

Muswellbrook Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2024

*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 2024

*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 2024

| Contents | Page |
|---|----------|
| Statement by Councillors and Management | 3 |
| Primary Financial Statements: | |
| Income Statement | 4 |
| Statement of Comprehensive Income | 5 |
| Statement of Financial Position | 6 |
| Statement of Changes in Equity | 7 |
| Statement of Cash Flows | 8 |
| Contents for the notes to the Financial Statements | 9 |
| Independent Auditor's Reports: | |
| On the Financial Statements (Sect 417 [2]) | 85 |
| On the Financial Statements (Sect 417 [3]) | 88 |

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 2024

Statement by Councillors and Management

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.

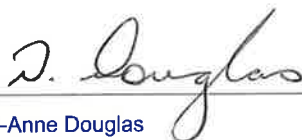
To the best of our knowledge and belief, these statements:


- 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 23 July 2024.



Jeff Drayton
Mayor
30 October 2024

De-Anne Douglas
Deputy Mayor
30 October 2024

Derek Finnigan
General Manager
30 October 2024

Josh Hogan
Responsible Accounting Officer
30 October 2024

Muswellbrook Shire Council

Income Statement

for the year ended 30 June 2024

| Original unaudited budget 2024 \$ '000 | | Notes | Actual 2024 \$ '000 | Actual 2023 \$ '000 |
|--|---|-------|---------------------------|---------------------------|
| Income from continuing operations | | | | |
| 34,162 | Rates and annual charges | B2-1 | 32,983 | 29,336 |
| 12,261 | User charges and fees | B2-2 | 17,793 | 15,010 |
| 1,087 | Other revenues | B2-3 | 1,561 | 1,195 |
| 6,584 | Grants and contributions provided for operating purposes | B2-4 | 11,616 | 10,846 |
| 18,056 | Grants and contributions provided for capital purposes | B2-4 | 23,495 | 19,395 |
| 1,028 | Interest and investment income | B2-5 | 4,524 | 2,463 |
| 6,400 | Other income | B2-6 | 9,007 | 6,977 |
| – | Net gain from the disposal of assets | B4-1 | 115 | – |
| 79,578 | Total income from continuing operations | | 101,094 | 85,222 |
| Expenses from continuing operations | | | | |
| 19,410 | Employee benefits and on-costs | B3-1 | 19,264 | 17,886 |
| 19,466 | Materials and services * | B3-2 | 19,960 | 22,278 |
| 2,576 | Borrowing costs | B3-3 | 2,549 | 1,960 |
| 15,580 | Depreciation, amortisation and impairment of non-financial assets | B3-4 | 15,505 | 14,951 |
| 2,322 | Other expenses * | B3-5 | 2,422 | 2,756 |
| – | Net loss from the disposal of assets | B4-1 | – | 101 |
| 59,354 | Total expenses from continuing operations | | 59,700 | 59,932 |
| 20,224 | Operating result from continuing operations | | 41,394 | 25,290 |
| 20,224 | Net operating result for the year attributable to Council | | 41,394 | 25,290 |
| Net operating result for the year before grants and contributions provided for capital purposes | | | | |
| 2,191 | | | 17,899 | 5,895 |

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 2024

| | Notes | 2024 \$ '000 | 2023 \$ '000 |
|--|-------|-----------------|-----------------|
| Net operating result for the year – from Income Statement | | 41,394 | 25,290 |
| 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 | 55,331 | 78,454 |
| Other movements | | (253) | (266) |
| Total items which will not be reclassified subsequently to the operating result | | 55,078 | 78,188 |
| Total other comprehensive income for the year | | 55,078 | 78,188 |
| Total comprehensive income for the year attributable to Council | | 96,472 | 103,478 |

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 2024

| | Notes | 2024 \$ '000 | 2023 \$ '000 |
|--|-------|------------------|------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | C1-1 | 10,871 | 7,856 |
| Investments | C1-2 | 30,000 | 32,500 |
| Receivables | C1-4 | 8,378 | 6,960 |
| Inventories | C1-5 | 337 | 281 |
| Current assets classified as held for sale | C1-6 | 1,114 | 1,114 |
| Other | C1-9 | 250 | 196 |
| Total current assets | | 50,950 | 48,907 |
| Non-current assets | | | |
| Investments | C1-2 | 52,677 | 33,772 |
| Infrastructure, property, plant and equipment (IPPE) | C1-7 | 946,163 | 877,029 |
| Investment property | C1-8 | 69,650 | 66,807 |
| Total non-current assets | | 1,068,490 | 977,608 |
| Total assets | | 1,119,440 | 1,026,515 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | C3-1 | 9,304 | 8,869 |
| Contract liabilities | C3-2 | 12,214 | 12,844 |
| Borrowings | C3-3 | 4,645 | 6,588 |
| Employee benefit provisions | C3-4 | 3,896 | 3,005 |
| Provisions | C3-5 | 1,000 | 1,000 |
| Total current liabilities | | 31,059 | 32,306 |
| Non-current liabilities | | | |
| Borrowings | C3-3 | 47,852 | 50,720 |
| Employee benefit provisions | C3-4 | 371 | 323 |
| Provisions | C3-5 | 10,290 | 9,770 |
| Total non-current liabilities | | 58,513 | 60,813 |
| Total liabilities | | 89,572 | 93,119 |
| Net assets | | 1,029,868 | 933,396 |
| EQUITY | | | |
| Accumulated surplus | C4-1 | 482,413 | 441,019 |
| IPPE revaluation reserve | C4-1 | 547,455 | 492,377 |
| Council equity interest | | 1,029,868 | 933,396 |
| Total equity | | 1,029,868 | 933,396 |

