b>	<b>(75)</b>	<b>1,900</b>
S7.4 planning agreements	-	367	-	-	367
S64 contributions	5,401	319	243	-	5,963
<b>Total contributions</b>	<b>6,980</b>	<b>1,004</b>	<b>321</b>	<b>(75)</b>	<b>8,230</b>

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.

### G4-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2023	Contributions received during the year - Cash	Interest and investment income earned	Amounts expended	Held as restricted asset at 30 June 2024
<b>CONTRIBUTION PLAN – SCONE/ABERDEEN</b>					
Roads	384	6	17	-	407
Parking	5	21	-	-	26
Open space	34	17	4	-	55
Cycleways	46	-	2	-	48
<b>Total</b>	<b>469</b>	<b>44</b>	<b>23</b>	<b>-</b>	<b>536</b>
<b>CONTRIBUTION PLAN – MERRIWA</b>					
Open space	8	2	-	-	10
<b>Total</b>	<b>8</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>10</b>



## G4-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2023	Contributions received during the year - Cash	Interest and investment income earned	Amounts expended	Held as restricted asset at 30 June 2024
<b>CONTRIBUTION PLAN – MURRURUNDI</b>					
Roads	6	-	-	-	6
Open space	2	-	-	-	2
<b>Total</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8</b>

## S7.12 Levies – under a plan

<b>CONTRIBUTION PLAN – SHIRE WIDE</b>					
Other	1,094	272	55	(75)	1,346
<b>Total</b>	<b>1,094</b>	<b>272</b>	<b>55</b>	<b>(75)</b>	<b>1,346</b>

## G4-3 S7.4 planning agreements

**Voluntary Planning Agreement - Mach Energy**

Community facilities	-	156	-	-	156
Other	-	16	-	-	16
<b>Total</b>	<b>-</b>	<b>172</b>	<b>-</b>	<b>-</b>	<b>172</b>

**Voluntary Planning Agreement - AQC Dartbrook Management**

Community facilities	-	165	-	-	165
Other	-	30	-	-	30
<b>Total</b>	<b>-</b>	<b>195</b>	<b>-</b>	<b>-</b>	<b>195</b>

## G5 Statement of performance measures

### G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2024	Indicator 2024	Indicator 2023	Benchmark
<b>1. Operating performance ratio</b>				
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>(12,676)</b>	<b>(24.75)%</b>	(18.28)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>51,208</b>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>38,807</b>	<b>44.30%</b>	55.63%	> 60.00%
Total continuing operating revenue <sup>1</sup>	<b>87,592</b>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions	<b>20,287</b>	<b>0.80x</b>	1.26x	> 1.50x
Current liabilities less specific purpose liabilities	<b>25,281</b>			
<b>4. Debt service cover ratio</b>				
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>7,249</b>	<b>2.32x</b>	1.93x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>3,128</b>			
<b>5. Rates and annual charges outstanding percentage</b>				
Rates and annual charges outstanding	<b>2,587</b>	<b>11.24%</b>	8.53%	< 10.00%
Rates and annual charges collectable	<b>23,022</b>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<b>42,841</b>	<b>9.96 months</b>	12.35 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	<b>4,303</b>			
Additional Commentary				

(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

## G5-2 Statement of performance measures by fund

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2024	2023	2024	2023	2024	2023	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>(19.91)%</b>	(14.41)%	<b>(40.91)%</b>	(24.49)%	<b>(48.67)%</b>	(53.37)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>37.76%</b>	49.83%	<b>84.45%</b>	90.44%	<b>94.06%</b>	85.59%	> 60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>0.60x</b>	1.26x	<b>5.04x</b>	5.46x	<b>14.20x</b>	9.00x	> 1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>2.55x</b>	2.05x	<b>2.06x</b>	4.04x	∞	∞	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates and annual charges outstanding percentage</b>							
Rates and annual charges outstanding	<b>14.25%</b>	10.79%	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%	< 10.00%
Rates and annual charges collectable							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>9.79</b>	12.08	∞	∞	∞	∞	> 3.00
Monthly payments from cash flow of operating and financing activities	<b>months</b>	months					months
Additional Commentary							

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

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

**End of the audited financial statements**



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Upper Hunter Shire Council

To the Councillors of Upper Hunter Shire Council

### Opinion

I have audited the accompanying financial statements of Upper Hunter Shire Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2024, the Statement of Financial Position as at 30 June 2024, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been prepared, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2024, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

### Basis for Opinion

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

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

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

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

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

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

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

### **Other Information**

The Council's annual report for the year ended 30 June 2024 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

### **The Councillors' Responsibilities for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note B4-1 'Material budget variations'
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Cassie Malone  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

31 October 2024  
SYDNEY



Cr Maurice Collison  
Mayor  
Upper Hunter Shire Council  
PO BOX 208  
SCONE NSW 2337

Contact: Cassie Malone  
Phone no: 02 9275 7388  
Our ref: R008-2124742775-8510

31 October 2024

Dear Mayor

## Report on the Conduct of the Audit for the year ended 30 June 2024 Upper Hunter Shire Council

I have audited the general purpose financial statements (GPFS) of the Upper Hunter Shire Council (the Council) for the year ended 30 June 2024 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2024 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

### INCOME STATEMENT

#### Operating result

	2024	2023*	Variance
	\$m	\$m	%
Rates and annual charges revenue	20.9	20.0	4.8
Grants and contributions revenue	48.8	29.3	66.7
Operating result from continuing operations	20.9	4.3	381
Net operating result before capital grants and contributions	(15.5)	(10.9)	42.1



Rates and annual charges revenue (\$20.9 million) increased by \$0.9 million (4.5 per cent) in 2023–24 largely due to rate peg increase of 3.7 per cent.

