

Corporate Services

F.03.1

***SIGNING OF THE ANNUAL FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2023***

RESPONSIBLE OFFICER: Greg McDonald - General Manager

AUTHOR: Wayne Phelps - Manager Finance

PURPOSE

The purpose of this report is for Council to delegate authority for the signing of the Annual Financial Statements for the year ended 30 June 2023.

RECOMMENDATION

That Council:

1. re-affirm the signing of the Council's General Purpose Financial Statements and Special Purpose Financial Statements.
2. approve the forwarding of the signed Council Annual Financial Statements to the Audit Office to complete their Independent Audit Opinion on the conduct of the audit.

BACKGROUND

A Statement by Councillors and Management is required to be attached to each set of Annual Financial Statements certifying that they are in accordance with Section 413(2)(c) of the Local Government Act 1993 (as amended), the Annual Financial Statements have been drawn up in accordance with:

- the Local Government Act 1993 (as amended) and the Regulations made thereunder
- the Local Government Code of Accounting Practice and Financial Reporting
- the Local Government Asset Accounting Manual
- the Australian Accounting Standards

The Statement is also to include a comment that:

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

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

and that:

we are not aware of any matter that would render the reports false or misleading in any way.

REPORT/PROPOSAL

Council is required to adopt a resolution to sign the Annual Financial Statements before the Audit Office of NSW releases their Independent Audit Report. This requirement for lodgment of the Financial Statements for Council is 31 October 2023, unless an extension is requested and granted by the Office of Local Government.

Council received an approved extension by the Office of Local Government to 31 March 2024.

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Although Council adopted at its Ordinary Council meeting on 30 October 2023 to provide delegated authority to sign the financial statements, the Audit Office recommended that this resolution be re-affirmed and draft financial statements be provided to Council following material adjustments to the original financial statements caused by differing accounting opinions between management and the Audit Office on infrastructure asset depreciation write-down methodology.

Following signing of the Annual Financial Statements the Audit Office of NSW will issue their Independent Audit Report and the Report on the Conduct of the Audit.

OPTIONS

1. Sign the Annual Financial Statements and forward to the Audit Office of NSW .
2. Do not sign the Annual Financial Statements.

CONSULTATION

Under Section 420 of the LG Act:

- (1) Any person may make submissions to the council with respect to the council's audited financial reports or with respect to the auditor's reports.
- (2) A submission must be in writing and must be lodged with the council within 7 days after the date on which those reports are presented to the public.
- (3) The council must ensure that copies of all submissions received by it are referred to the auditor.
- (4) The council may take such action as it considers appropriate with respect to any such submission, including the giving of notice to the Departmental Chief Executive of any matter that appears to require amendment of the council's financial reports.

STRATEGIC LINKS

a. Community Strategic Plan 2032

This report links to the Community Strategic Plan 2032 as follows:

Responsible Governance

Providing efficient and responsible governance in order to effectively serve the community.

- 5.1 Effectively and efficiently management the business of Council, while encouraging an open and participatory Council with an emphasis on transparency, community engagement, action and response.
- 5.3 Effective financial and asset management to ensure Council's long-term sustainability.

b. Delivery Program

- Effective and efficient statutory reporting systems
- Reporting systems to ensure "Fit for the Future" benchmarks and any improvement program instigated are maintained for Council's financial sustainability
- Ensuring regulatory and statutory compliance

Corporate Services

c. Other Plans

Nil

IMPLICATIONS

a. Policy and Procedural Implications

Nil

b. Financial Implications

Provides the community and other users of Council's information with details of its financial position as at the end of each financial year.

c. Legislative Implications

Under section 416 (1) of the Local Government Act, a council's financial reports for a year must be prepared and audited within 4 months after the end of the year concerned, and under section 428 (4) (a), the audited financial reports must be included in the council's annual report. Under S413 (2) (c), a council's financial reports must include a statement in the approved form by the council as to its opinion on the general purpose financial report.

d. Risk Implications

Non-lodgement of the Annual Financial Statements by the approved extension date of 31 March 2024 will require a further extension to be sought from each respective government department which if not granted will place Council in breach of legislation.

e. Sustainability Implications

Nil

f. Other Implications

Nil

CONCLUSION

Council is required to resolve to signing of the Annual Financial Statements for the year ended 30 June 2023 in order for the Audit Office of NSW to release their Independent Audit Report for Council's General Purpose and Special Purpose Financial Statements

ATTACHMENTS

- 1 General Purpose Financial Statements Year Ended 30 June 2023
- 2 Special Purpose Financial Statements Year Ended 30 June 2023

DRAFT

Upper Hunter Shire Council
GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

Upper Hunter Shire Council
General Purpose Financial Statements
for the year ended 30 June 2023

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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

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

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

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

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

Upper Hunter Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2023.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Upper Hunter Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

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 25 March 2024.

Maurice Collison
Mayor
25 March 2024

James Burns
Councillor
25 March 2024

Greg McDonald
General Manager
25 March 2024

Wayne Phelps
Responsible Accounting Officer
25 March 2024

Upper Hunter Shire Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
Income from continuing operations				
18,528	Rates and annual charges	B2-1	19,986	19,646
10,556	User charges and fees	B2-2	14,834	11,070
2,150	Other revenues	B2-3	592	2,005
10,844	Grants and contributions provided for operating purposes	B2-4	14,006	13,379
24,139	Grants and contributions provided for capital purposes	B2-4	15,260	16,601
389	Interest and investment income	B2-5	809	321
545	Other income	B2-6	475	450
67,151	Total income from continuing operations		65,962	63,472
Expenses from continuing operations				
18,217	Employee benefits and on-costs	B3-1	18,071	17,008
9,637	Materials and services	B3-2	23,084	17,516
1,135	Borrowing costs	B3-3	1,139	1,242
12,675	Depreciation, amortisation and impairment of non-financial assets	B3-4	15,314	18,417
6,511	Other expenses	B3-5	2,360	2,406
-	Net loss from the disposal of assets	B3-1	1,662	3,095
48,175	Total expenses from continuing operations		61,630	59,684
18,976	Operating result from continuing operations		4,332	3,788
18,976	Net operating result for the year attributable to Council		4,332	3,788
(5,163)	Net operating result for the year before grants and contributions provided for capital purposes		(10,928)	(12,813)

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 2023

Upper Hunter Shire Council
Statement of Comprehensive Income
for the year ended 30 June 2023

\$ '000	Notes	2023	2022
Net operating result for the year – from Income Statement		4,332	3,788
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	<u>76,448</u>	<u>112,642</u>
Total items which will not be reclassified subsequently to the operating result		76,448	112,642
Total other comprehensive income for the year		76,448	112,642
Total comprehensive income for the year attributable to Council		80,780	116,430

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

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Upper Hunter Shire Council | Statement of Financial Position | for the year ended 30 June 2023

Upper Hunter Shire Council
Statement of Financial Position
as at 30 June 2023

\$ '000	Notes	2023	2022
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	7,599	3,121
Investments	C1-2	31,500	33,529
Receivables	C1-4	15,368	15,722
Inventories	C1-5	1,679	1,643
Other	C1-8	1,276	1,389
Total current assets		57,422	55,404
Non-current assets			
Investments	C1-2	2,000	–
Infrastructure, property, plant and equipment (IPPE)	C1-6	1,210,266	1,130,768
Intangible assets	C1-7	234	234
Right of use assets	C2-1	301	371
Total non-current assets		1,212,801	1,131,373
Total assets		1,270,223	1,186,777
LIABILITIES			
Current liabilities			
Payables	C1-1	14,221	9,525
Contract liabilities	C1-2	17,307	14,028
Borrowings	C3-1	2,173	2,570
Employee benefit provisions	C3-4	5,391	5,202
Total current liabilities		39,092	31,325
Non-current liabilities			
Borrowings	C3-3	29,649	31,757
Employee benefit provisions	C3-4	253	262
Provisions	C3-5	18,024	19,966
Total non-current liabilities		47,926	51,985
Total liabilities		87,018	83,310
Net assets		1,183,205	1,103,467
EQUITY			
Accumulated surplus	C4-1	451,458	448,168
IPPE revaluation reserve	C4-1	731,747	655,299
Council equity interest		1,183,205	1,103,467
Total equity		1,183,205	1,103,467

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 2023

\$ '000	Notes	2023			2022		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		448,168	655,299	1,103,467	444,380	542,657	987,037
Correction of prior period errors	G4-2	(1,042)	-	(1,042)	-	-	-
Opening balance		447,126	655,299	1,102,425	444,380	542,657	987,037
Net operating result for the year		4,332	-	4,332	3,788	-	3,788
Net operating result for the period		4,332	-	4,332	3,788	-	3,788
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	-	76,448	76,448	-	112,642	112,642
Other comprehensive income		-	76,448	76,448	-	112,642	112,642
Total comprehensive income		4,332	76,448	80,780	3,788	112,642	116,430
Closing balance at 30 June		451,458	731,747	1,183,205	448,168	655,299	1,103,467

