

Muswellbrook Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2023

*To do what is best for our community through leadership,
excellent service and encouragement of sustainable
development.*



Muswellbrook Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2023

*To do what is best for our community through leadership,
excellent service and encouragement of sustainable
development.*



Muswellbrook Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

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Overview

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

Muswellbrook Shire Council Administration Centre
Campbell's Corner 60-82 Bridge St, Muswellbrook NSW 2333

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.muswellbrook.nsw.gov.au.

Muswellbrook 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 July 2023.



Mr S Reynolds

Mayor

27 February 2024



Mr G McNeill

Deputy Mayor

27 February 2024



Mr D Finnigan

General Manager

27 February 2024



Mr J Hogan

Responsible Accounting Officer

27 February 2024

Muswellbrook Shire Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023 \$ '000		Notes	Actual 2023 \$ '000	Actual 2022 \$ '000
Income from continuing operations				
30,796	Rates and annual charges	B2-1	29,336	28,688
13,909	User charges and fees	B2-2	15,010	10,875
790	Other revenues	B2-3	1,195	882
7,023	Grants and contributions provided for operating purposes	B2-4	10,846	10,644
2,830	Grants and contributions provided for capital purposes	B2-4	19,395	16,524
510	Interest and investment income	B2-5	2,463	769
6,604	Other income	B2-6	6,977	15,068
62,462	Total income from continuing operations		85,222	83,450
Expenses from continuing operations				
16,792	Employee benefits and on-costs	B3-1	16,006	14,658
17,413	Materials and services *	B3-2	24,158	19,098
2,227	Borrowing costs	B3-3	1,960	1,917
15,200	Depreciation, amortisation and impairment of non-financial assets	B3-4	14,951	14,245
3,905	Other expenses *	B3-5	2,756	3,667
—	Net loss from the disposal of assets	B4-1	101	4,603
55,537	Total expenses from continuing operations		59,932	58,188
6,925	Operating result from continuing operations		25,290	25,262
6,925	Net operating result for the year attributable to Council		25,290	25,262
Net operating result for the year before grants and contributions provided for capital purposes				
4,095			5,895	8,738

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

Muswellbrook Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2023

	Notes	2023 \$ '000	2022 \$ '000
Net operating result for the year – from Income Statement		25,290	25,262
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	78,454	87,868
Other movements		(266)	–
Total items which will not be reclassified subsequently to the operating result		78,188	87,868
Total other comprehensive income for the year		78,188	87,868
Total comprehensive income for the year attributable to Council		103,478	113,130

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

Muswellbrook Shire Council

Statement of Financial Position

as at 30 June 2023

	Notes	2023 \$ '000	2022 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	7,856	8,823
Investments	C1-2	32,500	27,500
Receivables	C1-4	6,960	6,648
Inventories	C1-5	281	1,675
Current assets classified as held for sale	C1-6	1,114	–
Other	C1-9	196	314
Total current assets		48,907	44,960
Non-current assets			
Investments	C1-2	33,772	26,765
Infrastructure, property, plant and equipment (IPPE)	C1-7	877,029	777,119
Investment property	C1-8	66,807	71,720
Total non-current assets		977,608	875,604
Total assets		1,026,515	920,564
LIABILITIES			
Current liabilities			
Payables	C3-1	8,869	9,245
Contract liabilities	C3-2	12,844	4,376
Borrowings	C3-3	6,588	6,055
Employee benefit provisions	C3-4	3,005	2,965
Provisions	C3-5	1,000	1,000
Total current liabilities		32,306	23,641
Non-current liabilities			
Borrowings	C3-3	50,720	57,313
Employee benefit provisions	C3-4	323	332
Provisions	C3-5	9,770	9,360
Total non-current liabilities		60,813	67,005
Total liabilities		93,119	90,646
Net assets		933,396	829,918
EQUITY			
Accumulated surplus	C4-1	441,019	415,729
IPPE revaluation reserve	C4-1	492,377	414,189
Council equity interest		933,396	829,918
Total equity		933,396	829,918

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

Muswellbrook Shire Council

Statement of Changes in Equity

for the year ended 30 June 2023

	Notes	2023			2022		
		Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000
Opening balance at 1 July		415,729	414,189	829,918	390,467	326,321	716,788
Net operating result for the year		25,290	–	25,290	25,262	–	25,262
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	78,454	78,454	–	87,868	87,868
Other reserves movements		–	(266)	(266)	–	–	–
Other comprehensive income		–	78,188	78,188	–	87,868	87,868
Total comprehensive income		25,290	78,188	103,478	25,262	87,868	113,130
Closing balance at 30 June		441,019	492,377	933,396	415,729	414,189	829,918

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

Muswellbrook Shire Council

Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023 \$ '000		Notes	Actual 2023 \$ '000	Actual 2022 \$ '000
Cash flows from operating activities				
Receipts:				
30,796	Rates and annual charges		29,555	29,401
13,909	User charges and fees		14,450	10,731
510	Interest received		1,707	718
9,853	Grants and contributions		35,808	21,897
–	Bonds, deposits and retentions received		1,026	101
6,604	Other		7,830	8,874
Payments:				
(16,796)	Payments to employees		(15,975)	(14,699)
(17,413)	Payments for materials and services		(23,701)	(19,971)
(2,227)	Borrowing costs		(1,960)	(1,917)
(3,905)	Other		(2,088)	(2,057)
21,331	Net cash flows from operating activities	G1-1	46,652	33,078
Cash flows from investing activities				
Receipts:				
9,000	Sale of investments		–	6,718
–	Sale of real estate assets		267	785
–	Proceeds from sale of IPPE		494	607
Payments:				
–	Purchase of investments		(4,507)	–
(9,000)	Acquisition of term deposits		(7,500)	(5,700)
–	Purchase of investment property		(1,345)	(773)
(10,775)	Payments for IPPE		(28,968)	(30,098)
–	Purchase of real estate assets		–	(224)
(10,775)	Net cash flows from investing activities		(41,559)	(28,685)
Cash flows from financing activities				
Payments:				
(6,136)	Repayment of borrowings		(6,060)	(4,654)
(6,136)	Net cash flows from financing activities		(6,060)	(4,654)
4,420	Net change in cash and cash equivalents		(967)	(261)
8,989	Cash and cash equivalents at beginning of year		8,823	9,084
13,409	Cash and cash equivalents at end of year	C1-1	7,856	8,823
54,565	plus: Investments on hand at end of year	C1-2	66,272	54,265
67,974	Total cash, cash equivalents and investments		74,128	63,088

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

Muswellbrook 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 25/07/2023. Council has the power to amend and reissue these financial statements. In cases where critical information is received from public submissions or where the Office of Local Government 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 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity for the purpose of preparing these financial statements.

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

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

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

and are clearly marked.

(a) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of 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 investment properties – refer Note C1-7
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-6
- (iii) estimated tip remediation provisions – refer Note C3-5
- (iv) employee benefit provisions – refer Note C3-4

A1-1 Basis of preparation (continued)

Significant judgements in applying the Council's accounting policies

(i) 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.

The Consolidated Fund has been included in the Financial Statements of NSW Council.

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

- General purpose operations
- Water service
- Sewerage service
- Commercial Buildings

The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993*, a separate and distinct Trust Fund is maintained to account for all money and property received by 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.

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council's dependence on volunteer services received is not material.

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 2023 reporting period.

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

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

A1-1 Basis of preparation (continued)

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. None of these standards had a significant impact on reported position or performance.

B Financial Performance

B1 Functions or activities

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

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

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000
Functions or activities										
Economic Prosperity	6,970	10,150	4,659	4,528	2,311	5,622	749	4,200	70,256	78,890
Social Equity and Inclusion	1,017	497	1,916	1,567	(899)	(1,070)	340	123	38,758	34,935
Environmental Sustainability	966	777	1,696	607	(730)	170	133	146	601	245
Cultural Vitality	1,680	483	5,079	4,011	(3,399)	(3,528)	2,228	360	83,989	68,395
Community Infrastructure	47,106	41,673	36,904	39,387	10,202	2,286	20,508	13,320	753,244	664,990
Community Leadership	28,704	29,870	8,500	8,088	20,204	21,782	6,283	9,019	79,667	73,109
Total functions and activities	86,443	83,450	58,754	58,188	27,689	25,262	30,241	27,168	1,026,515	920,564

B1-2 Components of functions or activities

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

Economic Prosperity

Plan for Local Economic Prosperity 1. Support Job growth. 2. Diversify the economy, facilitate the development of intensive agriculture and other growth industries, make the Shire a more attractive place to invest and do business. 3. Facilitate greater access to higher education and participation in the knowledge and creativity economy. 4. Develop Muswellbrook as a Regional Centre.

Social Equity and Inclusion

Access to a wide range of community and government agencies appropriate for their age and needs. 5. Continue to improve the affordability, liveability and amenity of the Shire's. 6. Stabilise the tenancy turnover in the Shire's social housing. 7. Build social inclusion and improve the delivery of social services. 8. Retention and expansion of quality and affordable child care services. 9. Facilitate opportunities to expand senior's living. 10. Further the process of reconciliation in the Shire.

Environmental Sustainability

Environmental Sustainability to focus on the regeneration of mined land and urban riparian areas, increase our use of renewable energy and to monitor and manage our use of natural resources. 11. Higher quality final landforms with shallower voids and more emphasis on progressive rehabilitation with local workforce participation. 12. Enhance native vegetation connectivity across the Upper Hunter. 13. Our local rivers and creeks are enhanced, utilised and valued. 14. Support initiatives which reduce the community's impact on the environment. 15. Support Federal and State initiatives to reduce the human impact on climate change.

Cultural Vitality

Increase the local variety, availability and access to the arts and cultural experiences. 16. Conserve the heritage and history of the Shire. 17. Facilitate options to improve cultural activities in the Shire. 18. Facilitate cultural activities and events which engage the community and visitors and which create a 'sense of place' and identity.

Community Infrastructure

Expand on the infrastructure required for Muswellbrook to realise Regional Centre status, improve community facilities and improve accessibility to community facilities. 19. Our community's infrastructure is planned well, is safe and reliable and provides required levels of service. Utility services are operated as distinct business units within Council. 20. A safe, secure and reliable water supply and sewerage services are provided to all residents that will ensure public health. 21. The road, footpath and cycleway networks are integrated and allow for the safe movement of residents around the Shire.

Community Leadership

To improve the community's participation in decision making and implement business improvement initiatives to improve service delivery. 22. Collaborative and responsive community leadership that meets the expectations and anticipates the needs of the community. 23. Genuine and well informed community participation in decision making. 24. A Council that is well managed, efficient and properly resourced and that is responsive to its communities and stakeholders. 25. A sustainable Council that is best practice employer providing safe, happy and productive workplace.

B2 Sources of income

B2-1 Rates and annual charges

	Timing	2023 \$ '000	2022 \$ '000
Ordinary rates			
Residential	2	5,271	6,227
Farmland	2	1,439	1,439
Mining	2	11,186	10,216
Business	2	1,744	1,728
Rates levied to ratepayers		19,640	19,610
Pensioner Rebates Granted	2	(157)	(153)
Pensioner rate subsidies received	2	86	86
Total ordinary rates		19,569	19,543
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)			
Domestic waste management services	2	2,678	2,568
Stormwater management services	2	159	158
Water supply services	2	1,896	1,769
Sewerage services	2	4,731	4,361
Waste management services (non-domestic)	2	177	169
Annual charges levied		9,641	9,025
Pensioner annual charges subsidies received:			
– Water	2	41	40
– Sewerage	2	41	40
– Domestic waste management	2	44	40
Total annual charges		9,767	9,145
Total rates and annual charges		29,336	28,688

Council has used 2019 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.