Grants and contributions revenue (\$48.8 million) increased by \$19.5 million (66.7 per cent) in 2023–24 mainly due to:

- increase of \$21.1 million of grants recognised received for Coulsons Creek Road Upgrade from Transport for NSW
- offset by receiving 85 per cent of the financial assistance grants for 2024–25 in advance (100 per cent in 2022–23).

Council’s operating result from continuing operations (\$20.8 million including depreciation, amortisation and impairment expense of \$18.8 million) was \$16.5 million higher than the 2022–23 result. This is largely due the increase in grants and contributions revenue, offset by a \$3.5 million increase in depreciation, amortisation and impairment expense.

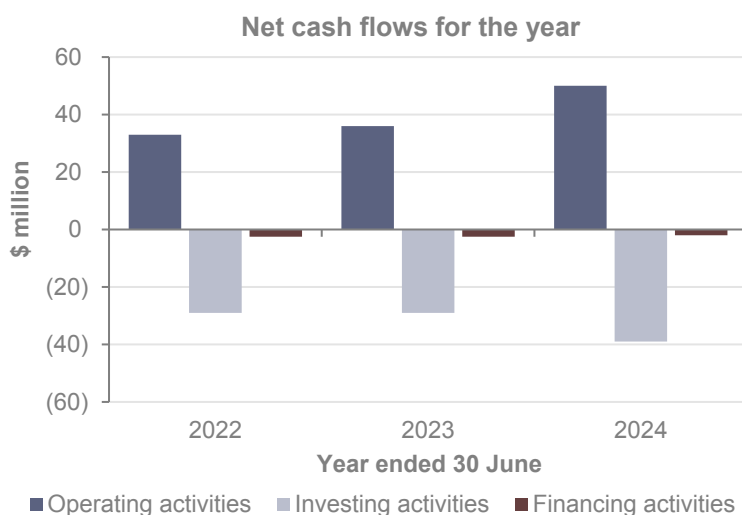
The net operating result before capital grants and contributions (deficit of \$15.5 million deficit) was \$4.6 million lower than the 2022–23 result.

## STATEMENT OF CASH FLOWS

Cash inflows from operating activities increased mainly due to increases in grants and contributions received during the year.

Cash flows from investing activities decreased due to a decrease in term deposit acquisitions and increase in capital expenditure during the year.

Cash from financing activities decreased due to a decrease in repayment of borrowings during the year.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2024	2023	Commentary
	\$m	\$m	
<b>Total cash, cash equivalents and investments</b>	<b>42.8</b>	<b>41.1</b>	Externally restricted balances comprise mainly of developer contributions, water and sewer funds.
Restricted and allocated cash, cash equivalents and investments:			Internal allocations are determined by council policies or decisions, which are subject to change.
• External restrictions	42.3	40.0	
• Internal allocations	--	1.0	

## Debt

At 30 June 2024, Council had:

- \$29.9 million in secured loans (\$31.8 million in 2022–23)
- \$0.6 million in approved overdraft facility with nil drawn down
- \$20 thousand in credit card facility with nil drawn down.

## PERFORMANCE

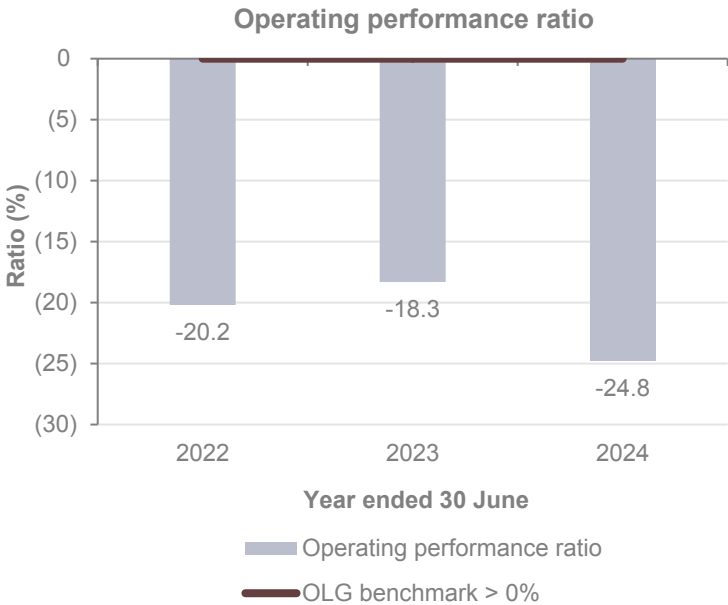
### Performance measures

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

### Operating performance ratio

Council did not meet the benchmark for the current reporting period.

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



### Own source operating revenue ratio

Council did not meet the benchmark for the current reporting period.