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 2023

Upper Hunter Shire Council

Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
Cash flows from operating activities				
<i>Receipts:</i>				
18,528	Rates and annual charges		20,150	19,873
10,556	User charges and fees		15,614	11,822
389	Interest received		478	259
34,983	Grants and contributions		33,148	37,995
-	Bonds, deposits and retentions received		-	267
2,695	Other		4,137	5,613
<i>Payments:</i>				
(18,217)	Payments to employees		(17,878)	(17,671)
(9,637)	Payments for materials and services		(25,712)	(21,019)
(1,135)	Borrowing costs		(9,425)	(1,249)
-	Bonds, deposits and retentions refunded		(963)	-
(6,511)	Other		16,632	(2,575)
31,651	Net cash flows from operating activities	C1-1	36,181	33,315
Cash flows from investing activities				
<i>Receipts:</i>				
640	Sale of real estate assets		-	163
799	Proceeds from sale of IPPE		45	485
<i>Payments:</i>				
-	Acquisition of term deposits		29	(1,029)
(51,901)	Payments for IPPE		(29,192)	(28,806)
(50,462)	Net cash flows from investing activities		(29,118)	(29,187)
Cash flows from financing activities				
<i>Payments:</i>				
(2,404)	Repayment of borrowings		(2,430)	(2,438)
-	Principal component of lease payments		(155)	(116)
(2,404)	Net cash flows from financing activities		(2,585)	(2,554)
(21,215)	Net change in cash and cash equivalents		4,478	1,574
3,121	Cash and cash equivalents at beginning of year		3,121	1,547
(18,094)	Cash and cash equivalents at end of year	C1-1	7,599	3,121
33,500	plus: Investments on hand at end of year	C1-2	33,500	33,529
15,406	Total cash, cash equivalents and investments		41,099	36,650

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

Upper Hunter Shire Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 25 March 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 principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

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

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

Council is a not for-profit entity.

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

Certain items within expenses in the Income Statement have been reclassified in accordance with the Local Government Code of Accounting Practice and Financial Reporting 2020/21. There is no overall impact on the total expenses from continuing operations.

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-6
- (ii) estimated tip remediation provisions – refer Note C3-5
- (iii) employee benefit provisions – refer Note C3-4

Significant judgements in applying the Council's accounting policies

- (iv) Impairment of receivables

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

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

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A1-1 Basis of preparation (continued)

- 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.

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

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities that are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

Volunteer services

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 (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2021 reporting period.

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

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

AASB 1059 Service Concession Arrangements: Grantors **AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of AASB 1059** **AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059**

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

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

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

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

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

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

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A1-1 Basis of preparation (continued)

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

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

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

AASB2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
AASB2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128
AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

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

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

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

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 2023.

Those newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures are further discussed in Note G4-1.

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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Functions or activities										
Governance	–	–	757	697	(757)	(697)	–	–	–	–
Administration	506	1,720	2,896	1,622	(2,390)	98	152	76	60,261	78,512
Public order and safety	474	538	1,437	1,238	(963)	(700)	254	311	4,673	3,659
Health	204	204	426	291	(222)	(87)	–	–	–	–
Environment	5,711	5,361	7,084	11,659	(1,373)	(6,298)	637	322	37,147	38,525
Community services and education	3,574	3,665	4,483	4,569	(909)	(904)	1,555	1,443	9,916	8,298
Housing and community amenities	1,269	757	1,585	1,339	(316)	(582)	755	339	3,939	3,531
Water Supplies	5,401	4,750	6,001	5,665	(600)	(915)	505	359	101,288	83,813
Sewerage Services	4,254	3,980	5,362	3,056	(1,108)	924	572	480	60,363	45,628
Recreation and culture	1,594	1,286	5,298	4,959	(3,704)	(3,673)	1,098	1,138	63,045	56,045
Mining, manufacturing and construction	208	191	688	418	(480)	(227)	–	–	688	511
Transport and communication	20,759	14,148	20,650	17,199	109	(3,051)	15,338	14,374	899,307	839,835
Economic affairs	2,099	8,391	4,968	6,725	(2,869)	1,666	303	6,695	29,596	28,420
Share of gains(losses) in joint ventures	–	–	–	247	–	(247)	–	–	–	–
General purpose revenue	19,909	18,481	–	–	19,909	18,481	8,097	4,443	–	–
Total functions and activities	65,962	63,472	61,635	59,684	4,327	3,788	29,266	29,980	1,270,223	1,186,777

B1-2 Components of functions or activities

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

Governance

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

Administration

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 waste; other waste management; other sanitation; and garbage, 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; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; 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; commercial nurseries; and other business undertakings.

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B1-2 Components of functions or activities (continued)

Share of gains(losses) in joint ventures

Share in Strategic Service Australia Pty Ltd under the Hunter Council's Joint Organisation.

General purpose revenue

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

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B2 Sources of income**B2-1 Rates and annual charges**

\$ '000	2023	2022
Ordinary rates		
Residential	4,802	4,687
Farmland	6,180	6,054
Mining	132	130
Business	653	637
Less: pensioner rebates	(143)	(153)
Rates levied to ratepayers	11,624	11,355
Pensioner rate subsidies received	80	87
Total ordinary rates	11,704	11,442
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)		
Domestic waste management services	3,307	3,305
Stormwater management services	98	97
Water supply services	1,383	1,345
Sewerage services	3,122	3,058
Waste management services (non-domestic)	202	243
Environmental	129	129
Other	151	143
Less: pensioner rebates	(251)	(267)
Annual charges levied	8,141	8,053
Pensioner annual charges subsidies received:		
– Water	38	44
– Sewerage	42	41
– Domestic waste management	61	66
Total annual charges	8,282	8,204
Total rates and annual charges	19,986	19,646

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

Accounting policy

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

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

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

B2-2 User charges and fees

\$ '000	Timing	2023	2022
Specific user charges (per s502 - specific 'actual use' charges)			
Water supply services	2	3,171	2,792
Sewerage services	2	265	236
Total specific user charges		3,436	3,028
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s608)			
Building regulation	2	135	167
Inspection services		33	41
Private works – section 67	2	108	166
Regulatory/ statutory fees		54	64
Registration fees		15	19
Section 10.7 certificates (EP&A Act)	2	118	101
Section 603 certificates		29	51
Town planning	2	307	215
Total fees and charges – statutory/regulatory		799	824
(ii) Fees and charges – other (incl. general user charges (per s608))			
Aerodrome	2	123	84
Aged care	2	455	402
Caravan park	2	49	38
CCS fees		7	5
Cemeteries	2	138	124
Child care	2	1,452	1,509
Lease rentals	2	22	26
Library and art gallery		10	6
NSW rural fire services reimbursements	2	182	178
Park rents		25	10
Public halls		18	10
Refuse and effluent disposal		1	10
Transport for NSW works (state roads not controlled by Council)	2	5,428	2,542
Roads		2	–
Saleyards	2	785	628
Sport facilities	2	462	295
Sundry sales		151	40
Tourism	2	277	384
Waste disposal tipping fees	2	1,001	908
Water connection fees	2	11	19
Total fees and charges – other		10,599	7,218
Total other user charges and fees		11,398	8,042
Total user charges and fees		14,834	11,070
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		14,834	11,070
Total user charges and fees		14,834	11,070

Accounting policy

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

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as caravan parks, the customer is required to pay on arrival 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 joining fees for the leisure centre the fee is recognised on a straight-line basis over the expected life of the membership.

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B2-2 User charges and fees (continued)

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 Other revenues

\$ '000	Timing	2023	2022
Fines		2	3
Legal fees recovery – other		44	64
Commissions and agency fees	2	109	132
Insurance claims recoveries		–	266
Sales – general		1	9
Diesel and other vehicle rebates	2	109	117
Insurance rebates and incentives	2	58	58
Sales – scrap metal	2	227	320
Sales – tourism		2	4
Sustainability Rebates	2	18	100
Other – sundry		22	32
Other (Sewer assets found and/or corrected)		–	–
Other (RFS Red Fleet Recognition)		–	900
Total other revenue		592	2,005
Timing of revenue recognition for other revenue			
Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		592	2,005
Total other revenue		592	2,005

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

\$ '000	Timing	Operating 2023	Operating 2022	Capital 2023	Capital 2022
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	1,027	1,751	–	–
Financial assistance – local roads component	2	620	1,099	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	4,005	2,693	–	–
Financial assistance – local roads component	2	2,445	1,691	–	–
Amount recognised as income during current year		8,097	7,234	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Pensioners' rates subsidies:					
Water supplies	1	–	10	(36)	103
Sewerage services	1	–	–	6	95
Aged care	2	1,037	968	5	–
Child care	2	318	287	–	–
Community services	2	203	195	–	–
Drought communities program	1	–	–	–	84
Economic development	1	202	68	25	144
Employment and training programs	2	–	75	–	–
Environmental programs	1	143	287	36	41
Heritage and cultural	2	29	18	–	–
Library – per capita	2	141	82	–	–
LIRS subsidy	2	11	33	–	–
NSW rural fire services and NSW state emergency services	1	–	–	254	68
NSW rural fire services (emergency services levy)	2	–	243	–	–
NSW state emergency service (emergency services levy)	2	–	–	–	–
Storm/flood damage	1	608	–	–	–
Public halls	1	–	–	–	6
Recreation and culture	1	94	22	783	913
Street lighting	2	58	56	–	–
Transport (roads to recovery)	1	1,456	1,226	–	–
Transport (other roads and bridges funding)	1	74	1,001	7,791	12,845
Transport ancillaries	1	–	–	3,542	856
Other (regulatory)		–	17	–	–
Previously contributions:					
Business development	2	20	5	–	–
Community services	1	9	13	–	30
Drainage		–	–	–	–
Recreation and culture	2	63	22	–	–
Transport for NSW contributions (regional roads, block grant)	1	1,339	1,315	265	376
Sewerage (excl. section 64 contributions)	2	–	–	8	8
Paving	1	–	–	13	81
Public Halls & Centres		–	–	–	–
Transport Other	1	73	175	–	70
Water supplies (excl. section 64 contributions)	1	26	27	–	–
Sustainability	2	5	–	–	–
Total special purpose grants and non-developer contributions – cash		5,909	6,145	12,692	15,720