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

	Timing	2023 \$ '000	2022 \$ '000
Specific user charges (per s502 - specific 'actual use' charges)			
Water supply services	2	3,059	2,691
Sewerage services	2	810	698
Total specific user charges		3,869	3,389
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s608)			
Building regulation	2	118	125
Inspection services	2	31	24
Private works – section 67	2	39	9
Regulatory/ statutory fees	2	66	30
Section 10.7 certificates (EP&A Act)	2	113	108
Section 603 certificates	2	53	76
Town planning	2	39	37
DECCW levy recovered	2	1,320	1,300
Development/building control	2	383	337
Water and sewer related sales	2	725	662
Legal fees recovery – rates and charges (extra charges)		–	5
Total fees and charges – statutory/regulatory		2,887	2,713
(ii) Fees and charges – other (incl. general user charges (per s608))			
Cemeteries	2	101	48
Community centres	2	27	28
Leaseback fees – Council vehicles	2	13	18
Leisure centre	2	38	21
Library and art gallery	2	72	94
Park rents	2	34	23
Restoration charges	2	1	6
Transport for NSW works (state roads not controlled by Council)	2	5,084	1,252
Swimming centres	2	411	75
Waste disposal tipping fees	2	2,252	2,679
Gym centre	2	96	33
Road vehicle permits	2	123	485
Other	2	2	11
Total fees and charges – other		8,254	4,773
Total other user charges and fees		11,141	7,486
Total user charges and fees		15,010	10,875
Timing of revenue recognition for user charges and fees			
User charges and fees recognised at a point in time (2)		15,010	10,875
Total user charges and fees		15,010	10,875

Accounting policy

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

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

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.

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

B2-3 Other revenues

	Timing	2023 \$ '000	2022 \$ '000
Rental Income - Other Council Properties	2	846	539
Fines	2	56	50
Legal fees recovery – other	2	108	–
Hospitality	2	–	121
Insurance rebates	2	121	60
Insurance claims recoveries	2	4	44
Other	2	60	68
Total other revenue		1,195	882

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)	1,195	882
Total other revenue	1,195	882

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

		Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
	Timing				
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	4,097	3,828	–	–
Financial assistance – local roads component	2	1,509	1,313	–	–
Amount recognised as income during current year		5,606	5,141	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Pensioners' rates subsidies:					
– Water	2	–	111	–	–
– Sewerage	2	–	–	–	36
Water supplies	2	6	–	438	–
Bushfire and emergency services	1	199	385	–	–
Community care	1	56	56	–	–
Economic development	2	481	2,416	146	744
Employment and training programs	2	34	–	–	–
Environmental programs	1	157	35	136	97
Heritage and cultural	1	35	38	683	56
Library	2	87	49	49	166
LIRS subsidy	2	2	24	–	–
Recreation and culture	1	19	–	4,704	1,418
Storm/flood damage	1	–	–	1,000	1,000
Planning	2	7	–	–	–
Waste management	1	37	103	8	–
Street lighting	1	61	60	–	–
Water Services	2	–	–	–	–
Transport (roads to recovery)	1	–	–	198	482
Transport (other roads and bridges funding)	1	1,476	240	5,129	5,986
Previously contributions:					
Community services	2	293	–	–	–
Drainage	2	–	–	33	–
Recreation and culture	2	41	20	30	336
Other contributions	2	–	–	5	292
Roads and bridges	2	296	–	104	244
Total special purpose grants and non-developer contributions – cash		3,287	3,537	12,663	10,857
Non-cash contributions					
Bushfire services	2	–	–	954	910
Business development	2	–	–	–	804
Roads and bridges	2	–	–	1,909	1,375
Sewerage (excl. section 64 contributions)	2	–	–	228	329
Water supplies (excl. section 64 contributions)	2	–	–	155	204
Other	2	–	–	158	–
Total other contributions – non-cash		–	–	3,404	3,622
Total special purpose grants and non-developer contributions (tied)		3,287	3,537	16,067	14,479
Total grants and non-developer contributions		8,893	8,678	16,067	14,479

continued on next page ...

B2-4 Grants and contributions (continued)

	Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
Timing				
Comprising:				
– Commonwealth funding	5,635	5,171	487	765
– State funding	2,912	1,731	12,682	10,020
– Other funding	346	1,776	2,898	3,694
	8,893	8,678	16,067	14,479

B2-4 Grants and contributions (continued)

Developer contributions

	Notes	Timing	Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G4					
Cash contributions						
S 7.4 – contributions using planning agreements		2	1,227	1,213	1,542	1,490
S 7.11 – contributions towards amenities/services		2	726	753	202	75
S 7.12 – fixed development consent levies		2	–	–	71	91
S 64 – water supply contributions		2	–	–	781	104
S 64 – sewerage service contributions		2	–	–	652	116
S 64 – stormwater contributions		2	–	–	76	58
Other developer contributions		2	–	–	3	109
Developer provided infrastructure roads/drainage		2	–	–	1	2
Total developer contributions – cash			1,953	1,966	3,328	2,045
Total developer contributions			1,953	1,966	3,328	2,045
Total contributions			1,953	1,966	3,328	2,045
Total grants and contributions			10,846	10,644	19,395	16,524
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			2,040	917	11,937	9,289
Grants and contributions recognised at a point in time (2)			8,806	9,727	7,458	7,235
Total grants and contributions			10,846	10,644	19,395	16,524

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:

	Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
Unspent grants and contributions				
Unspent funds at 1 July	626	467	3,750	4,503
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	569	427	1,000	3,351
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	—	—	—	—
Less: Funds received in prior year but revenue recognised and funds spent in current year	(340)	(268)	(2,623)	(4,104)
Unspent funds at 30 June	855	626	2,127	3,750
Unspent funds at 1 July	19,593	17,301	—	—
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	2,411	2,798	—	—
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	—	—	—	—
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(1,330)	(506)	—	—
Unspent contributions at 30 June	20,674	19,593	—	—

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. 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.

B2-4 Grants and contributions (continued)

Developer contributions

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

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

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.

B2-5 Interest and investment income

	2023 \$ '000	2022 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	125	131
– Cash and investments	2,326	618
– Other	12	20
Total interest and investment income (losses)	2,463	769

Accounting policy

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

B2-6 Other income

	Notes	2023 \$ '000	2022 \$ '000
Fair value increment on investment properties			
Fair value increment on investment properties		222	8,963
Total fair value increment on investment properties	C1-8	222	8,963
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		6,123	6,105
Total Investment properties		6,123	6,105
Total rental income	C2-1	6,123	6,105
Other			
Recognition of Asset		632	–
Total other		632	–
Total other income		6,977	15,068

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2023 \$ '000	2022 \$ '000
Salaries and wages	13,376	12,269
Employee termination costs (where material – other than vested leave paid)	296	114
Travel expenses	369	313
Employee leave entitlements (ELE)	1,551	1,185
Superannuation	1,492	1,330
Workers' compensation insurance	468	718
Fringe benefit tax (FBT)	90	69
Payroll tax	44	35
Training costs (other than salaries and wages)	131	178
Sick leave insurance	–	3
Protective clothing	51	35
Staff appreciation	18	44
Total employee costs	17,886	16,293
Less: capitalised costs	(1,880)	(1,635)
Total employee costs expensed	16,006	14,658

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

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

B3-2 Materials and services *

	Notes	2023 \$ '000	2022 \$ '000
Consultancy costs		29	–
Raw materials and consumables		17,547	12,950
Audit Fees	F2-1	193	84
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	206	170
Advertising		31	47
Bank charges		66	63
Cleaning		–	138
Election expenses		–	119
Electricity and heating		2,025	954
Insurance		1,029	867
Postage		49	50
Printing and stationery		16	16
Street lighting		438	375
Telephone and communications		85	101
Valuation fees		64	60
Legal expenses:			
– Legal expenses: other		1,004	1,964
Operating lease rentals: minimum lease payments ¹		56	–
Venue manager		–	10
Waste collection		1,320	1,130
Total materials and services		24,158	19,098
Total materials and services		24,158	19,098

Accounting policy

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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

B3-3 Borrowing costs

	Notes	2023 \$ '000	2022 \$ '000
(i) Interest bearing liability costs			
Interest on loans		1,817	1,752
Total interest bearing liability costs		1,817	1,752
Total interest bearing liability costs expensed		1,817	1,752
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	C3-5	143	165
Total other borrowing costs		143	165
Total borrowing costs expensed		1,960	1,917

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.

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

	Notes	2023 \$ '000	2022 \$ '000
Depreciation and amortisation			
Plant and equipment		1,366	1,173
Office equipment		162	214
Furniture and fittings		95	123
Land improvements (depreciable)		97	97
Infrastructure:	C1-7		
– Buildings – specialised		1,884	1,998
– Other structures		498	488
– Roads		4,625	4,478
– Bridges		479	460
– Footpaths		423	405
– Stormwater drainage		850	803
– Water supply network		1,985	1,830
– Sewerage network		2,191	2,100
Other assets:			
– Other		60	53
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5,C1-7	236	23
Total gross depreciation and amortisation costs		14,951	14,245
Total depreciation and amortisation costs		14,951	14,245
Total depreciation, amortisation and impairment for non-financial assets		14,951	14,245

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.

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 no longer required to be tested for impairment under AASB 136. This is because 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.

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

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

B3-5 Other expenses *

	Notes	2023 \$ '000	2022 \$ '000
Impairment of receivables			
User charges and fees		150	–
Other		294	300
Total impairment of receivables	C1-4	444	300
Fair value decrement on investments			
Fair value decrement on investments through profit and loss		–	158
Total Fair value decrement on investments	C1-2	–	158
Other			
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		44	24
– NSW fire brigade levy		55	48
– NSW rural fire service levy		571	428
– Upper Hunter Weeds Authority		104	104
– Waste levy		1,434	1,450
Contribution to UHEDC		–	1,033
Donations, contributions and assistance to other organisations (Section 356)		104	122
Total other		2,312	3,209
Total other expenses		2,756	3,667

Accounting policy

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

B4 Gains or losses

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

	Notes	2023 \$ '000	2022 \$ '000
Gain (or loss) on disposal of property (excl. investment property)			
Less: carrying amount of property assets sold/written off		–	(2,186)
Gain (or loss) on disposal		–	(2,186)
Gain (or loss) on disposal of plant and equipment	C1-7		
Proceeds from disposal – plant and equipment		252	107
Less: carrying amount of plant and equipment assets sold/written off		(72)	(101)
Gain (or loss) on disposal		180	6
Gain (or loss) on disposal of infrastructure	C1-7		
Proceeds from disposal – infrastructure		242	500
Less: carrying amount of infrastructure assets sold/written off		(634)	(2,372)
Gain (or loss) on disposal		(392)	(1,872)
Gain (or loss) on disposal of real estate assets held for sale	C1-5		
Proceeds from disposal – real estate assets		267	785
Less: carrying amount of real estate assets sold/written off		(155)	(348)
Gain (or loss) on disposal		112	437
Other Assets			
Less: carrying amount of Other Assets sold/written off		(1)	–
Gain (or loss) on disposal		(1)	–
Gain (or Loss) on disposal of Office Equipment/Furniture and Fittings			
Less: carrying amount of Office Equipment/Furniture and Fittings assets sold/written off		–	(327)
Gain (or loss) on disposal		–	(327)
Gain (or loss) on disposal of Land			
Less: carrying amount of Land assets sold/written off		–	(661)
Gain (or loss) on disposal		–	(661)
Net gain (or loss) from disposal of assets		(101)	(4,603)