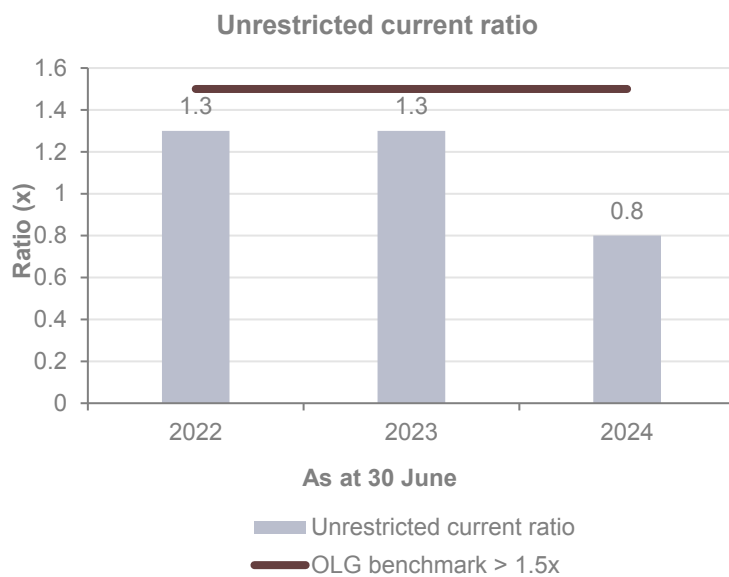
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



### Unrestricted current ratio

Council did not meet the benchmark for the current reporting period.

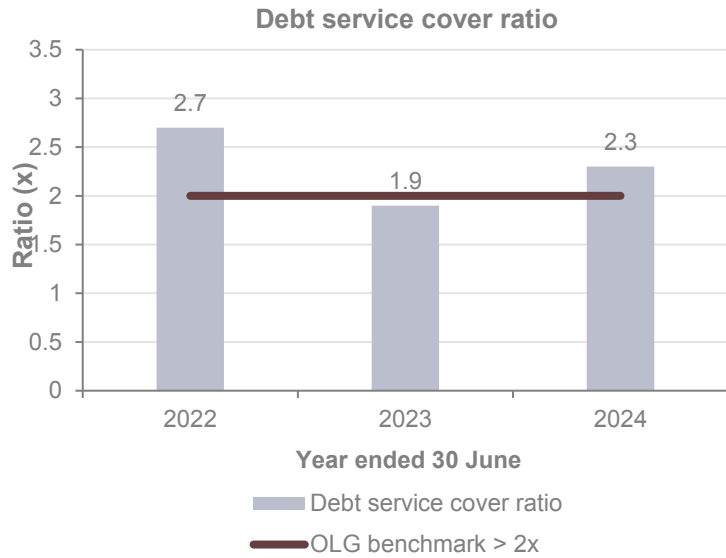
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



### Debt service cover ratio

Council met the benchmark for the current reporting period.

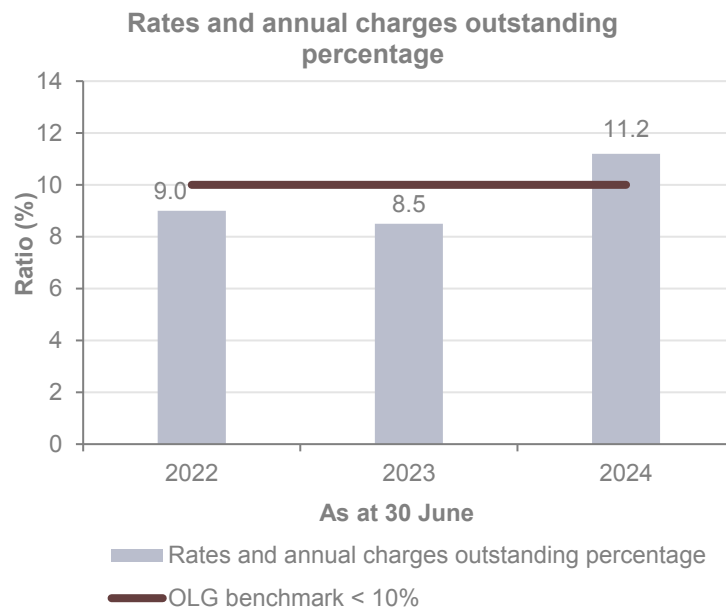
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



### Rates and annual charges outstanding percentage

Council did not meet the benchmark for the current reporting period.

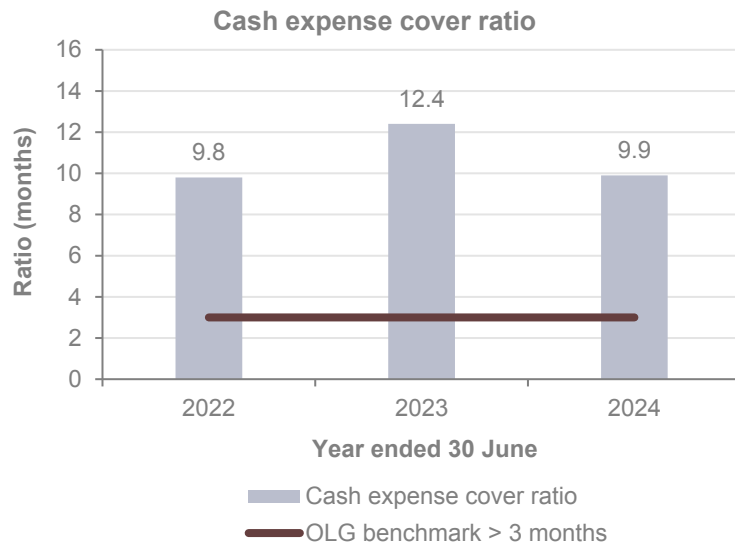
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



### Cash expense cover ratio

Council met the benchmark for the current reporting period.

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



### Infrastructure, property, plant and equipment renewals

Council renewed \$20.1 million of infrastructure, property, plant and equipment during the 2023-24 financial year. A further \$30.1 million was spent on new assets across most infrastructure asset classes.