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 2024

| | Notes | 2024 | | | 2023 | | |
|---|-------|--------------------------------|-------------------------------------|-------------------------|--------------------------------|-------------------------------------|-------------------------|
| | | 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 | | 441,019 | 492,377 | 933,396 | 415,729 | 414,189 | 829,918 |
| Net operating result for the year | | 41,394 | – | 41,394 | 25,290 | – | 25,290 |
| Other comprehensive income | | | | | | | |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment | C1-7 | – | 55,331 | 55,331 | – | 78,454 | 78,454 |
| Other reserves movements | | – | (253) | (253) | – | (266) | (266) |
| Other comprehensive income | | – | 55,078 | 55,078 | – | 78,188 | 78,188 |
| Total comprehensive income | | 41,394 | 55,078 | 96,472 | 25,290 | 78,188 | 103,478 |
| Closing balance at 30 June | | 482,413 | 547,455 | 1,029,868 | 441,019 | 492,377 | 933,396 |

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 2024

| Original unaudited budget 2024 \$ '000 | | Notes | Actual 2024 \$ '000 | Actual 2023 \$ '000 |
|--|---|-------|---------------------------|---------------------------|
| Cash flows from operating activities | | | | |
| Receipts: | | | | |
| 35,000 | Rates and annual charges | | 32,928 | 29,555 |
| 18,690 | User charges and fees | | 18,268 | 14,450 |
| 1,028 | Interest received | | 4,046 | 1,707 |
| 33,042 | Grants and contributions | | 24,791 | 35,808 |
| – | Bonds, deposits and retentions received | | 279 | 1,026 |
| 1,666 | Other | | 9,384 | 7,830 |
| Payments: | | | | |
| (17,030) | Payments to employees | | (18,174) | (15,975) |
| (18,511) | Payments for materials and services | | (23,963) | (23,701) |
| (2,576) | Borrowing costs | | (2,209) | (1,960) |
| – | Bonds, deposits and retentions refunded | | (532) | – |
| (7,055) | Other | | (2,150) | (2,088) |
| 44,254 | Net cash flows from operating activities | G1-1 | 42,668 | 46,652 |
| Cash flows from investing activities | | | | |
| Receipts: | | | | |
| 10,000 | Sale of investments | | 3 | – |
| – | Redemption of term deposits | | 9,250 | – |
| – | Sale of real estate assets | | – | 267 |
| – | Proceeds from sale of IPPE | | 117 | 494 |
| Payments: | | | | |
| (10,000) | Purchase of investments | | (25,655) | (4,507) |
| – | Acquisition of term deposits | | – | (7,500) |
| – | Purchase of investment property | | (240) | (1,345) |
| (39,360) | Payments for IPPE | | (18,317) | (28,968) |
| (39,360) | Net cash flows from investing activities | | (34,842) | (41,559) |
| Cash flows from financing activities | | | | |
| Payments: | | | | |
| (5,370) | Repayment of borrowings | | (4,811) | (6,060) |
| (5,370) | Net cash flows from financing activities | | (4,811) | (6,060) |
| (476) | Net change in cash and cash equivalents | | 3,015 | (967) |
| 7,714 | Cash and cash equivalents at beginning of year | | 7,856 | 8,823 |
| 7,238 | Cash and cash equivalents at end of year | C1-1 | 10,871 | 7,856 |
| 65,000 | plus: Investments on hand at end of year | C1-2 | 82,677 | 66,272 |
| 72,238 | Total cash, cash equivalents and investments | | 93,548 | 74,128 |

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

Muswellbrook Shire Council

Contents for the notes to the Financial Statements for the year ended 30 June 2024

| | |
|---|-----------|
| A About Council and these financial statements | 11 |
| A1-1 Basis of preparation | 11 |
| B Financial Performance | 13 |
| B1 Functions or activities | 13 |
| B1-1 Functions or activities – income, expenses and assets | 13 |
| B1-2 Components of functions or activities | 14 |
| B2 Sources of income | 15 |
| B2-1 Rates and annual charges | 15 |
| B2-2 User charges and fees | 16 |
| B2-3 Other revenues | 17 |
| B2-4 Grants and contributions | 18 |
| B2-5 Interest and investment income | 21 |
| B2-6 Other income | 22 |
| B3 Costs of providing services | 23 |
| B3-1 Employee benefits and on-costs | 23 |
| B3-2 Materials and services | 24 |
| B3-3 Borrowing costs | 25 |
| B3-4 Depreciation, amortisation and impairment of non-financial assets | 26 |
| B3-5 Other expenses | 27 |
| B4 Gains or losses | 28 |
| B4-1 Gain or loss from the disposal, replacement and de-recognition of assets | 28 |
| B5 Performance against budget | 29 |
| B5-1 Material budget variations | 29 |
| C Financial position | 31 |
| C1 Assets we manage | 31 |
| C1-1 Cash and cash equivalents | 31 |
| C1-2 Financial investments | 31 |
| C1-3 Restricted and allocated cash, cash equivalents and investments | 33 |
| C1-4 Receivables | 35 |
| C1-5 Inventories | 37 |
| C1-6 Non-current assets classified as held for sale | 38 |
| C1-7 Infrastructure, property, plant and equipment | 39 |
| C1-8 Investment properties | 43 |
| C1-9 Other | 43 |
| C2 Leasing activities | 44 |
| C2-1 Council as a lessor | 44 |
| C3 Liabilities of Council | 46 |
| C3-1 Payables | 46 |
| C3-2 Contract Liabilities | 47 |
| C3-3 Borrowings | 48 |
| C3-4 Employee benefit provisions | 50 |
| C3-5 Provisions | 51 |