Accounting policy

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

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 27/06/2023 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	30,796	29,336	(1,460)	(5)% U
User charges and fees	13,909	15,010	1,101	8% F
Other revenues	790	1,195	405	51% F
Additional Economic Development and Sustainability income				
Operating grants and contributions	7,023	10,846	3,823	54% F
Only confirmed grant funding is budgeted. Additional grants and contributions include: Regional and Local Roads Repair Program, Fixing Local Roads - Pothole Repair Program, Reconnect Regional NSW and Rock'n the Brook.				
Capital grants and contributions	2,830	19,395	16,565	585% F
Only confirmed grant funding is budgeted. Additional grant funding includes: Resources for Regions, Yarrowa Road, Rosebrook Bridge and NSW Natural Disaster Grants.				
Interest and investment revenue	510	2,463	1,953	383% F
Higher interest rates providing increased returns on investments.				
Other income	6,604	6,977	373	6% F

B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
Expenses				
Employee benefits and on-costs	16,792	16,006	786	5% F
Materials and services	17,413	24,158	(6,745)	(39)% U
Increased costs associated with additional grant-funded and contract projects.				
Borrowing costs	2,227	1,960	267	12% F
Depreciation, amortisation and impairment of non-financial assets	15,200	14,951	249	2% F
Other expenses	3,905	2,756	1,149	29% F
Increased electricity charge rates.				
Net losses from disposal of assets	–	101	(101)	∞ U
Statement of cash flows				
Cash flows from operating activities	21,331	46,652	25,321	119% F
Only confirmed grant funding is included in the budget. Additional grant funding was confirmed and received throughout the year.				
Cash flows from investing activities	(10,775)	(41,559)	(30,784)	286% U
Additional payments for IPP&E associated with additional grant funding.				
Cash flows from financing activities	(6,136)	(6,060)	76	(1)% F

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2023 \$ '000	2022 \$ '000
Cash assets		
Cash on hand and at bank	118	160
Cash equivalent assets		
– Deposits at call	7,738	8,663
Total cash and cash equivalents	7,856	8,823

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	7,856	8,823
Balance as per the Statement of Cash Flows	7,856	8,823

Accounting policy

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

C1-2 Financial investments

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Debt securities at amortised cost				
Long term deposits	27,500	6,000	18,000	8,000
NCD's, FRN's (with maturities > 3 months)	5,000	27,772	9,500	18,765
Total	32,500	33,772	27,500	26,765
Total financial investments	32,500	33,772	27,500	26,765
Total cash assets, cash equivalents and investments	40,356	33,772	36,323	26,765

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.

C1-2 Financial investments (continued)

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

Rates and annual charges outstanding are secured against the property.

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs and NCDs in the Statement of Financial Position.

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

	2023 \$ '000	2022 \$ '000
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	74,128	63,088
Less: Externally restricted cash, cash equivalents and investments	(38,791)	(29,445)
Cash, cash equivalents and investments not subject to external restrictions	35,337	33,643
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended loans – general	30	1,684
Specific purpose unexpended grants – general fund	–	300
External restrictions – included in liabilities	30	1,984
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	4,745	4,979
Developer contributions – water fund	8,725	7,671
Developer contributions – sewer fund	4,252	3,520
Specific purpose unexpended grants (recognised as revenue) – general fund	13,500	3,798
Water fund	4,517	5,092
Sewer fund	1,950	1,475
Domestic waste management	1,027	881
Bengalla Coal Community Fund	45	45
External restrictions – other	38,761	27,461
Total external restrictions	38,791	29,445

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.

	2023 \$ '000	2022 \$ '000
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	35,337	33,643

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

	2023	2022
	\$ '000	\$ '000
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Plant and vehicle replacement	2,187	2,404
Infrastructure (Road Assets) replacement	1,900	2,497
Employees leave entitlement	654	1,131
Deposits, retentions and bonds	5,473	4,450
Risk Management	78	78
Legal Matters	1,050	1,050
Stormwater management	1,189	1,030
Financial Assistance Grant	4,506	3,115
Waste management centre	6,058	6,525
Drainage	143	143
Future Fund	1,565	1,118
Natural Disasters	882	1,000
Other	737	286
Mine Affected Roads	1,371	1,371
Carryover Works	2,149	2,917
Renewable Energy	363	—
SRV Reserve	3,020	1,578
Road Reserve	912	912
Economic Development	965	1,910
Insurances	40	33
Mine Affected Roads Study	70	70
Total internal allocations	35,312	33,618

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

C1-4 Receivables

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Rates and annual charges	2,281	–	2,458	–
User charges and fees	1,264	–	704	–
Accrued revenues				
– Interest on investments	899	–	143	–
Amounts due from other councils	–	–	36	–
Government grants and subsidies	934	–	1,437	–
Net GST receivable	373	–	678	–
RMS IPWO's	–	–	315	–
Waste depot charges	500	–	358	–
Commercial Properties – Rental.	587	–	839	–
TfNSW	479	–	–	–
Restart NSW	–	–	–	–
Other debtors	94	–	43	–
Total	7,411	–	7,011	–
Less: provision for impairment				
User charges and fees	(202)	–	(52)	–
Other debtors	(249)	–	(311)	–
Total provision for impairment – receivables	(451)	–	(363)	–
Total net receivables	6,960	–	6,648	–
Externally restricted receivables				
Water supply				
– Other	1,991	994	1,932	1,079
Sewerage services				
– Other	1,545	–	1,116	–
Total external restrictions	3,536	994	3,048	1,079
Unrestricted receivables	3,424	(994)	3,600	(1,079)
Total net receivables	6,960	–	6,648	–

	2023 \$ '000	2022 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	363	63
+ new provisions recognised during the year	88	300
Balance at the end of the year	451	363

C1-4 Receivables (continued)

Accounting policy

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

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

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

Impairment

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

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

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 90 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, whichever occurs first.

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
(i) Inventories at cost				
Real estate for resale	–	–	1,269	–
Stores and materials	281	–	406	–
Total inventories at cost	281	–	1,675	–
Total inventories	281	–	1,675	–

(i) Other disclosures

	Notes	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
(a) Details for real estate development					
Residential		–	–	1,269	–
Total real estate for resale		–	–	1,269	–
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		–	–	1,269	–
Total costs		–	–	1,269	–
Total real estate for resale		–	–	1,269	–
Movements:					
Real estate assets at beginning of the year		1,269	–	1,393	–
– Purchases and other costs		(1,114)	–	224	–
– WDV of sales (expense)	B4-1	(155)	–	(348)	–
Total real estate for resale		–	–	1,269	–

(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;

	2023 \$ '000	2022 \$ '000
Real estate for resale	–	839
	–	839

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.

C1-5 Inventories (continued)

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 Non-current assets classified as held for sale

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Non-current assets held for sale				
Land	1,114	—	—	—
Total non-current assets held for sale	1,114	—	—	—
Total non-current assets classified as held for sale	1,114	—	—	—

Accounting policy

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as assets arising from employee benefits; financial assets; and investment properties that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

C1-7 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	Disposal Gross	Depreciation expense	WIP transfers	Disposal Depreciation	Tfrs from/(to) IPPE classes & investment properties	Revaluation increments/ (decrements) to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	27,222	–	27,222	828	5,562	–	–	(22,169)	–	–	–	11,441	–	11,441
Plant and equipment	19,073	(12,636)	6,437	508	1,276	(618)	(1,366)	–	546	–	–	20,246	(13,467)	6,779
Office equipment	3,749	(3,160)	589	–	156	–	(162)	–	–	–	–	3,904	(3,322)	582
Furniture and fittings	1,240	(788)	452	–	28	–	(95)	–	–	–	–	1,270	(882)	388
Land:														
– Operational land	10,241	–	10,241	–	–	–	–	–	–	–	4,667	14,909	–	14,909
– Community land	13,541	–	13,541	–	632	(450)	–	–	–	(1,922)	4,360	16,161	–	16,161
Land improvements – depreciable	4,606	(1,211)	3,395	49	3,277	–	(97)	–	–	1,922	320	10,174	(1,308)	8,866
Infrastructure:														
– Buildings – non-specialised	97	–	97	–	–	–	–	–	–	–	–	97	–	97
– Buildings – specialised	84,681	(31,167)	53,514	554	993	–	(1,884)	16,333	–	6,480	3,363	115,465	(36,107)	79,358
– Other structures	19,441	(4,615)	14,826	51	1,719	–	(498)	–	–	–	1,280	22,455	(5,069)	17,386
– Roads	438,701	(86,896)	351,805	3,595	4,496	(700)	(4,625)	3,972	310	–	27,581	476,048	(89,614)	386,434
– Bridges	72,289	(8,891)	63,398	210	372	(255)	(479)	1,864	68	–	4,691	80,073	(10,205)	69,868
– Footpaths	23,214	(8,237)	14,977	147	1,042	(61)	(423)	–	7	–	1,770	26,804	(9,346)	17,458
– Stormwater drainage	87,541	(26,190)	61,351	965	1,244	(6)	(850)	–	3	–	6,266	96,010	(27,039)	68,971
– Water supply network	99,541	(45,522)	54,019	1,678	359	–	(1,985)	–	–	–	7,674	109,253	(47,509)	61,744
– Sewerage network	125,021	(32,641)	92,380	971	227	–	(2,191)	–	–	–	9,638	135,853	(34,827)	101,026
Other assets:														
– Heritage collections	5,457	–	5,457	–	72	–	–	–	–	–	–	5,529	–	5,529
– Other	1,503	(1,391)	112	–	68	(17)	(60)	–	16	–	–	1,553	(1,435)	118
Reinstatement, rehabilitation and restoration assets (refer Note 15):														
– Tip assets	5,334	(2,028)	3,306	–	–	–	(236)	–	–	–	6,844	12,568	(2,654)	9,914
Total infrastructure, property, plant and equipment	1,042,492	(265,373)	777,119	9,556	21,523	(2,107)	(14,951)	–	950	6,480	78,454	1,159,813	(282,784)	877,029

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

C1-7 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	Tfrs from/(to) 'held for sale' category	Revaluation increments/ (decrements) to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	10,993	–	10,993	4,379	13,410	–	–	(1,560)	–	–	27,222	–	27,222
Plant and equipment	17,553	(12,245)	5,308	235	2,164	(101)	(1,173)	–	–	–	19,073	(12,636)	6,437
Office equipment	3,731	(2,966)	765	–	38	–	(214)	–	–	–	3,749	(3,160)	589
Furniture and fittings	1,958	(1,197)	761	–	141	(327)	(123)	–	–	–	1,240	(788)	452
Land:													
– Operational land	9,339	–	9,339	–	218	(661)	–	–	52	1,293	10,241	–	10,241
– Community land	11,606	–	11,606	114	91	–	–	–	–	1,729	13,541	–	13,541
Land improvements – depreciable	4,331	(1,115)	3,216	38	–	–	(97)	–	–	239	4,606	(1,211)	3,395
Infrastructure:													
– Buildings – non-specialised	97	–	97	–	–	–	–	–	–	–	97	–	97
– Buildings – specialised	77,781	(32,109)	45,672	29	848	(2,186)	(1,998)	–	–	11,148	84,681	(31,167)	53,514
– Other structures	17,660	(4,081)	13,579	298	407	–	(488)	93	–	937	19,441	(4,615)	14,826
– Roads	387,678	(81,911)	305,767	347	4,800	(2,074)	(4,478)	1,467	–	45,976	438,701	(86,896)	351,805
– Bridges	65,888	(9,334)	56,554	166	–	–	(460)	–	–	7,138	72,289	(8,891)	63,398
– Footpaths	20,573	(8,599)	11,974	210	508	(15)	(405)	–	–	2,705	23,214	(8,237)	14,977
– Stormwater drainage	75,153	(25,578)	49,575	931	1,907	(283)	(803)	–	–	10,026	87,541	(26,190)	61,351
– Water supply network	111,526	(53,004)	58,522	1,238	466	–	(1,830)	–	–	(4,377)	99,541	(45,522)	54,019
– Sewerage network	122,939	(40,027)	82,912	831	501	–	(2,100)	–	–	10,236	125,021	(32,641)	92,380
Other assets:													
– Heritage collections	4,835	–	4,835	–	74	–	–	–	–	548	5,457	–	5,457
– Other	1,434	(1,339)	95	70	–	–	(53)	–	–	–	1,503	(1,391)	112
Reinstatement, rehabilitation and restoration assets (refer Note 15):													
– Tip assets	5,110	(2,051)	3,059	–	–	–	(23)	–	–	270	5,334	(2,028)	3,306
Total infrastructure, property, plant and equipment	950,185	(275,556)	674,629	8,886	25,573	(5,647)	(14,245)	–	52	87,868	1,042,492	(265,373)	777,119

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

C1-7 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.