## OTHER MATTERS

### Legislative compliance

My audit procedures did not identify any instances of material non-compliance with the financial reporting requirements in Chapter 13, Part 3, Division 2 of the LG Act and the associated regulation or a material deficiency in the Council's accounting records or financial statements. The Council's:

- accounting records were maintained in a manner and form to allow the GPFS to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.

Cassie Malone  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

# Upper Hunter Shire Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2024

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# Upper Hunter Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2024

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### Background

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

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

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

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

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

# Upper Hunter Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2024

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

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

- NSW Government Policy Statement, *Application of National Competition Policy to Local Government*
- Division of Local Government Guidelines, *Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality*
- The Local Government Code of Accounting Practice and Financial Reporting
- Sections 3 and 4 of the NSW Department of Climate Change, Energy, the Environment and Water's (DCCEE) *Regulatory and assurance framework for local water utilities, July 2022*

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

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

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

Signed in accordance with a resolution of Council made on 28 October 2024.



Maurice Collison

**Mayor**

30 October 2024



Adam Williamson

**Councillor**

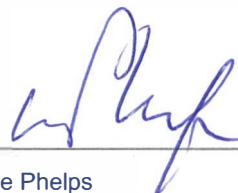
30 October 2024



Greg McDonald

**General Manager**

30 October 2024



Wayne Phelps

**Responsible Accounting Officer**

30 October 2024



## Upper Hunter Shire Council

## Income Statement of water supply business activity

for the year ended 30 June 2024

\$ '000	2024	2023
<b>Income from continuing operations</b>		
Access charges	1,521	1,440
User charges	4,157	3,457
Interest and investment income	253	193
Grants and contributions provided for operating purposes	124	64
Other income	107	44
<b>Total income from continuing operations</b>	<b>6,162</b>	<b>5,198</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,571	2,445
Borrowing costs	205	211
Materials and services	869	961
Depreciation, amortisation and impairment	2,738	1,914
Net loss from the disposal of assets	1,562	322
Calculated taxation equivalents	94	83
Other expenses	738	618
<b>Total expenses from continuing operations</b>	<b>8,777</b>	<b>6,554</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(2,615)</b>	<b>(1,356)</b>
Grants and contributions provided for capital purposes	988	479
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(1,627)</b>	<b>(877)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(1,627)</b>	<b>(877)</b>
<b>Surplus (deficit) after tax</b>	<b>(1,627)</b>	<b>(877)</b>
<b>Plus accumulated surplus</b>	<b>61,395</b>	<b>62,204</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	94	83
<b>Less:</b>		
– Surplus dividend paid	(15)	(15)
<b>Closing accumulated surplus</b>	<b>59,847</b>	<b>61,395</b>
<b>Return on capital %</b>	<b>(2.5)%</b>	<b>(1.3)%</b>
<b>Subsidy from Council</b>	<b>6,580</b>	<b>4,800</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(1,627)	(877)
Less: capital grants and contributions (excluding developer contributions)	(988)	(479)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>–</b>

## Upper Hunter Shire Council

## Income Statement of sewerage business activity

for the year ended 30 June 2024

\$ '000	2024	2023
<b>Income from continuing operations</b>		
Access charges	3,343	3,172
User charges	290	265
Liquid trade waste charges	1	1
Interest and investment income	321	191
Grants and contributions provided for operating purposes	121	42
Other income	50	11
<b>Total income from continuing operations</b>	<b>4,126</b>	<b>3,682</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,845	1,770
Materials and services	1,941	1,770
Depreciation, amortisation and impairment	1,370	1,097
Net loss from the disposal of assets	461	616
Calculated taxation equivalents	46	41
Other expenses	517	394
<b>Total expenses from continuing operations</b>	<b>6,180</b>	<b>5,688</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(2,054)</b>	<b>(2,006)</b>
Grants and contributions provided for capital purposes	132	571
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(1,922)</b>	<b>(1,435)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(1,922)</b>	<b>(1,435)</b>
<b>Surplus (deficit) after tax</b>	<b>(1,922)</b>	<b>(1,435)</b>
<b>Plus accumulated surplus</b>	<b>21,760</b>	<b>23,168</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	46	41
<b>Less:</b>		
– Surplus dividend paid	(15)	(14)
<b>Closing accumulated surplus</b>	<b>19,869</b>	<b>21,760</b>
<b>Return on capital %</b>	<b>(4.0)%</b>	<b>(4.2)%</b>
<b>Subsidy from Council</b>	<b>4,247</b>	<b>3,931</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(1,922)	(1,435)
Less: capital grants and contributions (excluding developer contributions)	(132)	(571)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>–</b>

## Upper Hunter Shire Council

## Statement of Financial Position of water supply business activity

as at 30 June 2024

\$ '000	2024	2023
<b>Current assets</b>		
Cash and cash equivalents	250	321
Investments	4,500	8,000
Internal Loan - General Fund	2,500	–
Receivables	1,738	1,456
Inventories	335	340
Other	3	9
<b>Total current assets</b>	<b>9,326</b>	<b>10,126</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	96,970	90,928
Intangible assets	234	234
<b>Total non-current assets</b>	<b>97,204</b>	<b>91,162</b>
<b>Total assets</b>	<b>106,530</b>	<b>101,288</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	1,095	1,201
Borrowings	349	330
Employee benefit provisions	406	322
<b>Total current liabilities</b>	<b>1,850</b>	<b>1,853</b>
<b>Non-current liabilities</b>		
Borrowings	4,160	4,509
Employee benefit provisions	2	14
<b>Total non-current liabilities</b>	<b>4,162</b>	<b>4,523</b>
<b>Total liabilities</b>	<b>6,012</b>	<b>6,376</b>
<b>Net assets</b>	<b>100,518</b>	<b>94,912</b>
<b>EQUITY</b>		
Accumulated surplus	59,847	61,395
Revaluation reserves	40,671	33,517
<b>Total equity</b>	<b>100,518</b>	<b>94,912</b>