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B2-4 Grants and contributions (continued)

\$ '000	Timing	Operating 2023	Operating 2022	Capital 2023	Capital 2022	
Non-cash contributions						
Drainage	2	-	-	471	-	
Roads and bridges	2	-	-	344	-	
Sewerage (excl. section 64 contributions)	2	-	-	33	69	
Water supplies (excl. section 64 contributions)	2	-	-	30	-	
Transport Ancillaries	2	-	-	-	-	
Total other contributions – non-cash		-	-	878	69	
Total special purpose grants and non-developer contributions (tied)		5,909	6,145	13,570	15,789	
Total grants and non-developer contributions		14,006	13,379	13,570	15,789	
Comprising:						
- Commonwealth funding		11,064	9,936	896	2,470	
- State funding		2,765	3,251	11,756	13,050	
- Other funding		177	192	918	269	
		14,006	13,379	13,570	15,789	
Developer contributions						
\$ '000	Notes	Timing	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		2	-	-	51	89
S 7.12 – fixed development consent levies		2	-	-	628	195
S 64 – water supply contributions		2	-	-	486	220
S 64 – sewerage service contributions		2	-	-	525	308
Total developer contributions – cash			-	-	1,690	812
Total developer contributions			-	-	1,690	812
Total contributions			-	-	1,690	812
Total grants and contributions			14,006	13,379	15,260	16,601
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			4,024	4,161	12,679	15,712
Grants and contributions recognised at a point in time (2)			9,982	9,218	2,581	889
Total grants and contributions			14,006	13,379	15,260	16,601

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B2-4 Grants and contributions (continued)**Unspent grants and contributions**

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

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Unspent grants and contributions				
Unspent funds at 1 July	249	126	13,488	6,916
Add: Funds received and not recognised as revenue in the current year	50	320	11,260	8,408
Less: Funds received in prior year but revenue recognised and funds spent in current year	(193)	(197)	(7,787)	(1,836)
Unspent funds at 30 June	106	249	16,961	13,488
Contributions				
Unspent funds at 1 July	-	-	5,318	4,641
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	-	-	1,731	846
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	-	-	(44)	(169)
Unspent contributions at 30 June	-	-	7,005	5,318

Accounting policy**Grants and contributions – enforceable agreement with sufficiently specific performance obligations**

Grant and contribution revenue from an agreement which is enforceable and contains sufficiently specific performance obligations 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).

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B2-4 Grants and contributions (continued)

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.

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B2-5 Interest and investment income

\$ '000	2023	2022
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	106	120
– Cash and investments	703	201
Finance income on the net investment in the lease	C2-2b –	–
Total interest and investment income (losses)	809	321
Interest and investment income is attributable to:		
Investments/financial assets:		
Overdue rates and annual charges (general fund)	106	99
General Council cash and investments	309	54
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	10	6
– Section 64	32	26
Water fund operations	180	76
Sewerage fund operations	172	55
Other externally restricted assets	–	5
Total interest and investment income	809	321

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2023	2022
Rental income			
Other lease income			
Rental leases & hall hire		475	450
Total other lease income		475	450
Total rental income	C2-2	475	450
Total other income		475	450

B3 Costs of providing services**B3-1 Employee benefits and on-costs**

\$ '000	2023	2022
Salaries and wages	14,603	15,258
Employee leave entitlements (ELE)	2,310	1,686
Superannuation	1,695	1,747
Workers' compensation insurance	546	433
Fringe benefit tax (FBT)	41	49
Protective clothing	55	39
Other	115	108
Total employee costs	19,365	19,320
Less: capitalised costs	(1,294)	(2,312)
Total employee costs expensed	18,071	17,008
Number of 'full-time equivalent' employees (FTE) at year end	250	256
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	265	270

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note C3-4 for more information.

B3-2 Materials and services

\$ '000	Notes	2023	2022
Raw materials and consumables		7,809	7,649
Contractor costs		28,593	29,082
– Waste services		1,861	1,862
Audit Fees	F2-1	128	106
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	153	131
Advertising		146	179
Bank charges		105	88
Child carer – carers payments		449	471
Cleaning		42	42
Computer software charges		993	605
Election expenses		5	125
Electricity and heating		930	686
Insurance		1,204	970
Office expenses (including computer expenses)		49	52
Postage		64	63
Printing and stationery		77	82
Street lighting		256	208
Subscriptions and publications		166	109
Telephone and communications		252	273
Travel expenses		57	36
Training costs (other than salaries and wages)		188	149
Valuation fees		69	62
Legal expenses:			
– Legal expenses: planning and development		94	20
– Legal expenses: other		64	99
Variable lease expense relating to usage		70	80
Total materials and services		43,824	43,229
Less: capitalised costs		(20,740)	(25,713)
Total materials and services		23,084	17,516

Accounting policy

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

B3-3 Borrowing costs

\$ '000	2023	2022
(i) Interest bearing liability costs		
Interest on leases	13	10
Interest on loans	1,126	1,232
Total interest bearing liability costs	1,139	1,242
Total interest bearing liability costs expensed	1,139	1,242
Total borrowing costs expensed	1,139	1,242

Accounting policy

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

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

\$ '000	Notes	2023	2022
Depreciation and amortisation			
Plant and equipment		1,803	1,580
Office equipment		37	35
Furniture and fittings		105	100
Infrastructure:	C1-6		
– Buildings – non-specialised		17	7
– Buildings – specialised		1,411	1,152
– Other structures		47	48
– Roads		4,922	4,656
– Bridges		596	413
– Footpaths		49	28
– Stormwater drainage		402	126
– Water supply network		1,914	1,888
– Sewerage network		1,097	1,083
– Swimming pools		195	176
– Other open space/recreational assets		654	591
– Ancillary infrastructure		1,012	493
Right of use assets	C1-7	150	117
Other assets:			
– Other		10	13
Reinstatement, rehabilitation and restoration assets:			
– Waste disposal assets	C1-1, C1-6	1,038	6,166
– Quarry assets	C2-5, C1-5	8	6
Total gross depreciation and amortisation costs		15,467	18,678
Less: capitalised costs		(153)	(261)
Total depreciation and amortisation costs		15,314	18,417
Total depreciation, amortisation and impairment for non-financial assets		15,314	18,417

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-6 for IPPE assets and Note C1-7 for intangible assets.

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

Impairment of non-financial assets

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

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.

B3-5 Other expenses

\$ '000	Notes	2023	2022
Net share of interests in joint ventures and associates using the equity method			
Joint ventures		–	245
Total net share of interests in joint ventures and associates using the equity method	D2-1,D2-3	–	245
Other			
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		38	21
– NSW fire brigade levy		89	78
– NSW rural fire service levy		758	568
– Roads and maritime services		144	160
– State water		54	101
– Upper Hunter Weeds Authority		190	189
– Waste levy		836	697
– Other contributions/levies		67	46
Donations, contributions and assistance to other organisations (Section 356)		140	187
Provision for Doubtful Debts		44	114
Total other		2,360	2,161
Total other expenses		2,360	2,406

Accounting policy

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

Impairment expenses are recognised when identified.

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B4 Gains or losses

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

\$ '000	Notes	2023	2022
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		–	73
Less: carrying amount of property assets sold/written off		–	(114)
Gain (or loss) on disposal		–	(41)
Gain (or loss) on disposal of plant and equipment			
	C1-6		
Proceeds from disposal – plant and equipment		45	412
Less: carrying amount of plant and equipment assets sold/written off		(41)	(109)
Gain (or loss) on disposal		4	303
Gain (or loss) on disposal of furniture and fittings			
Proceeds from disposal – furniture and fittings		–	–
Less: carrying amount of furniture and fitting assets sold/written off		–	(22)
Gain (or loss) on disposal		–	(22)
Gain (or loss) on disposal of infrastructure			
	C1-6		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(1,666)	(3,301)
Gain (or loss) on disposal		(1,666)	(3,301)
Gain (or loss) on disposal of real estate assets held for sale			
	C1-5		
Proceeds from disposal – real estate assets		–	163
Less: carrying amount of real estate assets sold/written off		–	(197)
Gain (or loss) on disposal		–	(34)
Net gain (or loss) from disposal of assets		(1,662)	(3,095)