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 in accordance with AASB 1051 Land Under Roads.

C1-7 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.

Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to C3-2.

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.

C1-8 Investment properties

	2023 \$ '000	2022 \$ '000
Owned investment property		
Investment property on hand at fair value	66,807	71,720
Total owned investment property	66,807	71,720
Owned investment property		
Reconciliation of annual movement:		
Opening balance at 1 July	71,720	61,984
Acquisitions	997	—
Capitalised subsequent expenditure	348	—
Net gain/(loss) from fair value adjustments	222	8,963
Other movements	—	773
Transfer from/(to) infrastructure (C1-8)	(6,480)	—
Closing balance at 30 June	66,807	71,720

Accounting policy

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

C1-9 Other

Other assets

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Prepayments	196	—	314	—
Total other assets	196	—	314	—

C1-9 Other (continued)

Current other assets 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;

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Total externally restricted assets	—	—	—	—
Total internally restricted assets	—	—	—	—
Total unrestricted assets	196	—	314	—
Total other assets	196	—	314	—

C2 Leasing activities

C2-1 Council as a lessor

Operating leases

	2023 \$ '000	2022 \$ '000
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(i) Assets held as investment property

Council holds a range of commercial and educational properties for generating income.

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

Lease income (excluding variable lease payments not dependent on an index or rate)	6,123	6,105
Total income relating to operating leases for investment property assets	6,123	6,105

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

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Goods and services – operating expenditure	1,401	–	1,069	–
Goods and services – capital expenditure	1,133	–	2,871	–
Security bonds, deposits and retentions	5,468	–	4,442	–
Prepaid rates	563	–	521	–
Other	11	–	11	–
Prepaid Water Charges	184	–	213	–
Prepaid Debtors	109	–	118	–
Total payables	8,869	–	9,245	–

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

	2023 \$ '000	2022 \$ '000
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	3,094	–
Total payables	3,094	–

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

These amounts represent liabilities for goods and services provided to the 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

		2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
	Notes				
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	12,325	–	3,748	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	519	–	628	–
Total grants received in advance		12,844	–	4,376	–
Total contract liabilities		12,844	–	4,376	–

Notes

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

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

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

	2023 \$ '000	2022 \$ '000
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	2,547	4,104
Operating grants (received prior to performance obligation being satisfied)	340	268
Total revenue recognised that was included in the contract liability balance at the beginning of the period	2,887	4,372

Significant changes in contract liabilities

The increase in a contract liability is primarily due to grants in the scope of AASB 15 and 1058(16), where funds have been received prior to performance obligations being satisfied or related asset construction/acquisition occurring.

Accounting policy

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

C3-3 Borrowings

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Loans – secured ¹	6,588	50,720	6,055	57,313
Total borrowings	6,588	50,720	6,055	57,313

(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.

Borrowings relating to restricted assets

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Externally restricted assets				
Water	277	–	375	278
Sewer	778	13,387	743	14,166
Borrowings relating to externally restricted assets	1,055	13,387	1,118	14,444
Total borrowings relating to restricted assets	1,055	13,387	1,118	14,444
Total borrowings relating to unrestricted assets	5,533	37,333	4,937	42,869
Total borrowings	6,588	50,720	6,055	57,313

(a) Changes in liabilities arising from financing activities

	2022	Non-cash movements					2023
	Opening Balance \$ '000	Cash flows \$ '000	Acquisitions \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	63,368	(6,060)	–	–	–	–	57,308
Total liabilities from financing activities	63,368	(6,060)	–	–	–	–	57,308

	2021	Non-cash movements					2022
	Opening Balance \$ '000	Cash flows \$ '000	Acquisitions \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	68,022	(7,201)	2,500	47	–	–	63,368
Total liabilities from financing activities	68,022	(7,201)	2,500	47	–	–	63,368

(b) Financing arrangements

	2023 \$ '000	2022 \$ '000
Total facilities		
Bank overdraft facilities ¹	750	750

C3-3 Borrowings (continued)

	2023 \$ '000	2022 \$ '000
Credit cards/purchase cards	62	62
Total financing arrangements	812	812

C3-3 Borrowings (continued)

	2023 \$ '000	2022 \$ '000
Undrawn facilities		
– Bank overdraft facilities	750	750
– Credit cards/purchase cards	62	62
Total undrawn financing arrangements	812	812

Additional financing arrangements information

Breaches and defaults

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

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

Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest 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. In this case, the fee is deferred until the drawdown occurs.

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 finance cost.

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

C3-4 Employee benefit provisions

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Annual leave	1,370	–	1,281	–
Long service leave	1,578	323	1,620	332
Other leave	57	–	64	–
Total employee benefit provisions	3,005	323	2,965	332

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

	2023 \$ '000	2022 \$ '000
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The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

Provisions – employees benefits	2,276	2,270
	2,276	2,270

C3-4 Employee benefit provisions (continued)

Description of and movements in provisions

	ELE provisions			Total \$ '000
	Annual leave \$ '000	Long service leave \$ '000	Other employee benefits \$ '000	
2023				
At beginning of year	1,281	1,952	64	3,297
Additional provisions	1,123	312	–	1,435
Amounts used (payments)	(1,034)	(363)	–	(1,397)
Other	–	–	(7)	(7)
Total ELE provisions at end of year	1,370	1,901	57	3,328
2022				
At beginning of year	1,247	2,037	54	3,338
Additional provisions	962	171	–	1,133
Amounts used (payments)	(928)	(256)	–	(1,184)
Other	–	–	10	10
Total ELE provisions at end of year	1,281	1,952	64	3,297

Accounting policy

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.

The obligations are presented as current liabilities in the Statement of Financial Position if the 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.

C3-5 Provisions

	2023 Current \$ '000	2023 Non-Current \$ '000	2022 Current \$ '000	2022 Non-Current \$ '000
Other provisions				
Legal Provisions	1,000	–	1,000	–
Sub-total – other provisions	1,000	–	1,000	–
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	9,770	–	9,360
Sub-total – asset remediation/restoration	–	9,770	–	9,360
Total provisions	1,000	9,770	1,000	9,360

Description of and movements in provisions

	Other provisions		
	Asset remediation \$ '000	Legal \$ '000	Total \$ '000
2023			
At beginning of year	9,360	1,000	10,360
Unwinding of discount for remediation	410	–	410
Total other provisions at end of year	9,770	1,000	10,770
2022			
At beginning of year	9,195	–	9,195
Additional provisions	165	1,000	1,165
Total other provisions at end of year	9,360	1,000	10,360

Nature and purpose of provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarry.

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 interest expense.

Asset remediation – tips and quarries

Restoration

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

C3-5 Provisions (continued)

Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date, and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process, and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

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

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

Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Self-insurance

Council has decided to self-insure for various risks, including public liability, workers compensation and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note C1-3.

Legal

Legal provisions represent an estimate of potential expenses related to previous litigation.

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

	General 2023 \$ '000	Water 2023 \$ '000	Sewer 2023 \$ '000
Income from continuing operations			
Rates and annual charges	22,709	1,896	4,731
User charges and fees	10,686	3,514	810
Interest and investment revenue	1,705	576	182
Other revenues	430	367	398
Grants and contributions provided for operating purposes	10,758	47	41
Grants and contributions provided for capital purposes	17,141	1,374	880
Other income	6,977	–	–
Total income from continuing operations	70,406	7,774	7,042
Expenses from continuing operations			
Employee benefits and on-costs	13,962	1,301	743
Materials and services	19,866	2,697	1,595
Borrowing costs	1,259	37	664
Depreciation, amortisation and impairment of non-financial assets	10,654	2,045	2,252
Other expenses	1,569	472	715
Net losses from the disposal of assets	101	–	–
Total expenses from continuing operations	47,411	6,552	5,969
Operating result from continuing operations	22,995	1,222	1,073
Net operating result for the year	22,995	1,222	1,073
Net operating result attributable to each council fund	22,995	1,222	1,073
Net operating result for the year before grants and contributions provided for capital purposes	5,854	(152)	193

D1-2 Statement of Financial Position by fund

	General 2023 \$ '000	Water 2023 \$ '000	Sewer 2023 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	7,856	–	–
Investments	22,965	6,494	3,041
Receivables	3,424	1,991	1,545
Inventories	280	1	–
Other	196	–	–
Non-current assets classified as held for sale	1,114	–	–
Total current assets	35,835	8,486	4,586
Non-current assets			
Investments	23,863	6,748	3,161
Receivables	(994)	994	–
Infrastructure, property, plant and equipment	708,753	64,313	103,963
Investment property	66,807	–	–
Total non-current assets	798,429	72,055	107,124
Total assets	834,264	80,541	111,710
LIABILITIES			
Current liabilities			
Payables	8,198	306	365
Contract liabilities	12,844	–	–
Borrowings	5,533	277	778
Employee benefit provision	2,684	233	88
Provisions	1,000	–	–
Total current liabilities	30,259	816	1,231
Non-current liabilities			
Borrowings	37,333	–	13,387
Employee benefit provision	323	–	–
Provisions	9,770	–	–
Total non-current liabilities	47,426	–	13,387
Total liabilities	77,685	816	14,618
Net assets	756,579	79,725	97,092
EQUITY			
Accumulated surplus	344,219	40,735	56,065
Revaluation reserves	412,360	38,990	41,027
Council equity interest	756,579	79,725	97,092
Total equity	756,579	79,725	97,092

D1-3 Details of internal loans

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

Details of individual internal loans	Council ID / Ref
Borrower (by purpose)	General Fund
Lender (by purpose)	Water Fund
Date of Minister's approval	17/06/2010
Date raised	30/06/2010
Term years	25 Years
Dates of maturity	30/06/2035
Rate of interest (%)	6%
Amount originally raised (\$'000)	1,750

D2 Interests in other entities

D2-1 Interests in joint arrangements

Summarised financial information for joint ventures

Summarised financial information for individually immaterial joint ventures

Council is a member of the Upper Hunter Weeds Authority Council, a body corporate established under the Local Government Act 1993 (NSW) to the control of Noxious Weeds. Council is one of three constituent members and does not control the County Council. Accordingly, the County Council has not been consolidated in the financial statements.