## Upper Hunter Shire Council

## Statement of Financial Position of sewerage business activity

as at 30 June 2024

\$ '000	2024	2023
<b>Current assets</b>		
Cash and cash equivalents	470	574
Investments	7,000	11,500
Internal Loan - General Fund	2,500	–
Receivables	471	341
Inventories	62	60
Other	2	2
<b>Total current assets</b>	<b>10,505</b>	<b>12,477</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	51,010	47,886
<b>Total non-current assets</b>	<b>51,010</b>	<b>47,886</b>
<b>Total assets</b>	<b>61,515</b>	<b>60,363</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	334	1,064
Employee benefit provisions	406	322
<b>Total current liabilities</b>	<b>740</b>	<b>1,386</b>
<b>Non-current liabilities</b>		
Employee benefit provisions	2	14
<b>Total non-current liabilities</b>	<b>2</b>	<b>14</b>
<b>Total liabilities</b>	<b>742</b>	<b>1,400</b>
<b>Net assets</b>	<b>60,773</b>	<b>58,963</b>
<b>EQUITY</b>		
Accumulated surplus	19,869	21,760
Revaluation reserves	40,904	37,203
<b>Total equity</b>	<b>60,773</b>	<b>58,963</b>

## Note – Material accounting policy information

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

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

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

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

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

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

### National Competition Policy

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

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

### Declared business activities

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

#### Category 1

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

##### a. Upper Hunter Water Supplies

Comprising the operations and net assets of Council's water supply activities incorporating the following Rate Funds:

- Scone Water Supplies
- Merriwa Water Supplies
- Murrurundi Water Supplies

##### b. Upper Hunter Sewerage Service

Comprising the operations and net assets of Council's sewerage reticulation and treatment activities incorporating the following Rate Funds:

- Scone Sewerage Service
- Merriwa Sewerage Service
- Murrurundi Sewerage Service

### Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs. However, where Council does not pay some taxes, which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in special purpose financial statements. For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

## Note – Material accounting policy information (continued)

### Notional rate applied (%)

Corporate income tax rate – **25%** (2022/23 25%)

Land tax – the first \$1,075,000 of combined land values attracts **0%**. For the combined land values in excess of \$1,075,000 up to \$6,571,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$6,571,000 a premium marginal rate of **2.0%** applies.

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

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

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the Act.

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

### Income tax

An income tax equivalent has been applied on the profits of the business activities. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level – gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the relevant corporate income tax rate, currently 25% (21/22 25%).

Income tax is only applied where a gain from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional – that is, it is payable to the 'Council' as the owner of business operations – it represents an internal payment and has no effect on the operations of the Council.

Accordingly, there is no need for disclosure of internal charges in the SPFS. The rate applied of 25% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

### Local government rates and charges

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

### Loan and debt guarantee fees

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

#### (i) Subsidies

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

#### (ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

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

## Note – Material accounting policy information (continued)

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As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 4.30% at 30/6/24.

### **(iii) Dividends**

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

A local government water supply and sewerage business is permitted to pay annual dividends from their water supply or sewerage business surpluses. Each dividend must be calculated and approved in accordance with the DPIE – Water guidelines and must not exceed 50% of the relevant surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2024 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best Practice Management of Water Supply and Sewer Guidelines, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are submitted to DPIE – Water.



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial statements**  
**Upper Hunter Shire Council**

To the Councillors of Upper Hunter Shire Council

## **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Upper Hunter Shire Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2024, the Statement of Financial Position of each Declared Business Activity as at 30 June 2024 and the Material accounting policy information note.

The Declared Business Activities of the Council are:

- water supply
- sewerage.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2024, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Material accounting policy information note and the Local Government Code of Accounting Practice and Financial Reporting 2023–24 (LG Code).

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

## **Basis for Opinion**

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

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

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

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

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

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

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



## **Emphasis of Matter - Basis of Accounting**

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

## **Other Information**

The Council's annual report for the year ended 30 June 2024 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

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

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

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

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



Cassie Malone  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

31 October 2024  
SYDNEY

# Upper Hunter Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2024

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# Upper Hunter Shire Council

## Special Schedules

for the year ended 30 June 2024

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Permissible income for general rates	3
Report on infrastructure assets as at 30 June 2024	5

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## Upper Hunter Shire Council

## Permissible income for general rates

\$ '000	Notes	Calculation 2023/24	Calculation 2024/25
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	11,899	12,363
Plus or minus adjustments <sup>2</sup>	b	32	44
<b>Notional general income</b>	c = a + b	<b>11,931</b>	<b>12,407</b>
<b>Permissible income calculation</b>			
Percentage increase	d	3.70%	4.50%
Plus percentage increase amount <sup>3</sup>	f = d x (c + e)	441	558
<b>Sub-total</b>	g = (c + e + f)	<b>12,372</b>	<b>12,965</b>
Plus (or minus) last year's carry forward total	h	2	12
<b>Sub-total</b>	j = (h + i)	<b>2</b>	<b>12</b>
<b>Total permissible income</b>	o = k + n	<b>12,374</b>	<b>12,977</b>
Less notional general income yield	l	12,363	12,975
<b>Catch-up or (excess) result</b>	m = k - l	<b>12</b>	<b>3</b>
<b>Carry forward to next year <sup>6</sup></b>	p = m + n + o	<b>12</b>	<b>3</b>

**Notes**

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



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule – Permissible income for general rates

#### Upper Hunter Shire Council

To the Councillors of Upper Hunter Shire Council

### Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Upper Hunter Shire Council (the Council) for the year ending 30 June 2025.