Accounting policy

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

B5 Performance against budget**B5-1 Material budget variations**

Council's original budget was adopted by the Council on 26 June 2023 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2023 Budget	2023 Actual	2023 Variance		
Revenues					
Rates and annual charges	18,528	19,986	1,458	8%	F
User charges and fees	10,556	14,834	4,278	41%	F
Increase in user fees was from delivery of additional works as requested by Transport for NSW along the Golden Highway from Merriwa to the Shire boundary.					
Other revenues	2,150	592	(1,558)	(72)%	U
Included in the original 2023 budget were miscellaneous items that have been reallocated to user fees and charges for the actual revenue received which is, in part, one of the reasons for the higher than expected actual user fees and charges over the budget.					
Operating grants and contributions	10,844	14,006	3,162	29%	F
Council received 100% of its Financial Assistance Grant funding from the Australian Federal Government for the 2023/2024 year.					
Capital grants and contributions	24,139	15,260	(8,879)	(37)%	U
Council included in its original budget a number of significant grant funded projects that were expected to be completed during the 2022/2023 financial year. However, due to delay in the progression of these projects to a construction phase a number of these projects were required to be carried over for delivery into the 2023/2024 year.					
Interest and investment revenue	389	809	420	108%	F
Increase in interest revenue from investment following the constant rise in interest rates over the course of the 2022/2023 financial year.					
Other income	545	475	(70)	(13)%	U
Reduction in other income due to lower than expected rental revenue from Campbells Corner building.					
Expenses					
Employee benefits and on-costs	18,217	18,071	146	1%	F
Materials and services	9,637	23,084	(13,447)	(140)%	U
Increase in actual material and services costs to budget was due primarily to three factors:					
1. Change in the reporting format of the financial statements in the 2022 year which now includes majority of other expenses as materials and services which were included in the 2023 original budget as other expenses.					
2. Increase in work requests delivered for Transport for NSW on the Golden Highway from Merriwa to the Shire boundary.					
3. Continuation of flood works to repair the damage caused by the November 2021 and February 2022 weather events.					
Borrowing costs	1,135	1,139	(4)	0%	U

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B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
Depreciation, amortisation and impairment of non-financial assets	12,675	15,314	(2,639)	(21)% U
Increase in depreciation write-down charges on Council's major infrastructure asset classes due to significant increments in their overall fair value caused by the inflationary cost rises within the construction industry.				
Other expenses	6,511	2,360	4,151	64% F
Included in the original budget were a number of costs that have been reallocated as materials and services due to the change in reporting framework of the financial statements in 2022. This reduction of actual other expenses to budget is reflected in part with the increase in materials and services expenditure to the original budget.				
Net losses from disposal of assets	-	1,662	(1,662)	∞ U
Council incurred losses on disposal of a number of redundant infrastructure assets that were replaced and/or renewed during the year. The main items for the loss on disposal related to the annual reseal program for a number of Council's rural, urban and regional roads.				

Statement of cash flows

Cash flows from operating activities	31,651	36,181	4,530	14% F
Increase in cashflow from operations due to receipt of 100% Financial Assistance Grants for 2023/2024 year in advance and increased user fees from works delivered for Transport for NSW on the Golden Highway west of Merriwa.				
Cash flows from investing activities	(50,462)	(29,118)	21,344	(42)% F
It was anticipated in the 2023 original budget that Council would deliver a sizable capital works program for which has a substantial portion has received approval for government funding. However, due to the delay in the progression of a number of these projects Council did not meet the anticipated delivery program.				
Cash flows from financing activities	(2,404)	(2,585)	(181)	8% U

C Financial position**C1 Assets we manage****C1-1 Cash and cash equivalents**

\$ '000	2023	2022
Cash assets		
Cash on hand and at bank	7,599	3,121
Total cash and cash equivalents	7,599	3,121

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	7,599	3,121
Balance as per the Statement of Cash Flows	7,599	3,121

Accounting policy

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

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C1-2 Financial investments

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
Debt securities at amortised cost				
Interest bearing deposits	31,500	2,000	33,529	—
Total	31,500	2,000	33,529	—
Total financial investments	31,500	2,000	33,529	—

Accounting policy

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

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

Financial assets

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

Classification

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

- amortised cost
- fair value through profit and loss (FVTPL)
- 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	2023	2022
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	41,099	36,650
Less: Externally restricted cash, cash equivalents and investments	<u>(39,954)</u>	<u>(36,332)</u>
Cash, cash equivalents and investments not subject to external restrictions	1,145	318
External restrictions		
Specific purpose unexpended grants – general fund	17,067	13,737
Hostel	824	913
Developer contributions – general	1,579	962
Developer contributions – water fund	2,250	1,751
Developer contributions – sewer fund	3,151	2,607
Water fund	6,071	7,909
Sewer fund	8,923	8,364
Other contributions	21	21
Other	68	68
External restrictions	22,063	21,682
Total external restrictions	39,954	36,332

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	2023	2022
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	1,145	318
Less: Internally allocated cash, cash equivalents and investments	<u>(1,000)</u>	<u>–</u>
Unrestricted and unallocated cash, cash equivalents and investments	145	318
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Employees leave entitlement	1,000	–
Total internal allocations	1,000	–

\$ '000	2023	2022
(c) Unrestricted and unallocated		
Unrestricted and unallocated cash, cash equivalents and investments	145	318

C1-4 Receivables

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
Rates and annual charges	1,787	–	1,855	–
Interest and extra charges	165	–	174	–
User charges and fees	2,243	–	1,807	–
Private works	80	–	46	–
Contributions to works	30	–	56	–
– Interest on investments	469	–	129	–
Government grants and subsidies	9,688	–	11,063	–
Net GST receivable	923	–	575	–
Other debtors	12	–	2	–
Capital debtors (being sale of assets)				
Accrued revenues				
Insurance claim settlement proceeds	464	–	464	–
Wages advance	22	–	26	–
Total	15,883	–	16,197	–
Less: provision for impairment				
Rates and annual charges	(70)	–	(60)	–
User charges and fees	(195)	–	(165)	–
Other debtors	(250)	–	(250)	–
Total provision for impairment – receivables	(515)	–	(475)	–
Total net receivables	15,368	–	15,722	–

Accounting policy

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings or if the likelihood of recover is non-existent.

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C1-4 Receivables (continued)

Rates and annual charges outstanding are secured against the property.

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C1-5 Inventories

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
(i) Inventories at cost				
Real estate for resale	703	-	703	-
Stores and materials	976	-	940	-
Total inventories at cost	1,679	-	1,643	-
Total inventories	1,679	-	1,643	-

(i) Other disclosures

\$ '000	Notes	2023		2022	
		Current	Non-current	Current	Non-current
(a) Details for real estate development					
Residential		455	-	455	-
Industrial/commercial		248	-	248	-
Total real estate for resale		703	-	703	-
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		544	-	544	-
Development costs		159	-	159	-
Total costs		703	-	703	-
Total real estate for resale		703	-	703	-
Movements:					
Real estate assets at beginning of the year		703	-	900	-
- WDV of sales (expense)	151.1	-	-	(197)	-
Total real estate for resale		703	-	703	-

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

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

\$ '000	2023	2022
Real estate for resale	703	703
	703	703

Accounting policy**Raw materials and stores, work in progress and finished goods**

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

Land held for resale

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

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

C1-6 Infrastructure, property, plant and equipment

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 ¹	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
\$ '000													
Capital work in progress	8,704	–	8,704	7,617	4,535	(892)	–	(1,746)	–	–	18,218	–	18,218
Piant 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
Land:													
– Operational land	13,497	–	13,497	–	–	–	–	–	–	3,735	17,232	–	17,232
– Community land	4,761	–	4,761	–	–	–	–	–	–	2,738	7,499	–	7,499
– Crown Land	4,548	–	4,548	–	–	–	–	–	–	1,397	5,945	–	5,945
– Land under roads (post 30/6/08)	85	–	85	–	–	–	–	–	–	–	85	–	85
Infrastructure:													
– Buildings – non-specialised	335	(34)	301	–	–	–	(17)	–	–	216	500	–	500
– Buildings – specialised	69,554	(23,589)	45,965	–	–	–	(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	118,079	(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
Other assets:													
– Library books	829	(829)	–	–	–	–	–	–	–	–	829	(829)	–
– Other	325	(259)	66	–	–	–	(10)	–	–	–	325	(269)	56
Reinstatement, rehabilitation and restoration assets (refer Note 15):													
– 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)	–
Total infrastructure, property, plant and equipment	1,417,205	(286,437)	1,130,768	14,424	10,379	(1,707)	(15,317)	(1,746)	(2,983)	76,448	1,522,540	(312,274)	1,210,266