Council is of the opinion that it does not control the above county council/s and accordingly these entities have not been consolidated or otherwise included within these financial statements.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

	Carrying value 2023 \$ '000	Carrying value 2022 \$ '000	Fair value 2023 \$ '000	Fair value 2022 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	7,856	8,823	7,856	8,823
Receivables	6,578	6,648	6,675	6,648
Investments				
– Debt securities at amortised cost	66,272	54,265	66,817	54,265
Total financial assets	80,706	69,736	81,348	69,736
Financial liabilities				
Payables	8,013	9,245	7,987	9,245
Loans/advances	57,308	63,368	57,308	63,368
Total financial liabilities	65,321	72,613	65,295	72,613

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 held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt 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) **'available-for-sale'** – 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 it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

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

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

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

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

(a) Market risk – interest rate and price risk

	2023 \$ '000	2022 \$ '000
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	720	543
Impact of a 10% movement in price of investments		
– Equity / Income Statement	–	–

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

(b) Credit risk

Credit risk profile

Receivables – rates and annual charges

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

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

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

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

	Not yet overdue \$ '000	overdue rates and annual charges < 5 years \$ '000	≥ 5 years \$ '000	Total \$ '000
2023				
Gross carrying amount	–	2,058	223	2,281
2022				
Gross carrying amount	707	1,571	180	2,458

Receivables - non-rates and annual charges and contract assets

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

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

	Not yet overdue \$ '000	0 - 30 days \$ '000	Overdue debts 31 - 60 days \$ '000	61 - 90 days \$ '000	> 91 days \$ '000	Total \$ '000
2023						
Gross carrying amount	2,952	497	92	290	1,299	5,130
ECL provision	–	–	1	17	640	658
Expected loss rate (%)	0.00%	0.00%	1.30%	5.80%	49.30%	12.83%
2022						
Gross carrying amount	947	2,652	190	198	566	4,553
ECL provision	–	–	4	13	283	300
Expected loss rate (%)	0.00%	0.00%	2.00%	6.50%	50.00%	6.58%

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

(c) Liquidity risk

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

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in: ≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
2023							
Payables	0.00%	5,468	–	–	–	5,468	8,869
Loans and advances – fixed	3.08%	–	4,797	19,175	33,336	57,308	57,308
Total financial liabilities		5,468	4,797	19,175	33,336	62,776	66,177
2022							
Payables	0.00%	4,442	–	–	–	4,442	9,245
Loans and advances – fixed	0.00%	–	–	–	–	–	63,368
Total financial liabilities		4,442	–	–	–	4,442	72,613

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.
- Investment Property.
- Financial Assets.

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

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

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

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

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

Fair value measurement hierarchy							
\$ '000	Notes	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022	2023	2022	2023	2022
Financial assets							
Other financial assets		66,272	54,265	–	–	66,272	54,265
Total financial assets		66,272	54,265	–	–	66,272	54,265
Investment property							
Investment Properties	C1-8	66,798	71,720	–	–	66,798	71,720
Total investment property		66,798	71,720	–	–	66,798	71,720
Infrastructure, property, plant and equipment							
Operational Land	C1-7	14,909	10,241	–	–	14,909	10,241
Community Land		–	–	16,161	13,541	16,161	13,541
Depreciable Land Improvements		–	–	8,866	3,395	8,866	3,395
Buildings – Non-Specialised		–	–	97	97	97	97
Buildings – Specialised		–	–	79,358	53,514	79,358	53,514
Other Structures		–	–	17,386	14,826	17,386	14,826
Roads		–	–	386,434	351,805	386,434	351,805
Bridges		–	–	69,868	63,398	69,868	63,398
Footpaths		–	–	17,458	14,977	17,458	14,977
Stormwater Drainage		–	–	68,971	61,351	68,971	61,351
Water Supply Network		–	–	61,744	54,019	61,744	54,019
Sewerage Network		–	–	101,026	92,380	101,026	92,380
Heritage Collections		–	–	5,529	5,457	5,529	5,457
Other		–	–	118	112	118	112
Tip Asset		–	–	9,914	–	9,914	–
Total infrastructure, property, plant and equipment		14,909	10,241	850,679	736,350	865,588	746,591

E2-1 Fair value measurement (continued)

Valuation techniques

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

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

Investment property

The key unobservable input is the estimated lease returns in which the valuations are based.

The fair value is determined by an independent local real estate agent with the appropriate level of experience and a solid understanding of the market for local properties of this type. There has been no change to the valuation process during the reporting period.

Infrastructure, property, plant and equipment (IPPE)

Plant and Equipment, Office Equipment and Furniture and Fittings.

Plant and Equipment, Office Equipment and Furniture and Fittings are valued at cost and this is disclosed as the fair value in the Notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

The key unobservable inputs into the valuation are the remaining useful life and any residual value. Council reviews the value of these assets by taking into account the pattern of consumption, estimated remaining useful life and any residual value. There has been no change to the valuation process during the reporting period.

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The last valuation was undertaken at 30 June 2023 and was performed by Asset Val.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as 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, the remaining useful life and condition of the asset; and cash flows 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 the Unimproved Capital Value as provided by the Valuer-General. 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.

Depreciable Land Improvements.

This asset class comprises land improvements such as spectator mounds, swales, berms, gardens, mulched areas, streetscaping and landscaping. These assets may be located on parks, reserves and also within road reserves. 'Land Improvements' were valued in-house using the replacement cost approach by experienced Council Engineers and Asset Management Staff.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. 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.

Buildings - Non specialised and Specialised.

Buildings were valued by Asset Val in June 2023 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, inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

E2-1 Fair value measurement (continued)

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

Other Structures.

This asset class comprises infrastructure such as dog leash free areas, ancillary waste facilities, fences, carpark and skateparks.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. 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, Bridges and Footpaths

This asset class comprises infrastructure including the Road Carriageway, Footpaths, Guardrails, Kerb and Gutter, Retaining walls, Bridges and Traffic facilities. 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 infrastructure within this class. APV performed the valuation as at 30 June 2020.

Drainage Infrastructure

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 Office of Local Government Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

APV performed the valuation as at 30 June 2020.

Water Supply and Sewerage Network

Assets within these classes include the mains, pump stations, access pits, reservoirs and treatment plants which enable the treatment and reticulation of potable water and the collection and treatment of waste water. Mains are valued in accordance with the NSW Reference Rates Manual issued by the NSW Office of Water, which is based on extensive data collected in relation to expected replacement cost of water and sewer mains. All other items are valued in accordance with their replacement cost. Valuations are undertaken externally. Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

Heritage Assets

Assets within this class comprise of Council's Art Collection. The collection is independently valued with the most recent valuation being completed in 2022.

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

	Fair value (30/6/23) 2023 \$ '000	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Operational Land	14,909	Market Approach	Land Value, Land area.
Community Land	16,161	NSW Valuer General Land Valuation.	Land Value, Land area.
Depreciable land improvements	8,866	Cost Approach	Current Replacement Cost. Asset Condition. Remaining Useful Life.
Buildings non-specialised	97	External Valuation	Current Replacement Cost. Remaining Useful Life. Asset Condition.
Building specialised	79,358	External Valuation	Current Replacement Cost. Remaining Useful Life. Asset Condition.
Other structures	17,386	Cost Approach	Current Replacement Cost. Remaining Useful Life. Asset Condition.
Roads	386,434	Cost Approach	Current Replacement Cost.
Bridges	69,868	Cost Approach	Current Replacement Cost.
Footpaths	17,458	Cost Approach	Current Replacement Cost.
Stormwater drainage	68,971	Cost Approach	Current Replacement Cost.
Water supply network	61,744	Cost Approach	Current Replacement Cost.
Sewerage network	101,026	Cost Approach	Current Replacement Cost.
Other minor classes	5,647	Cost Approach	Current Replacement Cost.
Tip Asset	9,914	Cost or External Valuation	Current Replacement Cost.

E2-1 Fair value measurement (continued)

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

	Operational Land		Community Land		Depreciable land improv- ements		Buildings non- specialised	
	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000
Opening balance	10,241	9,339	13,541	11,606	3,395	3,216	97	97
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	—	52	(1,922)	—	1,922	—	—	—
Purchases (GBV)	—	218	632	206	3,326	38	—	—
Disposals (WDV)	—	(661)	(450)	—	—	—	—	—
Depreciation and impairment	—	—	—	—	(97)	(97)	—	—
Revaluation Increments	4,668	1,293	4,360	1,729	320	238	—	—
Closing balance	14,909	10,241	16,161	13,541	8,866	3,395	97	97

	Building specialised		Other structures		Roads		Bridges	
	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000
Opening balance	53,514	45,672	14,826	13,579	351,805	305,767	63,398	56,554
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	6,480	—	—	—	—	—	—	—
Purchases (GBV)	1,552	877	1,778	705	8,091	5,147	581	166
Disposals (WDV)	—	(2,186)	—	—	(390)	(2,074)	(187)	—
Depreciation and impairment	(1,884)	(1,998)	(498)	(488)	(4,625)	(4,478)	(479)	(460)
Revaluation Increments	3,363	11,149	1,280	937	27,581	45,976	4,691	7,138
Work in progress transfers	16,333	—	—	93	3,972	1,467	1,864	—
Closing balance	79,358	53,514	17,386	14,826	386,434	351,805	69,868	63,398

E2-1 Fair value measurement (continued)

	Footpaths		Stormwater drainage		Water supply network		Sewerage network	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Opening balance	14,977	11,974	61,351	49,575	54,019	58,522	92,380	82,912
Total gains or losses for the period								
Other movements								
Purchases (GBV)	1,188	718	2,207	2,837	2,036	1,704	1,199	1,332
Disposals (WDV)	(54)	(15)	(3)	(283)	—	—	—	—
Depreciation and impairment	(423)	(405)	(850)	(803)	(1,985)	(1,830)	(2,191)	(2,100)
Revaluation Increments	—	2,705	6,266	10,025	7,674	(4,377)	9,638	10,236
Work in progress transfers	1,770	—	—	—	—	—	—	—
Closing balance	17,458	14,977	68,971	61,351	61,744	54,019	101,026	92,380

	Other minor classes		Tip asset		Total	
	2023	2022	2023	2022	2023	2022
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Opening balance	5,569	4,930	3,306	—	749,897	660,578
Transfers from/(to) another asset class	—	—	—	—	6,480	52
Purchases (GBV)	139	144	—	—	22,729	16,673
Disposals (WDV)	(1)	—	—	—	(1,085)	(5,647)
Depreciation and impairment	(60)	(53)	(236)	—	(13,328)	(14,222)
Revaluation Increments	—	548	6,844	—	76,685	87,597
Work in progress transfers	—	—	—	—	23,939	1,560
Closing balance	5,647	5,569	9,914	—	865,317	746,591

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

AASB119 accounting observations

We believe that the Pooled Employers sub-group can be considered a defined benefit multi-employer plan, as defined by the Standard (see Appendix), 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). As such we do not believe that there is sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single sponsored defined benefit plan.

As a result, we believe that each sponsoring employer should account for the subgroup under paragraph 34 of the standard and in particular the additional disclosure requirements set out in paragraph 148 apply (see Appendix).

Disclosure items under paragraph 148

We have set out below the disclosure requirements under paragraph 148 of the Standard for each sponsoring employer. These disclosure requirements should be verified with the sponsoring employer's relevant auditors.

a) Description of the funding arrangements, including the method used to determine the entity's rate of contributions and any minimum funding requirements.

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

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

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

* For 180 Point Members, Employers are required to contribute 8.0% of salaries for the year ending 30 June 2023 (increasing to 8.5% in line with the increase in the Superannuation Guarantee) to these member's accumulation accounts, which are paid in addition to member's defined benefits.

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

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

b) a description of the extent to which the entity can be liable to the plan for other entities obligations under the terms and conditions of the multi-employer plan

E3-1 Contingencies (continued)

As stated above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

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

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

i) wind-up of the plan

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

ii) the entity's withdrawal from the plan

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

d) Given the entity accounts for that plan as if it were a defined contribution plan in accordance with paragraph 34, the following information;

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

we confirm the plan is a defined benefit plan.

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

See earlier section on "AASB119 accounting observations".

iii) the expected contributions to the plan for the next annual reporting period.

Council's expected contribution to the plan for the next annual reporting period is \$72,948.

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 the entity.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2023 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	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	6.0% per annum for FY 22/23 2.5% 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 the entity in the plan compared with other participating entities.