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 2023–24 (LG Code) and is in accordance with the books and records of the Council.

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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

## **Other Information**

The Council's annual report for the year ended 30 June 2024 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 2024.

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Schedule**

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

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

## **Auditor's Responsibilities for the Audit of the Schedule**

My objectives are to:

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

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

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

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

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



Cassie Malone  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

31 October 2024  
SYDNEY



## Upper Hunter Shire Council

## Report on infrastructure assets as at 30 June 2024

Asset Class	Asset Category	Estimated cost		2023/24 Required maintenance <sup>a</sup>	2023/24 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
<b>Buildings</b>	Buildings – non-specialised	25	25	17	8	490	500	0.0%	100.0%	0.0%	0.0%	0.0%
	Buildings – specialised	600	400	420	579	35,406	49,646	40.0%	40.0%	20.0%	0.0%	0.0%
	Administration Centres	120	100	71	86	7,755	11,136	80.0%	20.0%	0.0%	0.0%	0.0%
	Council Works Depot	120	100	42	74	2,261	3,715	0.0%	80.0%	20.0%	0.0%	0.0%
	Council Public Halls	120	100	70	68	4,340	7,099	0.0%	70.0%	30.0%	0.0%	0.0%
	Libraries	50	20	16	11	395	625	0.0%	70.0%	30.0%	0.0%	0.0%
	Cultural Facilities	50	20	9	10	2,967	4,948	0.0%	0.0%	100.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>1,085</b>	<b>765</b>	<b>645</b>	<b>836</b>	<b>53,614</b>	<b>77,669</b>	<b>37.0%</b>	<b>39.9%</b>	<b>23.1%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Other structures</b>	Other structures	82	29	133	136	2,266	2,839	54.9%	35.4%	8.1%	1.2%	0.4%
	Other structures earthworks	–	–	–	–	77	77	100.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>82</b>	<b>29</b>	<b>133</b>	<b>136</b>	<b>2,343</b>	<b>2,916</b>	<b>56.1%</b>	<b>34.5%</b>	<b>7.9%</b>	<b>1.2%</b>	<b>0.3%</b>
<b>Roads</b>	Sealed roads	1,234	587	1,472	1,422	224,914	297,076	36.4%	59.9%	2.7%	1.0%	0.0%
	Sealed roads surface	1,892	898	736	711	40,833	60,199	28.6%	60.1%	8.4%	2.9%	0.0%
	Unsealed roads	7,684	2,787	4,519	3,846	86,764	127,574	24.8%	42.4%	26.9%	5.3%	0.6%
	Bridges	1,830	1,028	301	44	71,529	90,235	61.2%	30.3%	5.2%	3.3%	0.0%
	Footpaths	441	324	72	14	8,451	10,477	19.9%	68.0%	5.9%	5.6%	0.6%
	Bulk earthworks	–	–	–	–	412,311	415,169	100.0%	0.0%	0.0%	0.0%	0.0%
	Culverts	–	–	–	–	35,679	47,036	83.8%	16.2%	0.0%	0.0%	0.0%
	Kerb and Gutter	2,221	793	–	–	31,731	40,191	44.0%	34.5%	17.8%	3.1%	0.6%
	<b>Sub-total</b>	<b>15,302</b>	<b>6,417</b>	<b>7,100</b>	<b>6,037</b>	<b>912,212</b>	<b>1,087,957</b>	<b>63.1%</b>	<b>29.8%</b>	<b>5.5%</b>	<b>1.5%</b>	<b>0.1%</b>
<b>Water supply network</b>	Mains / Pipes	1,000	750	357	734	68,000	97,536	39.0%	10.0%	32.0%	19.0%	0.0%
	Reservoirs	200	100	99	85	14,797	22,695	10.0%	54.0%	29.0%	7.0%	0.0%
	Pumping Stations	250	150	106	163	4,660	7,901	0.0%	75.0%	25.0%	0.0%	0.0%
	Treatment Plants	350	250	140	195	4,150	23,083	0.0%	75.0%	25.0%	0.0%	0.0%
	Bores/Wells	100	50	–	31	1,150	2,442	24.0%	26.0%	50.0%	0.0%	0.0%
	Other Infrastructure	50	25	–	–	690	737	0.0%	0.0%	100.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>1,950</b>	<b>1,325</b>	<b>702</b>	<b>1,208</b>	<b>90,709</b>	<b>154,394</b>	<b>26.5%</b>	<b>29.7%</b>	<b>30.8%</b>	<b>13.0%</b>	<b>0.0%</b>
	Mains / Pipes	750	500	179	2,207	27,719	49,725	12.0%	16.0%	61.0%	11.0%	0.0%
	Pumping Stations	200	150	84	213	6,479	12,628	18.0%	4.0%	78.0%	0.0%	0.0%
	Treatment Plants	300	250	352	969	14,616	30,880	0.0%	0.0%	88.0%	12.0%	0.0%