(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 2021			Asset movements during the reporting period							At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	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
\$ '000													
Capital work in progress	27,775	–	27,775	6,282	934	–	–	(26,287)	–	–	8,704	–	8,704
Plant and equipment	20,297	(11,379)	8,918	–	835	(109)	(1,580)	–	900	–	25,088	(16,124)	8,964
Office equipment	1,135	(1,015)	120	–	53	–	(35)	–	–	–	1,188	(1,050)	138
Furniture and fittings	1,465	(689)	776	–	51	(22)	(100)	–	–	–	1,482	(777)	705
Land:													
– Operational land	10,956	–	10,956	–	–	–	–	–	–	2,541	13,497	–	13,497
– Community land	4,761	–	4,761	–	–	–	–	–	–	–	4,761	–	4,761
– Land under roads (post 30/6/08)	85	–	85	–	–	–	–	–	–	–	85	–	85
– Crown Land	4,548	–	4,548	–	–	–	–	–	–	–	4,548	–	4,548
Infrastructure:													
– Buildings – non-specialised	335	(27)	308	–	–	–	(7)	–	–	–	335	(34)	301
– Buildings – specialised	59,003	(19,209)	39,794	582	25	(114)	(1,152)	539	–	6,311	69,554	(23,569)	45,985
– Other structures	2,657	(405)	2,252	–	297	–	(48)	56	–	(67)	2,853	(453)	2,400
– Roads	375,052	(69,372)	305,680	4,909	2,562	(606)	(4,656)	3,255	–	32,464	425,140	(81,592)	343,548
– Bridges	104,043	(24,939)	79,104	–	–	(42)	(412)	1,697	–	8,501	116,079	(27,232)	88,847
– Footpaths	6,929	(1,440)	5,489	136	122	–	(28)	240	–	590	8,175	(1,626)	6,549
– Bulk earthworks (non-depreciable)	332,117	(2,312)	329,805	2,277	–	–	–	–	–	35,647	370,290	(2,551)	367,729
– Stormwater drainage	33,521	(8,969)	24,552	1,087	–	(2)	(126)	–	–	2,848	38,513	(10,154)	28,359
– Water supply network	104,962	(40,692)	64,270	118	253	(312)	(1,888)	3,012	165	14,892	134,424	(53,914)	80,510
– Sewerage network	75,118	(37,341)	37,777	712	172	–	(1,083)	310	–	5,517	81,821	(38,416)	43,405
– Swimming pools	9,493	(5,462)	4,031	93	–	–	(176)	–	–	349	10,446	(6,149)	4,297
– Other open space/recreational assets	27,263	(5,161)	22,102	451	362	(53)	(591)	1,977	–	1,744	32,091	(6,069)	26,022
– Ancillary infrastructure	27,727	(4,148)	23,579	1,393	4,707	(2,226)	(493)	15,170	(165)	1,305	47,011	(3,744)	43,267
Other assets:													
– Library books	829	(829)	–	–	–	–	–	–	–	–	829	(829)	–
– Other	325	(246)	79	–	–	–	(13)	–	–	–	325	(259)	66
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):													
– Tip assets	7,682	(5,133)	2,549	–	–	–	(6,166)	–	11,692	–	19,374	(11,299)	8,075
– Quarry assets	599	(579)	20	–	–	–	(6)	–	(8)	–	592	(586)	6
Total infrastructure, property, plant and equipment	1,238,677	(239,347)	999,330	18,050	10,303	(3,546)	(18,561)	(31)	12,594	112,642	1,417,205	(286,437)	1,130,768

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

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

Accounting policy

Infrastructure, property, plant and equipment are held at fair value. Independent comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value. Due to the major increase in the building and construction industry post COVID Council has undertaken a desktop revaluation of its major assets classes for the 2021/2022 year.

A comprehensive revaluation of the water and sewerage networks was completed for the 2021/2022 year. For the years between the comprehensive revaluation the water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Industry (DoI) – Water.

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

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

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

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

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

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

Land under roads

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

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

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

Crown reserves

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

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

Rural Fire Service assets

Under Section 119 of the Rural Fire Services Act 1997 (NSW), "all firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed".

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

C1-7 Intangible assets

Intangible assets are as follows:

\$ '000	2023	2022
Water Licence		
Opening values at 1 July		
Gross book value	234	234
Net book value – opening balance	234	234
Closing values at 30 June		
Gross book value	234	234
Total Water Licence – net book value	234	234
Total intangible assets – net book value	234	234

Accounting policy

Council acquired an entitlement to 100ml general allocation of water under the Hunter River 1A licence. The value of this entitlement has been recorded at historical cost.

C1-8 Other

Other assets

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
Prepayments	1,274	–	1,387	–
Other	2	–	2	–
Total other assets	1,276	–	1,389	–

C2 Leasing activities

C2-1 Council as a lessee

Council has leases over a range of assets including land and buildings, vehicles, machinery and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Buildings

Council leases buildings which include the Scone Library and other buildings; the leases are generally between 1 and 2 years and some of them include a renewal option to allow Council to renew for up to twice the noncancellable lease term at their discretion.

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

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 4 and 5 years with no renewal option, the payments are fixed.

Extension options

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

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

There is an immaterial amount of amounts below approx \$10,000 to \$20,000 of potential future lease payments which are not included in lease liabilities as Council has assessed that the exercise of the option is not reasonably certain.

(a) Right of use assets

\$ '000	Ready to use	Total
2023		
Opening balance at 1 July	371	371
Additions to right-of-use assets	80	80
Depreciation charge	(150)	(150)
Balance at 30 June	301	301
2022		
Opening balance at 1 July	324	324
Additions to right-of-use assets	164	164
Depreciation charge	(117)	(117)
Balance at 30 June	371	371

(b) Income Statement

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

\$ '000	2023	2022
Interest on lease liabilities	13	10
Variable lease payments based on usage not included in the measurement of lease liabilities	70	80
Depreciation of right of use assets	150	117
	233	207

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C2-1 Council as a lessee (continued)

\$ '000	2023	2022
(c) Statement of Cash Flows		
Total cash outflow for leases	316	399
	316	399

(d) Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of leases at significantly below market for land and buildings which are used for:

- Pre-schools
- Rural fire brigades
- SES
- community halls

The leases are generally between 5 and 20 years and either require payments of a maximum amount of up to \$5,000 per year and/or are gifted by Council due to the nature of the service provided. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

Accounting policy

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

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

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

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received. The right-of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

Exceptions to lease accounting

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases at significantly below market value / Concessionary leases

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

C2-2 Council as a lessor

Council receives rental income from residential, commercial and community hall & centres premises that they own and control. These premises are predominantly under leases with terms of less than 12 months and/or hired out on an adhoc basis. At present Council has a number of leases which have expired and are currently in the process of being renewed.

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C2-2 Council as a lessor (continued)**Operating leases**

Council leases out a number of commercial and residential properties; these leases have been classified as operating leases for financial reporting purposes and the assets are included in the IPP&E assets in the Statement of Financial Position.

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

\$ '000	2023	2022
(i) Assets held as investment property		
The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below		
Operating lease expenses		
Direct operating expenses that generated rental income	577	595
Total expenses relating to operating leases	577	595
(ii) Assets held as property, plant and equipment		
Lease income (excluding variable lease payments not dependent on an index or rate)	475	450
Total income relating to operating leases for Council assets	475	450

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
Goods and services – operating expenditure	4,280	–	2,950	–
Goods and services – capital expenditure	6,180	–	3,603	–
Accrued expenses:				
– Borrowings	53	–	57	–
– Salaries and wages	597	–	537	–
– Other expenditure accruals	1,215	–	528	–
Security bonds, deposits and retentions	235	–	285	–
Prepaid rates	585	–	499	–
Retirement home contributions	825	–	913	–
Other	251	–	153	–
Total payables	14,221	–	9,525	–

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

\$ '000	2023	2022
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	100	35
Retirement home contributions	618	685
Other liabilities: (funds held, rate payments in adv. > 1)	30	30
Total payables	748	750

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

\$ '000	Note	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	16,960	-	13,488	-
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	106	-	249	-
Total grants received in advance		17,066	-	13,737	-
User fees and charges received in advance:					
Radio tower lease fees	(iii)	37	-	30	-
Maintenance contributions	(iii)	38	-	32	-
Water usage charges	(iii)	166	-	187	-
Event contribution and fees (postponed event)	(iii)	-	-	42	-
Total user fees and charges received in advance		241	-	291	-
Total contract liabilities		17,307	-	14,028	-

Notes

(i) Council has received milestone funding to construct assets including Scone CBD revitalisation, roads and bridges, sporting venues 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 in the next 12 to 24 months.

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

(iii) User fees and charges in advance represent the delivery of services or supply and do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue over the expected usage of the services over time.

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

\$ '000	2023	2022
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	5,177	1,695
Operating grants (received prior to performance obligation being satisfied)	153	76
User fees and charges received in advance:		
Radio tower lease fees	30	31
Maintenance Contributions	32	31
Water usage charges	187	163
Event Contribution and fees	42	1
Total revenue recognised that was included in the contract liability balance at the beginning of the period	5,621	1,997

Significant changes in contract liabilities

During the year Council continued to successfully 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 included:

- Fixing Local Roads Round 4 - Hunter Road
- Fixing Local Roads - Regional and Local Roads Repair Program

C3-2 Contract Liabilities (continued)

- Fixing Country Bridges - Milestone 3 for the replacement of 14 bridges
- Public Shared Spaces - St Aubins Town Square
- 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

Accounting policy

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

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C3-3 Borrowings

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
Loans – secured ¹	2,043	29,482	2,437	31,518
Lease liabilities	130	167	133	239
Total borrowings	2,173	29,649	2,570	31,757

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

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

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

(a) Changes in liabilities arising from financing activities

\$ '000	2022		Non-cash movements				2023
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	33,955	(2,430)	-	-	-	-	31,525
Lease liability (Note C2-1b)	372	(372)	-	-	-	-	-
Total liabilities from financing activities	34,327	(2,802)	-	-	-	-	31,525

\$ '000	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	36,393	(2,438)	-	-	-	-	33,955
Lease liability (Note C2-1b)	324	48	-	-	-	-	372
Total liabilities from financing activities	36,717	(2,390)	-	-	-	-	34,327

(b) Financing arrangements

\$ '000	2023	2022
Total facilities		
Bank overdraft facilities ¹	600	600
Credit cards/purchase cards	20	20
Master lease facilities	233	371
Total financing arrangements	853	991
Drawn facilities		
– Credit cards/purchase cards	-	3
– Lease facilities	233	371
Total drawn financing arrangements	233	374
Undrawn facilities		
– Bank overdraft facilities	1,200	600
– Credit cards/purchase cards	40	17
Total undrawn financing arrangements	1,240	617

Additional financing arrangements information

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C3-3 Borrowings (continued)

Breaches and defaults

No breaches noted during the year.