An employer's part service contribution per annum \$44,867.40 as a percentage of the total past service contributions for all Pooled Employers (\$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.

E3-1 Contingencies (continued)

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 \$68,308.16. The last valuation of the Fund was undertaken by the Fund Actuary, Mr Richard Boyfield, FIAA as at 30 June 2022.

(ii) Statewide Limited

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

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

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

An indication of the level of participation of the entity in the plan compared with other participating entities.

An employer's past service contribution per annum 0.19% as a percentage of the total past service contributions for all Pooled Employers (of \$40m for each year from 1 July 2019 to 31 December 2021 and \$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.

(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 no other guarantees other than those listed above.

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

(iii) Legal Contingencies

Council is engaged in ongoing litigation. At reporting date, the amount and timing of any associated potential outflows could not be reliably estimated.

E3-1 Contingencies (continued)

Council is also involved in two contract claim discussions. Council believes the claims are unsubstantiated and is vigorously defending its position. MSC also has counterclaims against both of the parties. Legal advice indicates Council's case in both matters are strong. However, due to the inherent uncertainties associated with the disputes, the outcomes cannot be predicted with certainty and the timing and amounts of potential outflows cannot be reliably estimated.

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.

Related Assets and Liabilities Not Recognised

As a result of the Thomas Mitchell Drive Contribution Study and the planning and approval conditions related to that Council has an obligation to undertake road works on Thomas Mitchell Drive. These take the form of a completion of upgrading works, two reseals and rehabilitation. The reseals are planned for around 2023 and 2031 and the rehabilitation between 2035 and 2040.

The costs of these works is estimated at \$9.74M in 2013 dollars. As the works are undertaken, coal mines deemed to be the major contributors to the need for the works are required to make monetary contribution toward the works. In total, these mines are required to pay 39.1% of the actual cost of the works.

As the works are completed the effected coal mines will be invoiced for their contributions based upon the costs of the work and their assessed impact on Thomas Mitchell Drive.

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:

	2023 \$ '000	2022 \$ '000
Compensation:		
Short-term benefits	1,206	1,115
Post-employment benefits	161	127
Other long-term benefits	264	27
Total	1,631	1,269

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

Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of KMP using Council services (e.g. access to library or Council swimming pool) will not be disclosed.

Nature of the transaction	Transactions during the year \$ '000	Outstanding balances including commitments \$ '000	Terms and conditions	Impairment provision on outstanding balances \$ '000	Impairment expense \$ '000
2023					
Upper Hunter Weeds Authority – Contribution	103	–	Annually	–	–
Contribution from Upper Hunter Weeds Authority	16	5	Annually	–	–
Local Government Training Institute – Training Services	19	–	7 days	–	–
FYFE Survey	38	4	30 days	–	–
2022					
Upper Hunter Weeds Authority – Contribution	104	–	Annually	–	–
Contribution from Upper Hunter Weeds Authority	16	–	Annually	–	–
Local Government Training Institute – Training Services	5	–	7 days	–	–
FYFE Survey	25	–	30 days	–	–

F1-2 Councillor and Mayoral fees and associated expenses

	2023	2022
	\$ '000	\$ '000

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

Mayoral fee	28	24
Councillors' fees	152	126
Other Councillors' expenses (including Mayor)	26	20
Total	206	170

F2 Other relationships

F2-1 Audit fees

	2023 \$ '000	2022 \$ '000
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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

	181	82
Remuneration for audit and other assurance services	181	82

Total Auditor-General remuneration

	181	82
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Non NSW Auditor-General audit firms

(i) Audit and other assurance services

– Other audit and assurance services: Internal Auditor

	12	2
Remuneration for audit and other assurance services	12	2

Total remuneration of non NSW Auditor-General audit firms

	12	2
--	----	---

Total audit fees

	193	84
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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

	2023 \$ '000	2022 \$ '000
Net operating result from Income Statement	25,290	25,262
Add / (less) non-cash items:		
Depreciation and amortisation	14,951	14,245
(Gain) / loss on disposal of assets	101	4,603
Non-cash capital grants and contributions	(3,404)	(3,622)
Reversal of prior year IPP&E revaluation decrements / impairment previously costed direct to the P&L	(266)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	–	158
– Investment property	(222)	(8,963)
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(400)	1,282
Increase / (decrease) in provision for impairment of receivables	88	300
(Increase) / decrease of inventories	125	(138)
(Increase) / decrease of other current assets	118	(64)
Increase / (decrease) in payables	332	(735)
Increase / (decrease) in other liabilities	1,030	220
Increase / (decrease) in contract liabilities	8,468	(594)
Increase / (decrease) in employee benefit provision	31	(41)
Increase / (decrease) in other provisions	410	1,165
Net cash flows from operating activities	46,652	33,078

G2-1 Commitments

Capital commitments (exclusive of GST)

	2023 \$ '000	2022 \$ '000
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Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Buildings	8,301	10,774
Plant and equipment	1,607	1,315
Road Infrastructure	5,370	8,363
Land	19	3,128
Sewerage Infrastructure	1,999	182
Land Improvements	6,271	7,186
Water Infrastructure	1,588	1,100
Other	276	391
Stormwater Drainage	615	1,012
Other Structures	4,144	1,439
Total commitments	30,190	34,890

Within the next year	30,190	34,890
Total payable	30,190	34,890

Future grants and contributions	9,902	17,665
Unexpended grants	8,337	3,418
Externally restricted reserves	6,210	4,078
Internally restricted reserves	4,130	5,126
Unexpended loans	30	1,984
New loans (to be raised)	1,581	2,619
Total sources of funding	30,190	34,890

Details of capital commitments

Projects that have not been completed in the 2022/23 financial year but have capital commitments.

G3-1 Events occurring after the reporting date

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

G4 Statement of developer contributions as at 30 June 2023

G4-1 Summary of developer contributions

	Opening balance at 1 July 2022 \$ '000	Contributions received during the year			Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2023 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000					
Drainage	172	76	—	—	8	—	—	256	—
Roads	462	296	—	—	25	(242)	—	541	—
Parking	2	—	—	—	—	—	—	2	—
Open space	262	3	—	—	9	—	—	274	—
Community facilities	16	—	—	—	—	—	—	16	—
Tourism	38	—	—	—	1	—	—	39	—
Bushfire	131	9	—	—	5	—	—	145	—
Social Infrastructure	52	187	—	—	8	—	—	247	—
S7.11 contributions – under a plan	1,135	571	—	—	56	(242)	—	1,520	—
S7.12 levies – under a plan	174	71	—	—	8	—	—	253	—
Total S7.11 and S7.12 revenue under plans	1,309	642	—	—	64	(242)	—	1,773	—
S7.11 not under plans	3,370	2,173	—	—	—	(2,872)	—	2,671	—
S64 contributions	11,190	1,434	—	—	408	(55)	—	12,977	—
Total contributions	15,869	4,249	—	—	472	(3,169)	—	17,421	—

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

	Opening balance at 1 July 2022 \$ '000	Contributions received during the year			Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2023 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000					
CONTRIBUTION PLAN									
Drainage	172	76	—	—	8	—	—	256	—
Roads	462	296	—	—	25	(242)	—	541	—
Parking	2	—	—	—	—	—	—	2	—
Open space	262	3	—	—	9	—	—	274	—
Community facilities	16	—	—	—	—	—	—	16	—
Tourism	38	—	—	—	1	—	—	39	—
Bushfire	131	9	—	—	5	—	—	145	—
Social Infrastructure	52	187	—	—	8	—	—	247	—
Total	1,135	571	—	—	56	(242)	—	1,520	—

S7.12 Levies – under a plan

CONTRIBUTION PLAN									
S94A Levies	174	71	—	—	8	—	—	253	—
Total	174	71	—	—	8	—	—	253	—

G4-3 Contributions not under plans

	Opening balance at 1 July 2022 \$ '000	Contributions received during the year			Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2023 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000					
VOLUNTARY PLANNING AGREEMENTS									
Community facilities	2,848	2,173	—	—	—	(2,872)	—	2,149	—
Recreation	361	—	—	—	—	—	—	361	—
Education	161	—	—	—	—	—	—	161	—
Environment	—	—	—	—	—	—	—	—	—
Total	3,370	2,173	—	—	—	(2,872)	—	2,671	—

G4-4 S64 contributions

S64 contributions

Water	7,671	781	—	—	273	—	—	8,725	—
Sewer	3,520	652	—	—	135	(55)	—	4,252	—
Total	11,191	1,433	—	—	408	(55)	—	12,977	—

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022 2021		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	6,218	9.48%	8.34%	9.96%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	65,605				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	54,759	64.42%	63.53%	64.35%	> 60.00%
Total continuing operating revenue ¹	85,000				
3. Unrestricted current ratio					
Current assets less all external restrictions	40,351	1.66x	1.98x	2.17x	> 1.50x
Current liabilities less specific purpose liabilities	24,353				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	23,129	2.88x	3.20x	2.43x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	8,020				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	2,281	7.15%	7.70%	10.05%	< 10.00%
Rates and annual charges collectable	31,919				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	41,356	9.97	9.65	7.98	> 3.00
Monthly payments from cash flow of operating and financing activities	4,149	months	months	months	months

(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}	11.65%	12.34%	(2.38)%	(18.01)%	3.13%	0.41%	> 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	60.25%	58.22%	81.72%	92.02%	86.92%	91.42%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	1.66x	1.98x	10.40x	11.53x	3.73x	4.52x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2.47x	2.95x	52.16x	16.25x	4.68x	4.13x	> 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	9.02%	9.53%	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	9.97 months	9.65 months	∞	∞	∞	∞	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

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

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

End of the audited financial statements



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Muswellbrook Shire Council

To the Councillors of the Muswellbrook Shire Council

Opinion

I have audited the accompanying financial statements of the Muswellbrook Shire Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2023 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

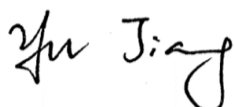
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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

A handwritten signature in black ink, appearing to read 'Yu Jiang'.

Reiky Jiang
Delegate of the Auditor-General for New South Wales

29 February 2024
SYDNEY



Cr Steven Reynolds
Mayor
Muswellbrook Shire Council
Campbell's Corner 60-82 Bridge St
MUSWELLBROOK NSW 2333

Contact: Reiky Jiang
Phone no: 02 9275 7281
Our ref: R008-16585809-50505/1765

29 February 2024

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2023 Muswellbrook Shire Council

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

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

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

INCOME STATEMENT

Operating result

	2023 \$m	2022* \$m	Variance %
Rates and annual charges revenue	29.3	28.7	2.1
Grants and contributions revenue	30.2	27.2	11.0
Operating result from continuing operations	25.3	25.3	-.0
Net operating result before capital grants and contributions	5.9	8.7	32.2

Rates and annual charges revenue (\$29.3 million) increased by \$0.6 million (or 2.1 per cent) in 2022–23 due to the rate peg increase of 2.5 per cent.

Grants and contributions revenue (\$30.2 million) increased by \$3.0 million (or 11.0 per cent) in 2022–23 due to:

- the increase of \$3.3 million of grants recognised for recreation and culture
- the increase of \$1.3 million of developer contributions recognised during the year
- the above are offset by a decrease in grants for economic development of \$2.5 million.