Muswellbrook Shire Council

Contents for the notes to the Financial Statements for the year ended 30 June 2024

| | |
|--|-----------|
| C4 Reserves | 52 |
| C4-1 Nature and purpose of reserves | 52 |
| D Council structure | 53 |
| D1 Results by fund | 53 |
| D1-1 Income Statement by fund | 53 |
| D1-2 Statement of Financial Position by fund | 54 |
| D1-3 Details of internal loans | 55 |
| D2 Interests in other entities | 56 |
| D2-1 Interests in joint arrangements | 56 |
| E Risks and accounting uncertainties | 57 |
| E1-1 Risks relating to financial instruments held | 57 |
| E2-1 Fair value measurement | 60 |
| E3-1 Contingencies | 66 |
| F People and relationships | 70 |
| F1 Related party disclosures | 70 |
| F1-1 Key management personnel (KMP) | 70 |
| F1-2 Councillor and Mayoral fees and associated expenses | 72 |
| F2 Other relationships | 73 |
| F2-1 Audit fees | 73 |
| G Other matters | 74 |
| G1-1 Statement of Cash Flows information | 74 |
| G2-1 Commitments | 75 |
| G3-1 Events occurring after the reporting date | 76 |
| G4 Statement of developer contributions | 77 |
| G4-1 Summary of developer contributions | 77 |
| G4-2 Developer contributions by plan | 78 |
| G4-3 Contributions not under plans | 78 |
| G4-4 S7.4 planning agreements | 79 |
| G4-5 S64 contributions | 79 |
| G5 Statement of performance measures | 80 |
| G5-1 Statement of performance measures – consolidated results | 80 |
| G5-2 Statement of performance measures by fund | 81 |
| H Additional Council disclosures (unaudited) | 83 |
| H1-1 Statement of performance measures – consolidated results (graphs) | 83 |

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 23 July 2024. Council has the power to amend and reissue these financial statements. In cases where critical information is received from public submissions or where the Office of Local Government directs Council to amend the Financial Statements.

The material accounting policy information related to these consolidated financial statements are set out below. Accounting policies have been consistently applied to all the years presented, unless otherwise stated.

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

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain 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 C1-8
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-7
- (iii) estimated tip remediation provisions – refer Note C3-5
- (iv) employee benefit provisions – refer Note C3-4

Significant judgements in applying the Council's accounting policies

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

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 Supplies
- Sewerage Services

A1-1 Basis of preparation (continued)

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.

Volunteer services

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

New accounting standards and interpretations issued but not yet effective

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

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

New accounting standards adopted during the year

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

- **AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates**
- **Equivalent standard for JO's is AASB 2021-6 Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards**

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

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

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

Reclassification of Comparatives

Some notes throughout the financial statements for the 2023 comparative financial year have been reclassified to better reflect the nature of the transactions.

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 | |
|---------------------------------------|----------------|---------------|---------------|---------------|------------------|---------------|--------------------------|---------------|---------------------------|------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 |
| Functions or activities | | | | | | | | | | |
| Economic Prosperity | 8,775 | 6,970 | 5,068 | 4,659 | 3,707 | 2,311 | 2,492 | 749 | 73,151 | 70,256 |
| Social Equity and Inclusion | 662 | 1,017 | 1,976 | 1,916 | (1,314) | (899) | 89 | 340 | 42,346 | 38,758 |
| Environmental Sustainability | 1,282 | 966 | 1,848 | 1,696 | (566) | (730) | 624 | 133 | 591 | 601 |
| Cultural Vitality | 1,970 | 1,680 | 4,985 | 5,079 | (3,015) | (3,399) | 1,613 | 2,228 | 89,518 | 83,989 |
| Community Infrastructure | 56,626 | 45,885 | 36,970 | 38,082 | 19,656 | 7,803 | 24,548 | 20,508 | 816,091 | 753,244 |
| Community Leadership | 31,779 | 28,704 | 8,853 | 8,500 | 22,926 | 20,204 | 5,745 | 6,283 | 97,743 | 79,667 |
| Total functions and activities | 101,094 | 85,222 | 59,700 | 59,932 | 41,394 | 25,290 | 35,111 | 30,241 | 1,119,440 | 1,026,515 |

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

| | 2024 \$ '000 | 2023 \$ '000 |
|---|-----------------|-----------------|
| Ordinary rates | | |
| Residential | 6,170 | 5,301 |
| Farmland | 1,522 | 1,439 |
| Mining | 12,111 | 11,186 |
| Business | 1,728 | 1,744 |
| Less: pensioner rebates (mandatory) | (156) | (157) |
| Less: pensioner rebates (Council policy) | (28) | (30) |
| Rates levied to ratepayers | 21,347 | 19,483 |
| Pensioner rate subsidies received | 86 | 86 |
| Total ordinary rates | 21,433 | 19,569 |
| Annual charges (pursuant to s496, 496A, 496B, 501 & 611) | | |
| Domestic waste management services | 3,072 | 2,757 |
| Stormwater management services | 159 | 159 |
| Water supply services | 2,242 | 1,970 |
| Sewerage services | 5,983 | 4,806 |
| Waste management services (non-domestic) | 197 | 177 |
| Less: pensioner rebates (mandatory) | (228) | (228) |
| Annual charges levied | 11,425 | 9,641 |
| Pensioner annual charges subsidies received: | | |
| – Water | 40 | 41 |
| – Sewerage | 41 | 41 |
| – Domestic waste management | 44 | 44 |
| Total annual charges | 11,550 | 9,767 |
| Total rates and annual charges ¹ | 32,983 | 29,336 |

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

Material accounting policy information

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

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

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

(1) The breakdown of Rates and Annual Charges for 2023, has been reclassified within the note, to represent the nature of the transactions more clearly.

B2-2 User charges and fees

| | 2024 \$ '000 | 2023 \$ '000 |
|--|-----------------|-----------------|
| Specific user charges (per s502 - specific 'actual use' charges) | | |
| Water supply services | 4,698 | 3,059 |
| Sewerage services | 1,010 | 810 |
| Total specific user charges | 5,708 | 3,869 |
| Other user charges and fees | | |
| (i) Fees and charges – statutory and regulatory functions (per s608) | | |
| Building regulation | 126 | 118 |
| Inspection services | 27 | 31 |
| Private works – section 67 | 7 | 39 |
| Regulatory/ statutory fees | 53 | 66 |
| Section 10.7 certificates (EP&A Act) | 63 | 113 |
| Section 603 certificates | 46 | 53 |
| Town planning | 38 | 39 |
| DECCW levy recovered | 1,179 | 1,320 |
| Development/building control | 357 | 383 |
| Water and sewer related sales | 696 | 725 |
| Total fees and charges – statutory/regulatory | 2,592 | 2,887 |
| (ii) Fees and charges – other (incl. general user charges (per s608)) | | |
| Cemeteries | 50 | 101 |
| Community centres | 22 | 27 |
| Leaseback fees – Council vehicles | 13 | 13 |
| Leisure centre | 34 | 38 |
| Library and art gallery | 77 | 72 |
| Park rents | 56 | 34 |
| Restoration charges | – | 1 |
| Transport for NSW works (state roads not controlled by Council) | 5,363 | 5,084 |
| Swimming centres | 627 | 411 |
| Waste disposal tipping fees | 2,991 | 2,252 |
| Gym centre | 164 | 96 |
| Road vehicle permits | 68 | 123 |
| Other | 28 | 2 |
| Total fees and charges – other | 9,493 | 8,254 |
| Total other user charges and fees | 12,085 | 11,141 |
| Total user charges and fees | 17,793 | 15,010 |
| Total user charges and fees | 17,793 | 15,010 |

Material accounting policy information

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

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

Where an upfront fee is charged such as 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 over the term of the licence.