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

Accounting policy

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

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

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

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C3-4 Employee benefit provisions

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
Annual leave	1,573	–	1,675	–
Long service leave	3,209	231	2,999	242
Accrued time	57	–	46	–
ELE on-costs	552	22	482	20
Total employee benefit provisions	5,391	253	5,202	262

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

\$ '000	2023	2022
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	3,561	3,263
	3,561	3,263

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

\$ '000	2023		2022	
	Current	Non-Current	Current	Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	18,024	–	19,966
Sub-total – asset remediation/restoration	–	18,024	–	19,966
Total provisions	–	18,024	–	19,966

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2023		
At beginning of year	19,966	19,966
Other	(1,942)	(1,942)
Total other provisions at end of year	18,024	18,024
2022		
At beginning of year	8,282	8,282
Other	11,684	11,684
Total other provisions at end of year	19,966	19,966

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 2022 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.

Accounting policy

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

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

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

Asset remediation – tips and quarries

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

The ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production

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C3-5 Provisions (continued)

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.

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C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

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D Council structure**D1 Results by fund**

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

D1-1 Income Statement by fund

\$ '000	General 2023	Water 2023	Sewer 2023
Income from continuing operations			
Rates and annual charges	15,374	1,440	3,172
User charges and fees	11,111	3,457	266
Interest and investment revenue	425	193	191
Other revenues	537	44	11
Grants and contributions provided for operating purposes	13,900	64	42
Grants and contributions provided for capital purposes	14,210	479	571
Other income	475	-	-
Total income from continuing operations	56,032	5,677	4,253
Expenses from continuing operations			
Employee benefits and on-costs	13,856	2,445	1,770
Materials and services	20,353	961	1,770
Borrowing costs	928	211	-
Depreciation, amortisation and impairment of non-financial assets	12,303	1,914	1,097
Other expenses	1,348	618	394
Net losses from the disposal of assets	724	322	616
Total expenses from continuing operations	49,512	6,471	5,647
Operating result from continuing operations	6,520	(794)	(1,394)
Net operating result for the year	6,520	(794)	(1,394)
Net operating result attributable to each council fund	6,520	(794)	(1,394)
Net operating result for the year before grants and contributions provided for capital purposes	(7,690)	(1,273)	(1,965)

D1-2 Statement of Financial Position by fund**ASSETS****Current assets**

Cash and cash equivalents	6,704	321	574
Investments	12,000	8,000	11,500
Receivables	13,571	1,456	341
Inventories	1,279	340	60
Other	1,265	9	2
Total current assets	34,819	10,126	12,477

Non-current assets

Investments	2,000	-	-
Infrastructure, property, plant and equipment	1,071,452	90,928	47,886
Intangible assets	-	234	-
Right of use assets	301	-	-
Total non-current assets	1,073,753	91,162	47,886
Total assets	1,108,572	101,288	60,363

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

\$ '000	General 2023	Water 2023	Sewer 2023
LIABILITIES			
Current liabilities			
Payables	11,956	1,201	1,064
Contract liabilities	17,307	-	-
Borrowings	1,843	330	-
Employee benefit provision	4,747	322	322
Total current liabilities	35,853	1,853	1,386
Non-current liabilities			
Borrowings	25,140	4,509	-
Employee benefit provision	225	14	14
Provisions	18,024	-	-
Total non-current liabilities	43,389	4,523	14
Total liabilities	79,242	6,376	1,400
Net assets	1,029,330	94,912	58,963
EQUITY			
Accumulated surplus	368,303	61,395	21,760
Revaluation reserves	661,027	33,517	37,203
Council equity interest	1,029,330	94,912	58,963
Total equity	1,029,330	94,912	58,963

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D2 Interests in other entities

D2-1 Unconsolidated structured entities

Council did not consolidate the following structured entities:

\$ '000	2023	2022
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Upper Hunter Weeds Authority

The Upper Hunter Weeds Authority (UHWA) is a gazetted Council, operating under the Local Government Act. UHWA is funded by contributions from its three constituent Councils (Upper Hunter Shire, Muswellbrook Shire and Singleton Shire), grants and private works. Each Constituent Council has delegated its Noxious weeds control function to (UHWA) and contributes in accordance with the UHWA's proclamation. UHWA's governing body consists of seven Councillors elected by each of the Constituent Councils. Upper Hunter Shire Council elects 3 councillors to the County Council, whilst both Muswellbrook Shire Council and Singleton Shire Council each elect 2 councillors.

Nature of risks relating to the Unconsolidated Structured Entity

UHWA is a separately constituted and proclaimed County Council. The proclamation determined each participating Council's contribution. These contributions are the total financial support required of each constituent Council.

Upper Hunter Shire Council has no obligation should UHWA become insolvent. As a proclaimed entity of the State of NSW any obligation will remain with the State.

Losses (or expenses) incurred by Council relating to the Structured Entity	190	189
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Non-contractual financial support provided

Upper Hunter Shire Council did not provide any non contractual support to the Upper Hunter Weeds Authority.

Current intention to provide financial support

Upper Hunter Shire Council will continue to provide a contribution to Upper Hunter Weeds Authority in accordance with Upper Hunter Weeds Authority's proclamation.

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E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

\$ '000	Carrying value 2023	Carrying value 2022	Fair value 2023	Fair value 2022
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	7,599	3,121	7,599	3,121
Receivables	15,368	15,722	15,484	15,722
Investments				
– Debt securities at amortised cost	33,500	33,529	33,500	33,529
Total financial assets	56,467	52,372	56,583	52,372
Financial liabilities				
Payables	14,221	9,525	14,249	9,525
Loans/advances	31,525	33,955	31,525	33,955
Total financial liabilities	45,746	43,480	45,774	43,480

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

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

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

- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

(a) Market risk – interest rate and price risk

\$ '000	2023	2022
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	411	367
Impact of a 10% movement in price of investments		
– Equity / Income Statement	-	-

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. 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, whether through exposure to individual customers, specific industry sectors and/or regions.

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

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

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

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
	overdue	< 5 years	≥ 5 years	
2023				
Gross carrying amount	-	1,717	70	1,787
2022				
Gross carrying amount	-	1,795	60	1,855

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.

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

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	
2023						
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%
ECL provision	-	-	-	-	436	436
2022						
Gross carrying amount	-	6,084	4,667	52	3,539	14,342
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	11.72%	2.89%
ECL provision	-	-	-	-	415	415

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
2023							
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
Total financial liabilities		375	17,277	11,985	24,038	53,675	46,043
2022							
Payables	0.00%	285	285	-	-	570	9,525
Borrowings	3.47%	-	3,573	12,083	27,026	42,682	33,955
Lease liabilities	3.67%	-	144	255	-	399	372
Total financial liabilities		285	4,002	12,338	27,026	43,651	43,852

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				Total	
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		2023	2022
		2023	2022	2023	2022	2023	2022
Recurring fair value measurements							
	C1-6						
	Infrastructure, property, plant and equipment						
	Plant and equipment	–	–	7,559	8,964	7,559	8,964
	Office furniture and equipment	–	–	871	843	871	843
	Land	30,761	22,892	–	–	30,761	22,892
	Buildings	–	–	51,167	46,285	51,167	46,285
	Other structures	–	–	2,390	2,399	2,390	2,399
	Roads (incl bulk earthworks)	–	–	756,292	711,277	756,292	711,277
	Bridges	–	–	93,521	88,847	93,521	88,847
	Footpaths	–	–	7,921	6,550	7,921	6,550
	Drainage	–	–	30,356	28,360	30,356	28,360
	Ancillary infrastructure	–	–	44,651	43,266	44,651	43,266
	Water supply network	–	–	85,765	80,510	85,765	80,510
	Sewer network	–	–	45,717	43,404	45,717	43,404
	Swimming pools	–	–	4,365	4,296	4,365	4,296
	Open spaces	–	–	27,125	26,023	27,125	26,023
	Other assets	–	–	56	66	56	66
	Waste disposal sites and quarries	–	–	5,094	8,082	5,094	8,082
	Total infrastructure, property, plant and equipment	30,761	22,892	1,162,850	1,099,172	1,193,611	1,122,064

Non-recurring fair value measurements

Valuation techniques

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

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

Infrastructure, property, plant and equipment (IPPE)

Plant & Equipment, Office Equipment and Furniture & Fittings

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E2-1 Fair value measurement (continued)

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.

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 vacinaties 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

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E2-1 Fair value measurement (continued)

condition assessment and physical inspection. Condition information is updated as changes in the network are observed 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.