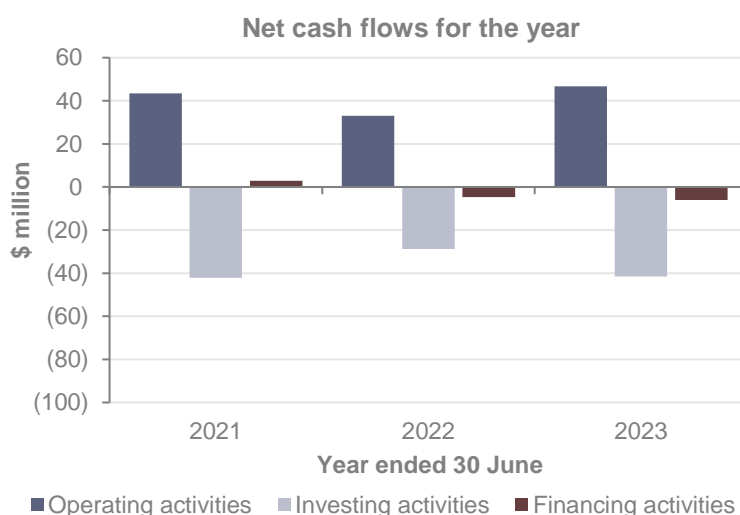
The Council's operating result from continuing operations (\$25.3 million including depreciation, amortisation and impairment expense of \$15.0 million) remained relatively stable.

The net operating result before capital grants and contributions (\$5.9 million) was \$2.8 million lower than the 2021–22 result. This was primarily due to an increase in grant and contribution revenue provided for capital purposes of \$2.9 million, while revenue and expenses remained relatively stable year-on-year.

STATEMENT OF CASH FLOWS

Cash balances decreased by \$1.0 million, mainly due to the:

- increase in grants and contribution receipts of \$13.9 million
- increases in outflows from investing activities of \$12.9 million and financing activities of \$1.4 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	74.1	63.1	Externally restricted balances comprise mainly of specific purpose unexpended grants - general fund, developer contributions, water and sewer funds.
Restricted and allocated cash, cash equivalents and investments:			The increase in externally restricted fund is mainly due to the increase in specific purpose unexpended grants - general fund of \$9.7 million.
• External restrictions	38.8	29.4	Internal allocations are determined by council policies or decisions, which are subject to change.
• Internal allocations	35.3	33.6	Significant internal restrictions include waste management centre of \$6.1 million, deposits, retentions and bonds of \$5.5 million and financial assistance grant of \$4.5 million.

Debt

At 30 June 2023, Council had:

- \$57.3 million in secured loans (\$63.4 million in 2021-22)
- \$750,000 in approved overdraft facility with \$nil drawn down
- \$62,000 in credit card facility with \$nil used.

PERFORMANCE

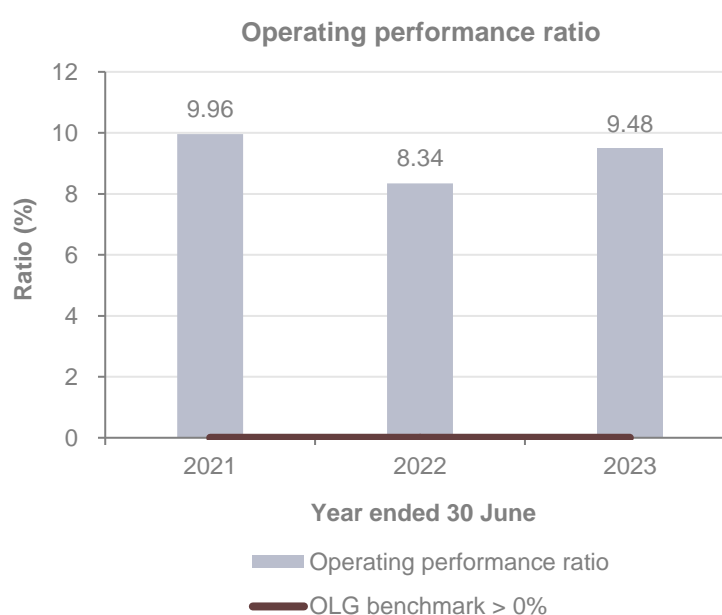
Performance measures

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

Operating performance ratio

The Council exceeded the benchmark for the current reporting period.

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



Own source operating revenue ratio

The Council met the benchmark for the current reporting period.

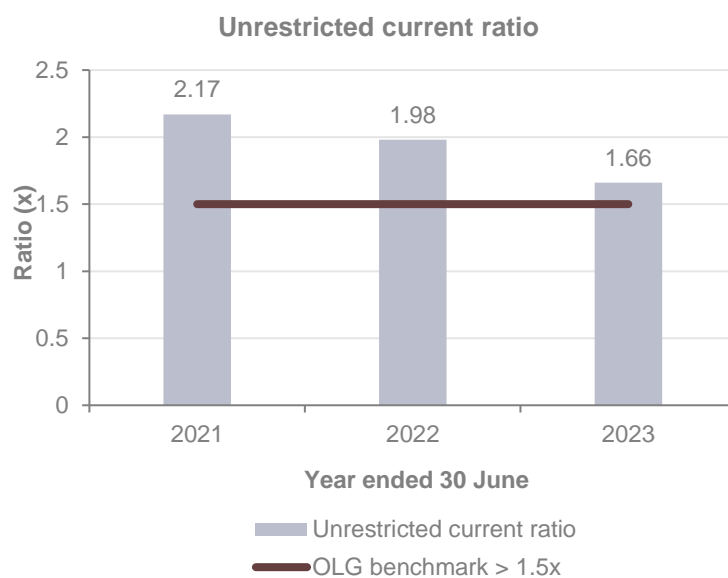
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

The Council met the benchmark for the current reporting period.

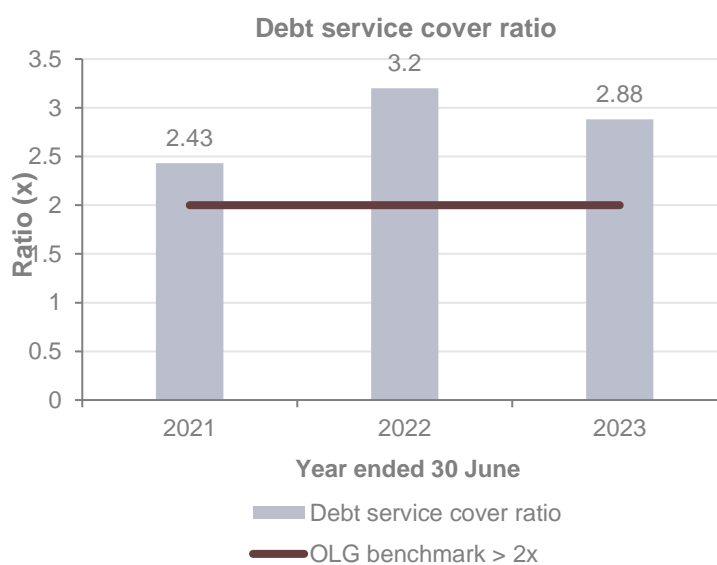
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

The Council met the benchmark for the current reporting period.

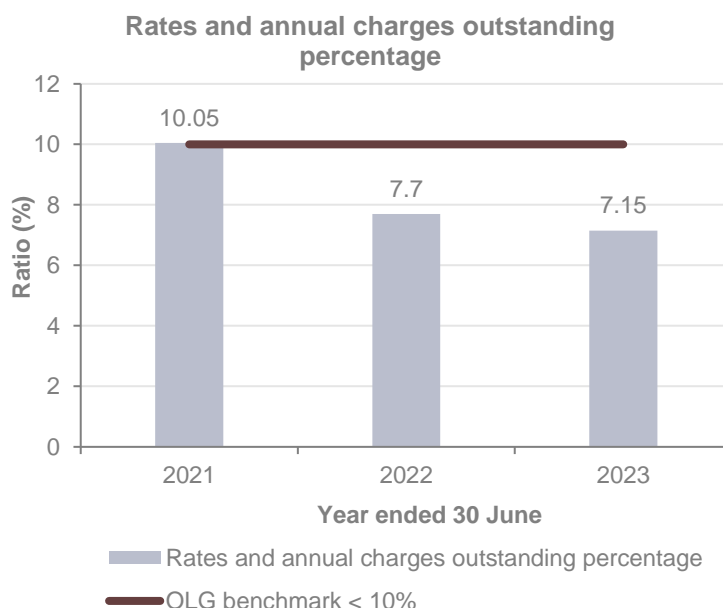
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

The Council met the benchmark for the current reporting period.

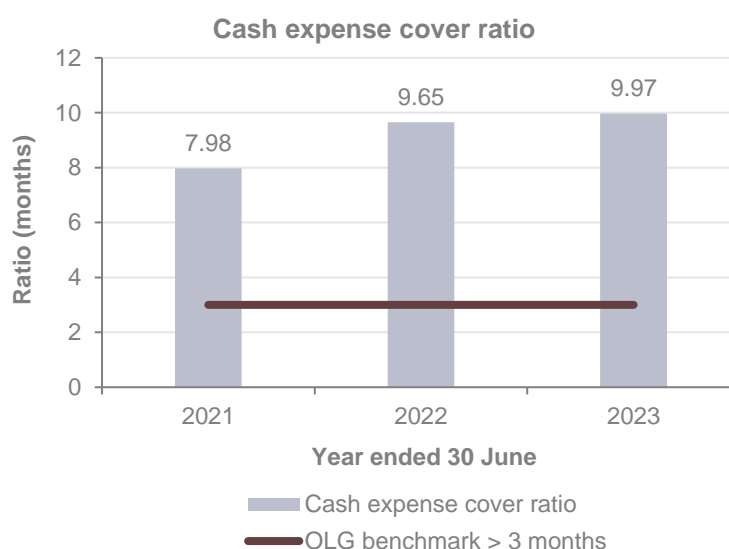
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

The Council exceeded the benchmark for the current reporting period.

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



Infrastructure, property, plant and equipment renewals

Council renewed \$9.6 million of infrastructure, property, plant and equipment during the 2022-23 financial year. This was mainly spent on roads, including, repairing assets damaged by natural disasters. A further \$21.5 million was spent on new assets including work-in-progress, roads, land improvements and other structures.

OTHER MATTERS

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial statements. The Council's:

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

A handwritten signature in black ink, appearing to read 'Yu Jiang'.

Reiky Jiang
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

Muswellbrook Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2023

*To do what is best for our community through leadership,
excellent service and encouragement of sustainable
development.*



Special Purpose Financial Statements

for the year ended 30 June 2023

Contents	Page
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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).

Muswellbrook 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:

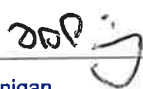
- present fairly the operating result and financial position for each of Council's declared business activities for the year,
- accord with Council's accounting and other records; and
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.


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 July 2023.