B2-3 Other revenues

| | 2024 \$ '000 | 2023 \$ '000 |
|---|-----------------|-----------------|
| Rental Income - Other Council Properties | 775 | 846 |
| Fines | 18 | 56 |
| Legal fees recovery – rates and charges (extra charges) | 127 | – |
| Legal fees recovery – other | 450 | 108 |
| Insurance rebates | 49 | 121 |
| Insurance claims recoveries | 16 | 4 |
| Other | 126 | 60 |
| Total other revenue | 1,561 | 1,195 |
| Total other revenue | 1,561 | 1,195 |

Material accounting policy information 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 2024 \$ '000 | Operating 2023 \$ '000 | Capital 2024 \$ '000 | Capital 2023 \$ '000 |
|---|------------------------------|------------------------------|----------------------------|----------------------------|
| General purpose grants and non-developer contributions (untied) | | | | |
| General purpose (untied) | | | | |
| Current year allocation | | | | |
| Financial assistance – general component | 210 | 731 | – | – |
| Financial assistance – local roads component | 35 | 368 | – | – |
| Payment in advance - future year allocation | | | | |
| Financial assistance – general component | 3,065 | 3,366 | – | – |
| Financial assistance – local roads component | 1,006 | 1,140 | – | – |
| Amount recognised as income during current year | 4,316 | 5,605 | – | – |
| Special purpose grants and non-developer contributions (tied) | | | | |
| Cash contributions | | | | |
| Water supplies | – | 6 | 98 | 438 |
| Bushfire and emergency services | 222 | 199 | 851 | – |
| Community care | 85 | 349 | – | – |
| Economic development | 516 | 481 | 54 | 146 |
| Employment and training programs | 38 | 34 | – | – |
| Environmental programs | 95 | 157 | 4 | 136 |
| Library | 49 | 87 | 45 | 49 |
| Recreation and culture | 363 | 96 | 3,726 | 5,417 |
| Storm/flood damage | – | – | – | 1,000 |
| Planning | 174 | 7 | – | – |
| Waste management | 49 | 37 | – | 8 |
| Transport (roads to recovery) | – | – | 578 | 198 |
| Transport (other roads and bridges funding) | 115 | 1,493 | 1,054 | 4,620 |
| Drainage | – | – | 875 | 33 |
| Transport for NSW contributions (regional roads, block grant) | 1,850 | 340 | 576 | 613 |
| Other contributions | – | 2 | – | 5 |
| Total special purpose grants and non-developer contributions – cash ¹ | 3,556 | 3,288 | 7,861 | 12,663 |
| Non-cash contributions | | | | |
| Bushfire services | – | – | – | 954 |
| Roads and bridges | – | – | 8,105 | 1,909 |
| Sewerage (excl. section 64 contributions) | – | – | 1,778 | 228 |
| Water supplies (excl. section 64 contributions) | – | – | 1,113 | 155 |
| Other | – | – | – | 158 |
| Total other contributions – non-cash | – | – | 10,996 | 3,404 |
| Total special purpose grants and non-developer contributions (tied) | 3,556 | 3,288 | 18,857 | 16,067 |
| Total grants and non-developer contributions | 7,872 | 8,893 | 18,857 | 16,067 |
| Comprising: | | | | |
| – Commonwealth funding | 4,361 | 5,635 | 1,525 | 487 |
| – State funding | 3,300 | 2,912 | 6,333 | 12,682 |
| – Other funding | 211 | 346 | 10,999 | 2,898 |
| | 7,872 | 8,893 | 18,857 | 16,067 |

(1) Recreation & Culture and Transport, under 2023 Capital, has been reclassified to more accurately reflect the nature of the underlying transactions within this note.

B2-4 Grants and contributions (continued)

Developer contributions

| | Operating 2024 \$ '000 | Operating 2023 \$ '000 | Capital 2024 \$ '000 | Capital 2023 \$ '000 |
|--|------------------------------|------------------------------|----------------------------|----------------------------|
| Notes | | | | |
| Developer contributions: | | | | |
| (s7.4 & s7.11 - EP&A Act, s64 of the LGA): | | | | |
| Cash contributions | | | | |
| S 7.4 – contributions using planning agreements | 3,734 | 1,227 | 2,862 | 1,542 |
| S 7.11 – contributions towards amenities/services | 10 | 726 | 239 | 202 |
| S 7.12 – fixed development consent levies | – | – | 102 | 71 |
| S 64 – water supply contributions | – | – | 689 | 781 |
| S 64 – sewerage service contributions | – | – | 626 | 652 |
| S 64 – stormwater contributions | – | – | 113 | 76 |
| Other developer contributions | – | – | 7 | 3 |
| Developer provided infrastructure roads/drainage | – | – | – | 1 |
| Total developer contributions – cash | 3,744 | 1,953 | 4,638 | 3,328 |
| Total developer contributions | 3,744 | 1,953 | 4,638 | 3,328 |
| Total contributions | 3,744 | 1,953 | 4,638 | 3,328 |
| Total grants and contributions | 11,616 | 10,846 | 23,495 | 19,395 |
| Grants and contributions recognised over time (1) | 458 | 2,040 | 7,785 | 11,937 |
| Grants and contributions recognised at a point in time (2) | 11,158 | 8,806 | 15,710 | 7,458 |
| Total grants and contributions | 11,616 | 10,846 | 23,495 | 19,395 |