## Upper Hunter Shire Council

## Report on infrastructure assets as at 30 June 2024 (continued)

Asset Class	Asset Category	Estimated cost		2023/24 Required maintenance <sup>a</sup>	2023/24 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
<b>Sewerage network</b>	Other Infrastructure	75	50	–	–	40	164	22.0%	26.0%	8.0%	44.0%	0.0%
	<b>Sub-total</b>	<b>1,325</b>	<b>950</b>	<b>615</b>	<b>3,389</b>	<b>47,484</b>	<b>93,397</b>	<b>8.9%</b>	<b>9.1%</b>	<b>72.1%</b>	<b>9.9%</b>	<b>0.0%</b>
<b>Stormwater drainage</b>	Stormwater drainage pits	333	133	–	–	3,213	4,118	55.8%	12.8%	24.8%	6.6%	0.0%
	Pipes	2,114	883	138	48	15,941	21,288	45.0%	16.7%	29.8%	8.5%	0.0%
	Box Culverts	3,329	2,583	–	–	7,096	12,567	16.8%	10.1%	30.7%	42.4%	0.0%
	Headwalls	144	116	–	–	496	750	35.0%	14.5%	19.2%	31.3%	0.0%
	Open Channel	26	–	–	–	1,216	1,216	41.5%	47.8%	10.7%	0.0%	0.0%
	Basin	35	–	–	–	1,669	1,669	27.0%	62.5%	10.5%	0.0%	0.0%
	Causeways	249	249	–	–	182	515	0.0%	0.0%	0.0%	100.0%	0.0%
	Other (Dish Drain)	52	25	–	–	315	454	5.9%	52.3%	30.2%	11.6%	0.0%
<b>Sub-total</b>	<b>6,282</b>	<b>3,989</b>	<b>138</b>	<b>48</b>	<b>30,128</b>	<b>42,577</b>	<b>35.8%</b>	<b>17.2%</b>	<b>27.7%</b>	<b>19.3%</b>	<b>0.0%</b>	
<b>Open space / recreational assets</b>	Swimming pools	4,102	2,999	89	71	4,377	11,457	2.9%	8.3%	50.0%	0.0%	38.8%
	Parks and Gardens	742	368	545	540	5,229	7,461	27.7%	38.1%	25.1%	7.3%	1.8%
	Sportsgrounds	1,803	948	581	1,193	17,013	22,731	48.4%	25.4%	18.2%	6.6%	1.4%
	Open Space Earthworks	–	–	–	–	5,290	5,290	100.0%	0.0%	0.0%	0.0%	0.0%
<b>Sub-total</b>	<b>6,647</b>	<b>4,315</b>	<b>1,215</b>	<b>1,804</b>	<b>31,909</b>	<b>46,939</b>	<b>39.8%</b>	<b>20.4%</b>	<b>25.0%</b>	<b>4.4%</b>	<b>10.4%</b>	
<b>Other infrastructure assets</b>	Aerodrome	285	164	85	37	21,901	23,985	84.4%	11.9%	2.4%	1.3%	0.0%
	Saleyards	309	176	90	223	14,543	16,895	80.0%	14.2%	4.1%	0.9%	0.8%
	Depots	260	134	44	46	3,075	4,169	21.5%	57.6%	15.4%	2.6%	2.9%
	Transport Ancillaries	4	–	100	75	1,839	2,482	58.8%	40.3%	0.9%	0.0%	0.0%
	Ancillary Infrastructure Earthworks	–	–	–	–	3,686	3,686	100.0%	0.0%	0.0%	0.0%	0.0%
<b>Sub-total</b>	<b>858</b>	<b>474</b>	<b>319</b>	<b>381</b>	<b>45,044</b>	<b>51,217</b>	<b>77.7%</b>	<b>16.9%</b>	<b>3.8%</b>	<b>1.1%</b>	<b>0.5%</b>	
<b>Total – all assets</b>		<b>33,531</b>	<b>18,264</b>	<b>10,867</b>	<b>13,839</b>	<b>1,213,443</b>	<b>1,557,066</b>	<b>53.9%</b>	<b>28.0%</b>	<b>14.0%</b>	<b>3.6%</b>	<b>0.5%</b>

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

## Infrastructure asset condition assessment 'key'

#	<b>Condition</b>	<b>Integrated planning and reporting (IP&amp;R) description</b>
1	<b>Excellent/very good</b>	No work required (normal maintenance)

continued on next page ...

## Upper Hunter Shire Council

### Report on infrastructure assets as at 30 June 2024 (continued)

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2	<b>Good</b>	Only minor maintenance work required
3	<b>Satisfactory</b>	Maintenance work required
4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	Urgent renewal/upgrading required

## Upper Hunter Shire Council

## Report on infrastructure assets as at 30 June 2024

## Infrastructure asset performance indicators (consolidated) \*

\$ '000	Amounts 2024	Indicator 2024	Indicator 2023	Benchmark
<b>Buildings and infrastructure renewals ratio</b>				
Asset renewals <sup>1</sup>	<b>26,731</b>	<b>171.43%</b>	117.12%	> 100.00%
Depreciation, amortisation and impairment	<b>15,593</b>			
<b>Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	<b>33,531</b>	<b>2.67%</b>	2.88%	< 2.00%
Net carrying amount of infrastructure assets	<b>1,256,102</b>			
<b>Asset maintenance ratio</b>				
Actual asset maintenance	<b>13,839</b>	<b>127.35%</b>	139.38%	> 100.00%
Required asset maintenance	<b>10,867</b>			
<b>Cost to bring assets to agreed service level</b>				
Estimated cost to bring assets to an agreed service level set by Council	<b>18,264</b>	<b>1.17%</b>	1.28%	
Gross replacement cost	<b>1,557,066</b>			