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E2-1 Fair value measurement (continued)

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 2012 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. Dams, Pump stations, Reservoirs, Treatment works had their 2007 valuation as prepared by the NSW Department of Commerce indexed as per the updated 2012 NSW Reference Rates Manual 2011 figure by 18%. 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 2012 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. Pump stations and Treatment works had their 2007 valuation as prepared by the NSW Department of Commerce indexed as per the updated 2012 NSW Reference Rates Manual 2011 figure by 18%. 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

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E2-1 Fair value measurement (continued)

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.

Waste Disposal Landfills & Quarries

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

The tips 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		Buildings		Other structures	
	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance	8,964	8,918	843	896	46,286	40,102	2,400	2,252
Total gains or losses for the period								
Other movements								
Change in useful life and PV cost estimate	-	-	-	-	6,309	6,311	-	-
Purchases (GBV)	439	835	169	104	-	1,146	38	263
Disposals (WDV)	(41)	(109)	-	(22)	-	(114)	-	-
Depreciation and impairment	(1,803)	(1,580)	(142)	(135)	(1,428)	(1,159)	(47)	(48)
Other movement (Assets Located or Corrected)	-	900	-	-	-	-	-	(67)
Closing balance	7,559	8,964	870	843	51,167	46,286	2,391	2,400

\$ '000	Roads (including bulk earthworks)		Bridges		Footpaths		Drainage	
	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance	711,277	635,485	88,847	79,104	6,549	5,489	28,359	24,552
Total gains or losses for the period								
Other movements								
Change in useful life and PV cost estimate	42,037	68,111	5,245	8,501	387	590	1,450	2,848
Purchases (GBV)	8,156	13,003	-	1,697	1,017	498	693	1,087
Disposals (WDV)	(478)	(666)	(127)	(42)	-	-	(1)	(2)
Depreciation and impairment	(4,827)	(4,656)	(444)	(413)	(32)	(28)	(145)	(126)
Other movement (Assets Located or Corrected)	130	-	-	-	-	-	-	-
Closing balance	756,295	711,277	93,521	88,847	7,921	6,549	30,356	28,359

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E2-1 Fair value measurement (continued)

\$ '000	Ancillary structures		Water supply network		Sewerage network		Swimming pools	
	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance	43,267	23,579	80,510	64,269	43,405	37,777	4,297	4,031
Total gains or losses for the period								
Other movements								
Change in useful life and PV cost estimate	2,209	1,828	6,050	14,892	3,244	5,517	218	349
Purchases (GBV)	187	21,267	1,197	3,384	102	1,194	44	93
Disposals (WDV)	-	(2,226)	(94)	(312)	(74)	-	-	-
Depreciation and impairment	(1,012)	(493)	(1,914)	(1,888)	(1,097)	(1,083)	(195)	(176)
Other movement (Assets Located or Corrected)	-	(688)	17	165	137	-	-	-
Closing balance	44,651	43,267	85,766	80,510	45,717	43,405	4,364	4,297

\$ '000	Open space		Other assets		Tips and quarries		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance	26,022	22,103	66	79	8,081	2,569	1,099,173	951,205
Change in useful life and PV cost estimate	1,145	1,928	-	-	(1,942)	11,684	66,352	122,559
Purchases (GBV)	612	2,819	-	-	-	-	12,654	47,390
Disposals (WDV)	-	(53)	-	-	-	-	(815)	(3,546)
Depreciation and impairment	(654)	(591)	(10)	(13)	(1,045)	(6,172)	(14,795)	(18,561)
Other movement (Assets Located or Corrected)	-	(184)	-	-	-	-	284	126
Closing balance	27,125	26,022	56	66	5,094	8,081	1,162,853	1,099,173

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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 8.0% of salaries for the year ending 30 June 2023 (increasing to 8.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$20 million for 1 July 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2022. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

(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

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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.

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2023 was \$100,253.63. The last formal valuation of the Fund was undertaken by the Fund Actuary, Mr Richard Boyfield, FIAA as at 30 June 2022.

The amount of past service contributions included in the total employer contribution advised above is \$63,450.72. Council's expected contribution to the plan for the next annual reporting period is \$93,108.72.

(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 2022 is:

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

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

The 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	6.0% for FY 22/23 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 2023.

(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.

Based on a past service liabilities methodology, the share of the deficit that can be attributed to Council is 0.32%.

(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)

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

Council has provided a Bank Guarantee to the upper limit of \$500,000 as a security against a bank loan as per a Council resolution dated 28 July 2008 for Murravale Retirement Home.

2. Other liabilities

(i) Third party claims

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

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

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

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

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

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

\$ '000	2023	2022
Compensation:		
Short-term benefits	944	1,013
Post-employment benefits	71	84
Total	1,015	1,097

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	Rel	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
2023						
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	–	–
2022						
Supply of fabrication services	1	88	–	Normal Trade Terms & Conditions	–	–
Supply of fabrication services	2	15	–	Normal Trade Terms & Conditions	–	–
Employee expenses relating to close family member of KMP	3	135	–	Employment Conditions	–	–
Supply of flowers and decorates	4	1	–	Normal Trade Terms & Conditions	–	–

1 Council acquired fabrication services during the 2022/2023 and 2021/2022 years 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)

- 2 Council acquired fabrication services during the 2021/2022 year 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 for the complete financial years 2021/2022 and 2020/2021 years 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 during the 2022/2023 and 2021/2022 year 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.

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F1-2 Councillor and Mayoral fees and associated expenses

<u>\$ '000</u>	<u>2023</u>	<u>2022</u>
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The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:

Mayoral fee	40	36
Councillors' fees	99	84
Other Councillors' expenses (including Mayor)	14	11
Total	153	131

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F2 Other relationships**F2-1 Audit fees**

\$ '000	2023	2022
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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	103	62
Remuneration for audit and other assurance services	103	62

Total Auditor-General remuneration	103	62
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Non NSW Auditor-General audit firms**(i) Audit and other assurance services**

Audit and review of financial statements: Council's Auditor	15	13
Other services	3	18
Other audit and assurance services (ARIC)	7	13
Remuneration for audit and other assurance services	25	44

Total remuneration of non NSW Auditor-General audit firms	25	44
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Total audit fees	128	106
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G Other matters**G1-1 Statement of Cash Flows information****Reconciliation of net operating result to cash provided from operating activities**

\$ '000	2023	2022
Net operating result from Income Statement	4,332	3,788
Add / (less) non-cash items:		
Depreciation and amortisation	15,314	18,417
(Gain) / loss on disposal of assets	1,662	3,095
Non-cash capital grants and contributions	(878)	(69)
Share of net (profits)/losses of associates/joint ventures using the equity method	-	245
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	314	1,723
Increase / (decrease) in provision for impairment of receivables	40	106
(Increase) / decrease of inventories	(36)	(79)
(Increase) / decrease of other current assets	113	(1,100)
Increase / (decrease) in payables	1,330	756
Increase / (decrease) in accrued interest payable	(4)	(7)
Increase / (decrease) in other accrued expenses payable	747	113
Increase / (decrease) in other liabilities	46	409
Increase / (decrease) in contract liabilities	3,279	6,718
Increase / (decrease) in employee benefit provision	180	(800)
Increase / (decrease) in other provisions	9,742	-
Net cash flows from operating activities	36,181	33,315

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G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2023	2022
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Plant and equipment	113	188
Footpaths	11	-
Bridge infrastructure	5,220	3,280
Ancillary Infrastructure	13,706	-
Road infrastructure	37,077	-
Sewerage Services	1,107	217
Water Supply	1,445	1,491
Total commitments	58,679	5,176

Details of capital commitments

2022

Plant & Equipment: Purchase of 4x work Utility vehicles

Bridges: Replacement of 9 Bridges under the Fixing Country Bridges Program

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

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

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

G3-1 Events occurring after the reporting date

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

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G4 Statement of developer contributions as at 30 June 2023

G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2022	Contributions received during the year				Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other						
Roads	362	25	-	-	3	-	-	390	-	
Parking	5	-	-	-	-	-	-	5	-	
Open space	44	-	-	-	-	-	-	44	-	
Cycleways	46	-	-	-	-	-	-	46	-	
Bushfire	-	-	-	-	-	-	-	-	-	
Waste	-	-	-	-	-	-	-	-	-	
\$7.11 contributions – under a plan	457	25	-	-	3	-	-	485	-	
\$7.12 levies – under a plan	505	627	-	-	7	(45)	-	1,094	-	
Total \$7.11 and \$7.12 revenue under plans	962	652	-	-	10	(45)	-	1,579	-	
S64 contributions	4,358	1,011	-	-	32	-	-	5,401	-	
Total contributions	5,320	1,663	-	-	42	(45)	-	6,980	-	

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 2022	Contributions received during the year				Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other						
CONTRIBUTION PLAN – SCONE/ABERDEEN										
Roads	356	25	-	-	3	-	-	384	-	
Parking	5	-	-	-	-	-	-	5	-	
Open space	34	-	-	-	-	-	-	34	-	
Cycleways	46	-	-	-	-	-	-	46	-	
Total	441	25	-	-	3	-	-	469	-	
CONTRIBUTION PLAN – MERRIWA										
Open space	8	-	-	-	-	-	-	8	-	
Total	8	-	-	-	-	-	-	8	-	
CONTRIBUTION PLAN – MURRURUNDI										
Roads	6	-	-	-	-	-	-	6	-	

continued on next page ...