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 2024 \$ '000 | Operating 2023 \$ '000 | Capital 2024 \$ '000 | Capital 2023 \$ '000 |
|---|---------------------------------------|---------------------------------------|-------------------------------------|-------------------------------------|
| Unspent grants and contributions | | | | |
| Unspent funds at 1 July | 1,183 | 626 | 14,111 | 3,750 |
| Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions | 6,317 | 569 | 41 | 1,000 |
| Add: Funds received and not recognised as revenue in the current year | 62 | 328 | 2,414 | 11,984 |
| Less: Funds recognised as revenue in previous years that have been spent during the reporting year | (394) | – | (8) | – |
| Less: Funds received in prior year but revenue recognised and funds spent in current year | (425) | (340) | (2,681) | (2,623) |
| Unspent funds at 30 June | 6,743 | 1,183 | 13,877 | 14,111 |
| Unspent funds at 1 July | 17,422 | 19,593 | – | – |
| Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions | 6,591 | 2,411 | – | – |
| Less: contributions recognised as revenue in previous years that have been spent during the reporting year | (112) | (4,582) | – | – |
| Unspent contributions at 30 June ¹ | 23,901 | 17,422 | – | – |

(1) Reclassification of 2023 Operating & Capital for Unspent Grants & Contributions has been made to better clarify the alignment of transactions.

Material accounting policy information

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but include e.g. fees for development applications, user fees and charges and Transport for NSW revenue. 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.

B2-4 Grants and contributions (continued)

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

Developer contributions

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

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

| | 2024 \$ '000 | 2023 \$ '000 |
|--|-----------------|-----------------|
| Interest on financial assets measured at amortised cost | | |
| – Overdue rates and annual charges (incl. special purpose rates) | 227 | 125 |
| – Cash and investments | 4,297 | 2,326 |
| – Other | – | 12 |
| Total interest and investment income | 4,524 | 2,463 |

B2-6 Other income

| | Notes | 2024 \$ '000 | 2023 \$ '000 |
|--|-------|-----------------|-----------------|
| Fair value increment on investment properties | | | |
| Fair value increment on investment properties | | 2,603 | 222 |
| Total fair value increment on investment properties | C1-8 | 2,603 | 222 |
| Rental income | | | |
| Investment properties | | | |
| Lease income (excluding variable lease payments not dependent on an index or rate) | | 6,404 | 6,123 |
| Total Investment properties | | 6,404 | 6,123 |
| Total rental income | C2-1 | 6,404 | 6,123 |
| Other | | | |
| Recognition of Asset | | – | 632 |
| Total other | | – | 632 |
| Total other income | | 9,007 | 6,977 |

B3 Costs of providing services

B3-1 Employee benefits and on-costs

| | 2024 \$ '000 | 2023 \$ '000 |
|--|-----------------|-----------------|
| Salaries and wages ¹ | 16,143 | 15,553 |
| Travel expenses | 350 | 369 |
| Employee leave entitlements (ELE) | 2,218 | 1,551 |
| Superannuation | 1,678 | 1,492 |
| Workers' compensation insurance | 371 | 468 |
| Fringe benefit tax (FBT) | 124 | 90 |
| Payroll tax | 51 | 44 |
| Training costs (other than salaries and wages) | 173 | 131 |
| Other | 51 | 68 |
| Total employee costs | 21,159 | 19,766 |
| Less: capitalised costs | (1,895) | (1,880) |
| Total employee costs expensed | 19,264 | 17,886 |

Material accounting policy information

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.

(1) \$1.9m disclosed in 2023, under Employee Benefits & Oncosts has been reclassified from Note B3-2 Materials & Services to more accurately reflect the nature of the underlying transactions.

B3-2 Materials and services *

| | Notes | 2024 \$ '000 | 2023 \$ '000 |
|---|-------|-----------------|-----------------|
| Consultancy costs | | 45 | 29 |
| Raw materials and consumables ¹ | | 13,239 | 15,667 |
| Audit Fees | F2-1 | 238 | 193 |
| Previously other expenses: | | | |
| Councillor and Mayoral fees and associated expenses | F1-2 | 268 | 206 |
| Advertising | | 32 | 31 |
| Bank charges | | 65 | 66 |
| Electricity and heating | | 1,962 | 2,025 |
| Insurance | | 1,135 | 1,029 |
| Postage | | 52 | 49 |
| Printing and stationery | | 12 | 16 |
| Street lighting | | 437 | 438 |
| Telephone and communications | | 96 | 85 |
| Valuation fees | | 69 | 64 |
| Legal expenses: | | | |
| – Legal expenses: other | | 938 | 1,004 |
| Operating lease rentals: minimum lease payments | | 41 | 56 |
| Waste collection | | 1,331 | 1,320 |
| Total materials and services | | 19,960 | 22,278 |
| Total materials and services | | 19,960 | 22,278 |

(1) \$1.9m disclosed in 2023, under Materials & Services has been reclassified from note B3-1 Employee Benefits & Oncosts to more accurately reflect the nature of the underlying transactions.