Mr S Reynolds
Mayor
27 February 2024

Mr G McNeill
Deputy Mayor
27 February 2024

Mr D Finnigan
General Manager
27 February 2024

Mr J Hogan
Responsible Accounting Officer
27 February 2024

Muswellbrook Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2023

	2023 \$ '000	2022 \$ '000
Income from continuing operations		
Access charges	1,896	1,769
User charges	3,514	3,014
Interest and investment income	576	204
Grants and contributions provided for operating purposes	47	151
Net gain from the disposal of assets	—	16
Other income	367	275
Total income from continuing operations	6,400	5,429
Expenses from continuing operations		
Employee benefits and on-costs	1,301	1,279
Borrowing costs	37	60
Materials and services	2,697	2,211
Depreciation, amortisation and impairment	2,045	1,893
Other expenses	472	964
Total expenses from continuing operations	6,552	6,407
Surplus (deficit) from continuing operations before capital amounts	(152)	(978)
Grants and contributions provided for capital purposes	1,374	307
Surplus (deficit) from continuing operations after capital amounts	1,222	(671)
Surplus (deficit) from all operations before tax	1,222	(671)
Surplus (deficit) after tax	1,222	(671)
Plus accumulated surplus	39,657	40,328
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	40,879	39,657
Return on capital %	(0.2)%	(1.7)%
Subsidy from Council	2,700	2,940
Calculation of dividend payable:		
Surplus (deficit) after tax	1,222	(671)
Less: capital grants and contributions (excluding developer contributions)	(1,374)	(203)
Surplus for dividend calculation purposes	—	—
Potential dividend calculated from surplus	—	—

Muswellbrook Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2023

	2023 \$ '000	2022 \$ '000
Income from continuing operations		
Access charges	4,731	4,361
User charges	732	630
Liquid trade waste charges	78	68
Interest and investment income	182	69
Grants and contributions provided for operating purposes	41	40
Net gain from the disposal of assets	—	28
Other income	398	393
Total income from continuing operations	6,162	5,589
Expenses from continuing operations		
Employee benefits and on-costs	743	637
Borrowing costs	664	697
Materials and services	1,595	1,692
Depreciation, amortisation and impairment	2,252	2,158
Other expenses	715	382
Total expenses from continuing operations	5,969	5,566
Surplus (deficit) from continuing operations before capital amounts	193	23
Grants and contributions provided for capital purposes	880	481
Surplus (deficit) from continuing operations after capital amounts	1,073	504
Surplus (deficit) from all operations before tax	1,073	504
Less: corporate taxation equivalent (25%) [based on result before capital]	(48)	(6)
Surplus (deficit) after tax	1,025	498
Plus accumulated surplus	55,008	54,504
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	48	6
Closing accumulated surplus	56,081	55,008
Return on capital %	0.8%	0.8%
Subsidy from Council	3,322	2,723
Calculation of dividend payable:		
Surplus (deficit) after tax	1,025	498
Less: capital grants and contributions (excluding developer contributions)	(880)	(365)
Surplus for dividend calculation purposes	145	133
Potential dividend calculated from surplus	72	67

Muswellbrook Shire Council

Income Statement of Commercial Buildings

for the year ended 30 June 2023

	2023 Category 1 \$ '000	2022 Category 1 \$ '000
Income from continuing operations		
Interest and investment income	8	16
Other income	6,783	6,627
Total income from continuing operations	6,791	6,643
Expenses from continuing operations		
Employee benefits and on-costs	251	222
Borrowing costs	988	840
Materials and services	1,245	1,291
Depreciation, amortisation and impairment	614	614
Other expenses	978	696
Total expenses from continuing operations	4,076	3,663
Surplus (deficit) from continuing operations before capital amounts	2,715	2,980
Surplus (deficit) from continuing operations after capital amounts	2,715	2,980
Surplus (deficit) from all operations before tax	2,715	2,980
Less: corporate taxation equivalent (25%) [based on result before capital]	(679)	(745)
Surplus (deficit) after tax	2,036	2,235
Plus accumulated surplus	50,157	37,694
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	679	745
Add:		
– Subsidy paid/contribution to operations	(754)	9,483
Closing accumulated surplus	52,118	50,157
Return on capital %	15.0%	21.4%

Muswellbrook Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2023

	2023 \$ '000	2022 \$ '000
ASSETS		
Current assets		
Investments	6,494	7,348
Receivables	1,991	1,932
Inventories	1	—
Total current assets	8,486	9,280
Non-current assets		
Investments	6,748	5,416
Receivables	994	1,079
Infrastructure, property, plant and equipment	64,313	55,252
Total non-current assets	72,055	61,747
Total assets	80,541	71,027
LIABILITIES		
Current liabilities		
Payables	306	181
Borrowings	277	375
Employee benefit provisions	233	249
Total current liabilities	816	805
Non-current liabilities		
Borrowings	—	278
Total non-current liabilities	—	278
Total liabilities	816	1,083
Net assets	79,725	69,944
EQUITY		
Accumulated surplus	40,735	39,512
Revaluation reserves	38,990	30,432
Total equity	79,725	69,944

Muswellbrook Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2023

	2023 \$ '000	2022 \$ '000
ASSETS		
Current assets		
Investments	3,041	2,876
Receivables	1,545	1,116
Total current assets	4,586	3,992
Non-current assets		
Investments	3,161	2,119
Infrastructure, property, plant and equipment	103,963	94,076
Total non-current assets	107,124	96,195
Total assets	111,710	100,187
LIABILITIES		
Current liabilities		
Payables	365	60
Borrowings	778	743
Employee benefit provisions	88	80
Total current liabilities	1,231	883
Non-current liabilities		
Borrowings	13,387	14,166
Total non-current liabilities	13,387	14,166
Total liabilities	14,618	15,049
Net assets	97,092	85,138
EQUITY		
Accumulated surplus	56,065	54,994
Revaluation reserves	41,027	30,144
Total equity	97,092	85,138

Muswellbrook Shire Council

Statement of Financial Position of Commercial Buildings

as at 30 June 2023

	2023 Category 1 \$ '000	2022 Category 1 \$ '000
ASSETS		
Current assets		
Investments	767	644
Receivables	587	839
Non-current assets classified as held for sale	1,114	—
Total current assets	2,468	1,483
Non-current assets		
Investments	798	474
Inventories	—	1,239
Infrastructure, property, plant and equipment	24,606	17,892
Investment property	66,807	71,720
Total non-current assets	92,211	91,325
Total assets	94,679	92,808
LIABILITIES		
Current liabilities		
Payables	114	—
Borrowings	3,232	4,270
Total current liabilities	3,346	4,270
Non-current liabilities		
Borrowings	35,149	38,381
Total non-current liabilities	35,149	38,381
Total liabilities	38,495	42,651
Net assets	56,184	50,157
EQUITY		
Accumulated surplus	56,184	50,157
Total equity	56,184	50,157

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. Water Supplies

Provision of portable water for the communities of Muswellbrook, Denman and Sandy Hollow.

b. Sewerage Services

Provision of sewerage treatment of the communities of Muswellbrook and Denman

c. Commercial Buildings

The provision of residential and commercial properties for the lease and the sale of both development ready and surplus vacant land.

Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

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

Note – Significant Accounting Policies (continued)

Notional rate applied (%)

Corporate income tax rate – 25%

Land tax – the first \$969,000 of combined land values attracts **0%**. For the combined land values in excess of \$969,001 up to \$5,925,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$5,925,000 a premium marginal rate of **2.0%** applies.

Payroll tax – 4.85% on the value of taxable salaries and wages in excess of \$1,200,000.

In accordance with the Department of Industry (DoI) – 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 NSW Office of Water Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the NSW Office of 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 corporate income tax rate, currently 25%.

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(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.

Note – Significant Accounting Policies (continued)

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

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

(iii) Dividends

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

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

Each dividend must be calculated and approved in accordance with the Department of Industry – Water guidelines and must not exceed:

- 50% of this 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 Department of Industry – Water guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the Department of Industry – Water.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Muswellbrook Shire Council

To the Councillors of the Muswellbrook Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of the Muswellbrook Shire Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2023, the Statement of Financial Position of each Declared Business Activity as at 30 June 2023 and Significant accounting policies note.

The Declared Business Activities of the Council are:

- water supply
- sewerage
- commercial buildings.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2023, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2022–23 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2023 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

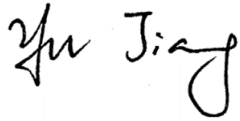
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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

A handwritten signature in black ink, appearing to read 'Yu Jiang', with a stylized, cursive script.

Reiky Jiang
Delegate of the Auditor-General for New South Wales

29 February 2024
SYDNEY

Muswellbrook Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2023

*To do what is best for our community through leadership,
excellent service and encouragement of sustainable
development.*



Muswellbrook Shire Council

Special Schedules

for the year ended 30 June 2023

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Special Schedules:	
Permissible income for general rates	3
Report on infrastructure assets as at 30 June 2023	6

Muswellbrook Shire Council

Permissible income for general rates

	Notes	Calculation 2022/23 [*] \$ '000	Calculation 2023/24 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	19,963	20,575
Plus or minus adjustments ²	b	299	694
Notional general income	c = a + b	20,262	21,269
Permissible income calculation			
Or rate peg percentage	e	2.50%	3.70%
Or plus rate peg amount	i = e x (c + g)	507	787
Sub-total	k = (c + g + h + i + j)	20,769	22,056
Plus (or minus) last year's carry forward total	l	(11)	183
Sub-total	n = (l + m)	(11)	183
Total permissible income	o = k + n	20,758	22,239
Less notional general income yield	p	20,575	22,233
Catch-up or (excess) result	q = o - p	183	6
Carry forward to next year ⁶	t = q + r + s	183	6

Notes

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

(*) Restated



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Muswellbrook Shire Council

To the Councillors of the Muswellbrook Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of the Muswellbrook Shire Council (the Council) for the year ending 30 June 2024.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2023 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

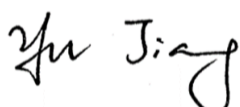
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Reiky Jiang
Delegate of the Auditor-General for New South Wales

29 February 2024
SYDNEY

Muswellbrook Shire Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2022/23 Required maintenance ^a	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Other	7,078	21,957	1,390	687	79,455	115,562	38.0%	24.0%	19.0%	12.0%	7.0%
	Sub-total	7,078	21,957	1,390	687	79,455	115,562	38.0%	24.0%	19.0%	12.0%	7.0%
Other structures	Other structures	–	–	380	693	17,386	22,455	48.0%	45.0%	7.0%	0.0%	0.0%
	Sub-total	–	–	380	693	17,386	22,455	48.0%	45.0%	7.0%	0.0%	0.0%
Roads	Other	6,005	25,548	6,330	2,693	473,760	582,925	44.0%	30.0%	21.0%	4.0%	1.0%
	Sub-total	6,005	25,548	6,330	2,693	473,760	582,925	44.0%	30.0%	21.0%	4.0%	1.0%
Water supply network	Other	3,000	14,166	1,090	1,679	61,744	109,253	16.0%	38.0%	33.0%	12.0%	1.0%
	Sub-total	3,000	14,166	1,090	1,679	61,744	109,253	16.0%	38.0%	33.0%	12.0%	1.0%
Sewerage network	Other	3,582	9,838	1,660	1,044	101,026	135,853	54.0%	24.0%	15.0%	4.0%	3.0%
	Sub-total	3,582	9,838	1,660	1,044	101,026	135,853	54.0%	24.0%	15.0%	4.0%	3.0%
Stormwater drainage	Other	–	–	370	55	68,971	96,010	0.0%	88.0%	12.0%	0.0%	0.0%
	Sub-total	–	–	370	55	68,971	96,010	0.0%	88.0%	12.0%	0.0%	0.0%
Total – all assets		19,665	71,509	11,220	6,851	802,342	1,062,058	37.9%	35.0%	20.1%	5.2%	1.8%

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

Infrastructure asset condition assessment 'key'

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

Muswellbrook Shire Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022 2021		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	8,171	63.17%	68.33%	75.02%	> 100.00%
Depreciation, amortisation and impairment	12,935				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	19,665	2.42%	2.13%	2.39%	< 2.00%
Net carrying amount of infrastructure assets	813,783				
Asset maintenance ratio					
Actual asset maintenance	6,851	61.06%	53.41%	78.67%	> 100.00%
Required asset maintenance	11,220				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	71,509	6.73%	5.75%	5.83%	
Gross replacement cost	1,062,058				

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

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

Muswellbrook Shire Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2023	2022	2023	2022	2023	2022	
Buildings and infrastructure renewals ratio							
Asset renewals ¹	63.04%	75.47%	84.53%	67.65%	44.32%	39.57%	> 100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	2.01%	1.64%	4.86%	5.06%	3.55%	3.57%	< 2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	48.74%	47.97%	154.04%	83.11%	62.89%	49.96%	> 100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	5.81%	4.51%	12.97%	12.97%	7.24%	7.24%	
Gross replacement cost							

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