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G4-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2022	Contributions received during the year				Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other						
Open space	2	-	-	-	-	-	-	2	-	
Total	8	-	-	-	-	-	-	8	-	

S7.12 Levies – under a plan

CONTRIBUTION PLAN – SHIRE WIDE

Other	505	627	-	-	7	(45)	-	1,094	-
Total	505	627	-	-	7	(45)	-	1,094	-

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

\$ '000	Amounts 2023	Indicator 2023	2022	Indicators 2021	2020	Benchmark
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(9,266)	(18.28)%	(20.21)%	(11.54)%	(9.21)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	50,702					
2. Own source operating revenue ratio						
Total continuing operating revenue excluding all grants and contributions ¹	36,696	55.63%	52.77%	51.29%	51.20%	> 60.00%
Total continuing operating revenue	65,962					
3. Unrestricted current ratio						
Current assets less all external restrictions	14,320	1.26x	1.34x	1.80x	3.09x	> 1.50x
Current liabilities less specific purpose liabilities	11,404					
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	7,187	1.93x	2.68x	2.49x	3.74x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	3,724					
5. Rates and annual charges outstanding percentage						
Rates and annual charges outstanding	1,882	8.53%	9.00%	10.07%	8.93%	< 10.00%
Rates and annual charges collectable	22,061					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	41,099	12.35 months	9.76 months	9.93 months	11.44 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	3,328					

(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 ³		Water Indicators		Sewer Indicators		Benchmark
	2023	2022	2023	2022	2023	2022	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(14.41)%	(21.82)%	(24.49)%	(28.17)%	(53.37)%	8.09%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	49.83%	46.74%	90.44%	91.85%	85.59%	86.91%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	1.26x	1.34x	5.46x	8.42x	9.00x	28.60x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2.05x	2.25x	4.04x	3.48x	∞	∞	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	10.79%	11.33%	0.00%	0.00%	0.00%	0.00%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	12.08 months	9.32 months	∞	∞	∞	∞	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

End of the audited financial statements

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Upper Hunter Shire Council
General Purpose Financial Statements
for the year ended 30 June 2023

Independent Auditor's Reports:

Independent Auditor's Report

Please uplift Council's Audit Report PDF (opinion) for inclusion in the GPFS report (via the Home screen).

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Upper Hunter Shire Council
General Purpose Financial Statements
for the year ended 30 June 2023
Independent Auditor's Reports: (continued)

Independent Auditor's Report

Please uplift Council's Audit Report PDF (commentary) for inclusion in the GPFS report (via the Home screen).

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Upper Hunter Shire Council
SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

Upper Hunter Shire Council
Special Purpose Financial Statements
for the year ended 30 June 2023

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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 2023

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 25 March 2024.

Maurice Collison
Mayor
25 March 2024

James Burns
Councillor
25 March 2024

Greg McDonald
General Manager
25 March 2024

Wayne Phelps
Responsible Accounting Officer
25 March 2024

Upper Hunter Shire Council | Income Statement of water supply business activity | for the year ended 30 June 2023

Upper Hunter Shire Council

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

\$ '000	2023	2022
Income from continuing operations		
Access charges	1,440	1,401
User charges	3,457	3,003
Interest and investment income	193	87
Grants and contributions provided for operating purposes	64	80
Other income	44	48
Total income from continuing operations	5,198	4,619
Expenses from continuing operations		
Employee benefits and on-costs	2,445	2,303
Borrowing costs	211	237
Materials and services	961	671
Depreciation, amortisation and impairment	1,914	1,888
Net loss from the disposal of assets	322	312
Calculated taxation equivalents	83	72
Other expenses	618	509
Total expenses from continuing operations	6,554	5,992
Surplus (deficit) from continuing operations before capital amounts	(1,356)	(1,373)
Grants and contributions provided for capital purposes	479	323
Surplus (deficit) from continuing operations after capital amounts	(877)	(1,050)
Surplus (deficit) from all operations before tax	(877)	(1,050)
Surplus (deficit) after tax	(877)	(1,050)
Plus accumulated surplus	62,204	63,197
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	83	72
Less:		
– Surplus dividend paid	(15)	(15)
Closing accumulated surplus	61,395	62,204
Return on capital %	(1.3)%	(1.4)%
Subsidy from Council	4,800	4,204
Calculation of dividend payable:		
Surplus (deficit) after tax	(877)	(1,050)
Less: capital grants and contributions (excluding developer contributions)	(479)	(323)
Surplus for dividend calculation purposes	-	-
Potential dividend calculated from surplus	-	-

Upper Hunter Shire Council | Income Statement of sewerage business activity | for the year ended 30 June 2023

Upper Hunter Shire Council

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

\$ '000	2023	2022
Income from continuing operations		
Access charges	3,172	3,116
User charges	265	236
Liquid trade waste charges	1	10
Interest and investment income	191	71
Grants and contributions provided for operating purposes	42	41
Other income	11	26
Total income from continuing operations	3,682	3,500
Expenses from continuing operations		
Employee benefits and on-costs	1,770	1,535
Materials and services	1,770	424
Depreciation, amortisation and impairment	1,097	1,083
Net loss from the disposal of assets	616	-
Calculated taxation equivalents	41	25
Other expenses	394	175
Total expenses from continuing operations	5,688	3,242
Surplus (deficit) from continuing operations before capital amounts	(2,006)	258
Grants and contributions provided for capital purposes	571	480
Surplus (deficit) from continuing operations after capital amounts	(1,435)	738
Surplus (deficit) from all operations before tax	(1,435)	738
Less: corporate taxation equivalent (25%) [based on result before capital]	-	(65)
Surplus (deficit) after tax	(1,435)	673
Plus accumulated surplus	23,168	22,419
Plus adjustments for amounts unpaid:		
- Taxation equivalent payments	41	25
- Corporate taxation equivalent	-	65
Less:		
- Surplus dividend paid	(14)	(14)
Closing accumulated surplus	21,760	23,168
Return on capital %	(4.2)%	0.6%
Subsidy from Council	3,931	1,412
Calculation of dividend payable:		
Surplus (deficit) after tax	(1,435)	673
Less: capital grants and contributions (excluding developer contributions)	(571)	(480)
Surplus for dividend calculation purposes	-	193
Potential dividend calculated from surplus	-	97

Upper Hunter Shire Council | Statement of Financial Position of water supply business activity | for the year ended 30 June 2023

Upper Hunter Shire Council

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

\$ '000	2023	2022
Current assets		
Cash and cash equivalents	321	660
Investments	8,000	9,000
Receivables	1,456	1,402
Inventories	340	333
Other	9	2
Total current assets	10,126	11,397
Non-current assets		
Infrastructure, property, plant and equipment	90,928	83,813
Intangible assets	234	234
Total non-current assets	91,162	84,047
Total assets	101,288	95,444
LIABILITIES		
Current liabilities		
Payables	1,201	729
Borrowings	330	316
Employee benefit provisions	322	308
Total current liabilities	1,853	1,353
Non-current liabilities		
Borrowings	4,509	4,839
Employee benefit provisions	14	5
Total non-current liabilities	4,523	4,844
Total liabilities	6,376	6,197
Net assets	94,912	89,247
EQUITY		
Accumulated surplus	61,395	62,204
Revaluation reserves	33,517	27,043
Total equity	94,912	89,247

Upper Hunter Shire Council | Statement of Financial Position of sewerage business activity | for the year ended 30 June 2023

Upper Hunter Shire Council

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

\$ '000	2023	2022
Current assets		
Cash and cash equivalents	574	971
Investments	11,500	10,000
Receivables	341	380
Inventories	60	57
Other	2	2
Total current assets	12,477	11,410
Non-current assets		
Infrastructure, property, plant and equipment	47,886	45,628
Total non-current assets	47,886	45,628
Total assets	60,363	57,038
LIABILITIES		
Current liabilities		
Payables	1,064	91
Employee benefit provisions	322	308
Total current liabilities	1,386	399
Non-current liabilities		
Employee benefit provisions	14	5
Total non-current liabilities	14	5
Total liabilities	1,400	404
Net assets	58,963	56,634
EQUITY		
Accumulated surplus	21,760	23,168
Revaluation reserves	37,203	33,466
Total equity	58,963	56,634

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

(where gross operating 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):

continued on next page ...

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Note – Significant Accounting Policies (continued)

Notional rate applied (%)

Corporate income tax rate – 26% (19/20 27.5%)

Land tax – the first \$900,000 of combined land values attracts 0%. For the combined land values in excess of \$900,000 up to \$4,616,000 the rate is \$100 + 1.6%. For the remaining combined land value that exceeds \$4,616,000 a premium marginal rate of 2.0% applies.

Payroll tax – 4.85% 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

continued on next page ...

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Note – Significant Accounting Policies (continued)

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

(iii) Dividends

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

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 2023 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.

DRAFT

Upper Hunter Shire Council
Special Purpose Financial Statements
for the year ended 30 June 2023

Please uplift Council's Audit Report PDF (opinion) for inclusion in the SPFS report (via the Home screen).

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