B3-3 Borrowing costs

| | Notes | 2024 \$ '000 | 2023 \$ '000 |
|---|-------|-----------------|-----------------|
| (i) Interest bearing liability costs | | | |
| Interest on loans | | 2,282 | 1,817 |
| Total interest bearing liability costs | | 2,282 | 1,817 |
| Total interest bearing liability costs expensed | | 2,282 | 1,817 |
| (ii) Other borrowing costs | | | |
| Discount adjustments relating to movements in provisions (other than ELE) | | | |
| – Remediation liabilities | C3-5 | 267 | 143 |
| Total other borrowing costs | | 267 | 143 |
| Total borrowing costs expensed | | 2,549 | 1,960 |

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

| | Notes | 2024 \$ '000 | 2023 \$ '000 |
|---|------------|-----------------|-----------------|
| Depreciation and amortisation | | | |
| Plant and equipment | | 1,276 | 1,366 |
| Office equipment | | 165 | 162 |
| Furniture and fittings | | 97 | 95 |
| Land improvements (depreciable) | | 287 | 97 |
| Infrastructure: | C1-7 | | |
| – Buildings – specialised | | 2,206 | 1,884 |
| – Other structures | | 618 | 498 |
| – Roads | | 4,581 | 4,625 |
| – Bridges | | 428 | 479 |
| – Footpaths | | 451 | 423 |
| – Stormwater drainage | | 884 | 850 |
| – Water supply network | | 2,036 | 1,985 |
| – Sewerage network | | 2,227 | 2,191 |
| Other assets: | | | |
| – Other | | 54 | 60 |
| Reinstatement, rehabilitation and restoration assets: | | | |
| – Tip assets | C3-5, C1-7 | 195 | 236 |
| Total gross depreciation and amortisation costs | | 15,505 | 14,951 |
| Total depreciation and amortisation costs | | 15,505 | 14,951 |
| Total depreciation, amortisation and impairment for non-financial assets | | 15,505 | 14,951 |

Material accounting policy information

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives.

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 | 2024 \$ '000 | 2023 \$ '000 |
|--|-------|-----------------|-----------------|
| Impairment of receivables | | | |
| User charges and fees | | 66 | 150 |
| Other | | (136) | 294 |
| Total impairment of receivables | C1-4 | (70) | 444 |
| Other | | | |
| Contributions/levies to other levels of government | | | |
| – Emergency services levy (includes FRNSW, SES, and RFS levies) | | 75 | 44 |
| – NSW fire brigade levy | | 64 | 55 |
| – NSW rural fire service levy | | 572 | 571 |
| – Upper Hunter Weeds Authority | | 108 | 104 |
| – Waste levy | | 1,555 | 1,434 |
| Donations, contributions and assistance to other organisations (Section 356) | | 118 | 104 |
| Total other | | 2,492 | 2,312 |
| Total other expenses | | 2,422 | 2,756 |

B4 Gains or losses

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

| | Notes | 2024 \$ '000 | 2023 \$ '000 |
|---|-------|-----------------|-----------------|
| Gain (or loss) on disposal of plant and equipment | C1-7 | | |
| Proceeds from disposal – plant and equipment | | 117 | 252 |
| Less: carrying amount of plant and equipment assets sold/written off | | (5) | (72) |
| Gain (or loss) on disposal | | 112 | 180 |
| Gain (or loss) on disposal of infrastructure | C1-7 | | |
| Proceeds from disposal – infrastructure | | – | 242 |
| Less: carrying amount of infrastructure assets sold/written off | | – | (634) |
| Gain (or loss) on disposal | | – | (392) |
| Gain (or loss) on disposal of real estate assets held for sale | C1-5 | | |
| Proceeds from disposal – real estate assets | | – | 267 |
| Less: carrying amount of real estate assets sold/written off | | – | (155) |
| Gain (or loss) on disposal | | – | 112 |
| Gain (or loss) on disposal of investments | C1-2 | | |
| Proceeds from disposal/redemptions/maturities – investments | | 3 | – |
| Gain (or loss) on disposal | | 3 | – |
| Other Assets | | | |
| Less: carrying amount of Other Assets sold/written off | | – | (1) |
| Gain (or loss) on disposal | | – | (1) |
| Net gain (or loss) from disposal of assets | | 115 | (101) |

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 27 June 2023 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

| \$ '000 | 2024 Budget | 2024 Actual | 2024 ----- Variance ----- | |
|--|----------------|----------------|------------------------------|---------------|
| Revenues | | | | |
| Rates and annual charges | 34,162 | 32,983 | (1,179) | (3)% U |
| User charges and fees | 12,261 | 17,793 | 5,532 | 45% F |
| A favourable variance was realised due to the additional Transport for NSW works; higher income from waste disposal tipping fees, water supply services and sewerage services all contributed to a larger income than originally budgeted. | | | | |
| Other revenues | 1,087 | 1,561 | 474 | 44% F |
| Higher legal fees recovered has resulted in a positive variance against budget. This is due to an outstanding settlement. | | | | |
| Operating grants and contributions | 6,584 | 11,616 | 5,032 | 76% F |
| Favourable variance involved additional revenues received for the Financial Assistance Grant with 85% received in advance for the 2025 financial year. In addition, not all monies for voluntary planning agreement were budgeted. | | | | |
| Capital grants and contributions | 18,056 | 23,495 | 5,439 | 30% F |
| Favourable variance due to non-cash contributions for subdivisions not budgeted. | | | | |
| Interest and investment revenue | 1,028 | 4,524 | 3,496 | 340% F |
| Interest rates have successively increased during the reporting period. Council also had a larger investment portfolio balance due to additional operational grant funding and the timing of capital works expenditure. | | | | |
| Net gains from disposal of assets | – | 115 | 115 | ∞ F |
| Other income | 6,400 | 9,007 | 2,607 | 41% F |
| New valuations for investment properties have increased due to favourable market conditions in real estate. | | | | |

B5-1 Material budget variations (continued)

| \$ '000 | 2024 Budget | 2024 Actual | 2024 ----- Variance ----- | | |
|--|----------------|----------------|------------------------------|-------|---|
| Expenses | | | | | |
| Employee benefits and on-costs | 19,410 | 19,264 | 146 | 1% | F |
| Materials and services | 19,466 | 19,960 | (494) | (3)% | U |
| Borrowing costs | 2,576 | 2,549 | 27 | 1% | F |
| Depreciation, amortisation and impairment of non-financial assets | 15,580 | 15,505 | 75 | 0% | F |
| Other expenses | 2,322 | 2,422 | (100) | (4)% | U |
| Net losses from disposal of assets | — | — | — | ∞ | F |
| Statement of cash flows | | | | | |
| Cash flows from operating activities | 44,254 | 42,668 | (1,586) | (4)% | U |
| Cash flows from investing activities | (39,360) | (34,842) | 4,518 | (11)% | F |
| Favourable variance due to a decrease in payments for investing activities compared to budget. | | | | | |
| Cash flows from financing activities | (5,370) | (4,811) | 559 | (10)% | F |