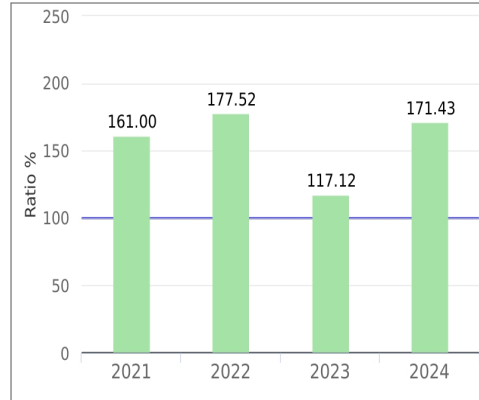
(\*) All asset performance indicators are calculated using classes identified in the previous table.

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

# Upper Hunter Shire Council

## Report on infrastructure assets as at 30 June 2024

### Buildings and infrastructure renewals ratio



**Buildings and infrastructure renewals ratio**

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

Commentary on result	
23/24 ratio	171.43%
Council's renewal ratio has increased during the 2023/2024 year with a number of major infrastructure projects progressed to construction phase. These projects have been funded by the Federal and State Governments funding stimulus. It is expected that that these renewal programs will continue into the 2024/2025.	

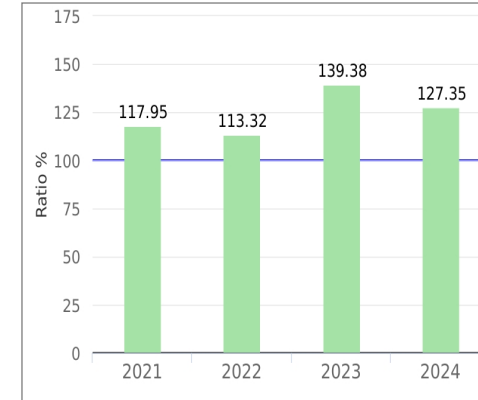
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

### Asset maintenance ratio



**Asset maintenance ratio**

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

Commentary on result	
23/24 ratio	127.35%
Council continues with its focus towards infrastructure maintenance and renewal programs. Continued adherence to these programs will assist in limiting the exposure to future backlog issues placed upon the infrastructure asset base.	

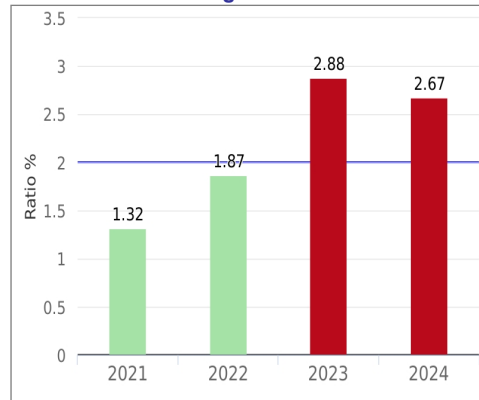
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

### Infrastructure backlog ratio



**Infrastructure backlog ratio**

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

Commentary on result	
23/24 ratio	2.67%
Council's backlog remains above the benchmark, although improving from 2023/2024, with pressure on the road infrastructure network following a multitude of extreme weather events and significant increase in the cost of maintenance delivery. It is expected that improvement in the backlog will continue into 2024/2025 with flood repair works being completed.	

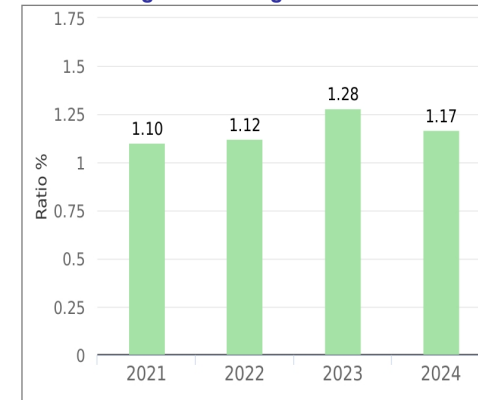
Benchmark: — < 2.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

### Cost to bring assets to agreed service level



**Cost to bring assets to agreed service level**

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

Commentary on result	
23/24 ratio	1.17%
Council's cost to bring its infrastructure assets to an agreed level of service for the community has decreased marginally from the 2023/2024 year. Council acknowledges and is committed to investing in the maintenance and renewal of the primary infrastructure asset bases including roads, water and sewerage to ensure it provides a satisfactory level of service to its residents and community.	

## Upper Hunter Shire Council

## Report on infrastructure assets as at 30 June 2024

## Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2024	2023	2024	2023	2024	2023	
<b>Buildings and infrastructure renewals ratio</b>							
Asset renewals <sup>1</sup>							
Depreciation, amortisation and impairment	<b>225.48%</b>	136.68%	<b>20.85%</b>	113.27%	<b>19.27%</b>	18.51%	> 100.00%
<b>Infrastructure backlog ratio</b>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	<b>2.71%</b>	2.92%	<b>2.15%</b>	2.27%	<b>2.79%</b>	2.90%	< 2.00%
<b>Asset maintenance ratio</b>							
Actual asset maintenance							
Required asset maintenance	<b>96.77%</b>	125.39%	<b>172.08%</b>	126.82%	<b>551.06%</b>	270.73%	> 100.00%
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	<b>1.22%</b>	1.34%	<b>0.86%</b>	0.91%	<b>1.02%</b>	1.08%	

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