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

| | 2024 \$ '000 | 2023 \$ '000 |
|--|-----------------|-----------------|
| Cash assets | | |
| Cash on hand and at bank | 149 | 118 |
| Cash equivalent assets | | |
| – Deposits at call | 10,722 | 7,738 |
| Total cash and cash equivalents | 10,871 | 7,856 |

Reconciliation of cash and cash equivalents

| | | |
|---|---------------|--------------|
| Total cash and cash equivalents per Statement of Financial Position | 10,871 | 7,856 |
| Balance as per the Statement of Cash Flows | 10,871 | 7,856 |

C1-2 Financial investments

| | 2024 Current \$ '000 | 2024 Non-current \$ '000 | 2023 Current \$ '000 | 2023 Non-current \$ '000 |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Debt securities at amortised cost | | | | |
| Long term deposits | 17,250 | 7,000 | 27,500 | 6,000 |
| NCD's, FRN's (with maturities > 3 months) | 12,750 | 45,677 | 5,000 | 27,772 |
| Total | 30,000 | 52,677 | 32,500 | 33,772 |
| Total financial investments | 30,000 | 52,677 | 32,500 | 33,772 |
| Total cash assets, cash equivalents and investments | 40,871 | 52,677 | 40,356 | 33,772 |

Material accounting policy information

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

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

C1-2 Financial investments (continued)

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

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

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

| | 2024 \$ '000 | 2023 \$ '000 |
|--|-----------------|-----------------|
| (a) Externally restricted cash, cash equivalents and investments | | |
| Total cash, cash equivalents and investments | 93,548 | 74,128 |
| Less: Externally restricted cash, cash equivalents and investments | (50,791) | (38,791) |
| Cash, cash equivalents and investments not subject to external restrictions | 42,757 | 35,337 |
| External restrictions | | |
| External restrictions – included in liabilities | | |
| External restrictions included in cash, cash equivalents and investments above comprise: | | |
| Specific purpose unexpended loans – general | – | 30 |
| External restrictions – included in liabilities | – | 30 |
| External restrictions – other | | |
| External restrictions included in cash, cash equivalents and investments above comprise: | | |
| Developer contributions – general | 9,604 | 4,745 |
| Developer contributions – water fund | 9,892 | 8,725 |
| Developer contributions – sewer fund | 5,068 | 4,252 |
| Specific purpose unexpended grants (recognised as revenue) – general fund | 15,507 | 13,500 |
| Water fund | 6,254 | 4,517 |
| Sewer fund | 3,283 | 1,950 |
| Domestic waste management | 1,138 | 1,027 |
| Bengalla Coal Community Fund | 45 | 45 |
| External restrictions – other | 50,791 | 38,761 |
| Total external restrictions | 50,791 | 38,791 |

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.

| | 2024 \$ '000 | 2023 \$ '000 |
|--|-----------------|-----------------|
| (b) Internal allocations | | |
| Cash, cash equivalents and investments not subject to external restrictions | 42,757 | 35,337 |

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

| | 2024 | 2023 |
|--|----------------|---------------|
| | \$ '000 | \$ '000 |
| Internal allocations | | |
| At 30 June, Council has internally allocated funds to the following: | | |
| Plant and vehicle replacement | 2,773 | 2,187 |
| Infrastructure (Road Assets) replacement | 2,227 | 1,900 |
| Employees leave entitlement | 1,252 | 654 |
| Deposits, retentions and bonds | 5,224 | 5,473 |
| Risk Management | 78 | 78 |
| Legal Matters | 1,250 | 1,050 |
| Stormwater management | 1,348 | 1,189 |
| Financial Assistance Grant | 4,072 | 4,506 |
| Waste management centre | 6,777 | 6,058 |
| Drainage | 143 | 143 |
| Future Fund | 1,876 | 1,565 |
| Election | 50 | – |
| Natural Disasters | 806 | 882 |
| Other | 1,229 | 737 |
| Mine Affected Roads | 1,371 | 1,371 |
| Carryover Works | 3,055 | 2,149 |
| Net Zero | 631 | 363 |
| SRV Reserve | 4,516 | 3,020 |
| Road Reserve | 912 | 912 |
| Economic Development | 392 | 965 |
| Insurances | 100 | 40 |
| Financial Sustainability Reserve | 2,000 | – |
| ICT Reserve | 200 | – |
| Mine Affected Roads Study | 70 | 70 |
| Total internal allocations | 42,352 | 35,312 |

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

| | 2024 Current \$ '000 | 2024 Non-current \$ '000 | 2023 Current \$ '000 | 2023 Non-current \$ '000 |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Rates and annual charges | 2,397 | – | 2,281 | – |
| User charges and fees | 1,852 | – | 1,264 | – |
| Accrued revenues | | | | |
| – Interest on investments | 1,377 | – | 899 | – |
| Government grants and subsidies | 198 | – | 934 | – |
| Net GST receivable | 331 | – | 373 | – |
| Waste depot charges | 758 | – | 500 | – |
| Commercial Properties – Rental | 683 | – | 587 | – |
| TfNSW | 418 | – | 479 | – |
| Other debtors | 687 | – | 94 | – |
| Total | 8,701 | – | 7,411 | – |
| Less: provision for impairment | | | | |
| User charges and fees | (232) | – | (202) | – |
| Other debtors | (91) | – | (249) | – |
| Total provision for impairment – receivables | (323) | – | (451) | – |
| Total net receivables | 8,378 | – | 6,960 | – |

| | 2024 \$ '000 | 2023 \$ '000 |
|--|-----------------|-----------------|
| Movement in provision for impairment of receivables | | |
| Balance at the beginning of the year | 451 | 363 |
| + new provisions recognised during the year | – | 88 |
| – amounts already provided for and written off this year | (128) | – |
| Balance at the end of the year | 323 | 451 |

C1-4 Receivables (continued)

Material accounting policy information

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

Impairment

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

When 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

| | 2024 Current \$ '000 | 2024 Non-current \$ '000 | 2023 Current \$ '000 | 2023 Non-current \$ '000 |
|----------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| (i) Inventories at cost | | | | |
| Stores and materials | 337 | – | 281 | – |
| Total inventories at cost | 337 | – | 281 | – |
| Total inventories | 337 | – | 281 | – |

Material accounting policy information

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.

C1-6 Non-current assets classified as held for sale

| | 2024 Current \$ '000 | 2024 Non-current \$ '000 | 2023 Current \$ '000 | 2023 Non-current \$ '000 |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Non-current assets held for sale | | | | |
| Land | 1,114 | – | 1,114 | – |
| Total non-current assets held for sale | 1,114 | – | 1,114 | – |
| Total non-current assets classified as held for sale | 1,114 | – | 1,114 | – |

C1-7 Infrastructure, property, plant and equipment

| By aggregated asset class | At 1 July 2023 | | | Asset movements during the reporting period | | | | | | | At 30 June 2024 | | |
|--|-----------------------|---|---------------------|---|----------------------|-----------------------------|----------------------|---------------|-----------------------------------|--|-----------------------|---|---------------------|
| | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount | Additions renewals ¹ | Additions new assets | Carrying value of disposals | Depreciation expense | WIP transfers | Tfrs from/(to) IPPE Asset classes | 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 | 11,441 | – | 11,441 | 760 | 3,112 | – | – | (8,325) | – | – | 6,988 | – | 6,988 |
| Plant and equipment | 20,246 | (13,467) | 6,779 | 1,248 | 72 | (5) | (1,276) | – | – | – | 21,074 | (14,230) | 6,844 |
| Office equipment | 3,904 | (3,322) | 582 | 153 | 9 | – | (165) | – | – | – | 4,065 | (3,487) | 578 |
| Furniture and fittings | 1,270 | (882) | 388 | – | 3 | – | (97) | – | – | – | 1,273 | (979) | 294 |
| Land: | | | | | | | | | | | | | |
| – Operational land | 14,909 | – | 14,909 | – | – | – | – | – | – | – | 14,909 | – | 14,909 |
| – Community land | 16,161 | – | 16,161 | – | – | – | – | – | 79 | – | 16,240 | – | 16,240 |
| Land improvements – depreciable | 10,174 | (1,308) | 8,866 | 49 | 7 | – | (287) | 1,108 | (79) | 383 | 11,637 | (1,595) | 10,042 |
| Infrastructure: | | | | | | | | | | | | | |
| – Buildings – non-specialised | 97 | – | 97 | – | – | – | – | – | (97) | – | – | – | – |
| – Buildings – specialised | 115,465 | (36,107) | 79,358 | 542 | 2,445 | – | (2,206) | 5,246 | 97 | 7,893 | 131,702 | (38,313) | 93,389 |
| – Other structures | 22,455 | (5,069) | 17,386 | 78 | 275 | – | (618) | – | – | 677 | 23,476 | (5,685) | 17,791 |
| – Roads | 476,048 | (89,614) | 386,434 | 5,142 | 6,286 | – | (4,581) | 752 | – | 29,943 | 518,175 | (94,194) | 423,981 |
| – Bridges | 80,073 | (10,205) | 69,868 | 12 | – | – | (428) | 1,219 | – | 5,105 | 86,409 | (10,633) | 75,776 |
| – Footpaths | 26,804 | (9,346) | 17,458 | 180 | 725 | – | (451) | – | – | 855 | 28,565 | (9,797) | 18,768 |
| – Stormwater drainage | 96,010 | (27,039) | 68,971 | 8 | 2,837 | – | (884) | – | – | 3,062 | 101,918 | (27,922) | 73,996 |
| – Water supply network | 109,253 | (47,509) | 61,744 | 1,065 | 1,213 | – | (2,036) | – | – | 5,561 | 117,093 | (49,545) | 67,548 |
| – Sewerage network | 135,853 | (34,827) | 101,026 | 1,121 | 1,778 | – | (2,227) | – | – | 6,890 | 145,642 | (37,055) | 108,587 |
| Other assets: | | | | | | | | | | | | | |
| – Heritage collections | 5,529 | – | 5,529 | – | 70 | – | – | – | – | – | 5,600 | – | 5,600 |
| – Other | 1,553 | (1,435) | 118 | – | 87 | – | (54) | – | – | – | 1,640 | (1,489) | 151 |
| Reinstatement, rehabilitation and restoration assets (refer Note 15): | | | | | | | | | | | | | |
| – Tip assets | 12,568 | (2,654) | 9,914 | – | – | – | (195) | – | – | (5,038) | 10,727 | (6,046) | 4,681 |
| Total infrastructure, property, plant and equipment | 1,159,813 | (282,784) | 877,029 | 10,358 | 18,919 | (5) | (15,505) | – | – | 55,331 | 1,247,133 | (300,970) | 946,163 |

(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 2022 | | | Asset movements during the reporting period | | | | | | | | At 30 June 2023 | | |
|--|-----------------------|---|---------------------|---|----------------------|-----------------------------|----------------------|---------------|-----------------------|---|--|-----------------------|---|---------------------|
| | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount | Additions renewals ¹ | Additions new assets | Carrying value of disposals | Depreciation expense | WIP transfers | 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)

Material accounting policy information

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

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

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

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

Useful lives of IPPE

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

| IPPE Asset Classes | Useful lives |
|--|-----------------|
| Plant, equipment, furniture and fittings | 5-20 years |
| Land improvements | 25-50 years |
| Infrastructure: | |
| – Buildings and other structures | 20 to 100 years |
| – Roads, bridges and footpaths | 20 to 100 years |
| – Bulk earthworks | infinite |
| – Stormwater drainage | 50 to 100 years |
| – Water supply network | 15 to 100 years |
| – Sewerage network | 15 to 100 years |
| – Open space / recreational assets | 20 to 30 years |
| – Other infrastructure | 20 to 50 years |
| Other assets | 10 years |
| Tip and quarry assets | 50-60 years |

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

Revaluation model

Infrastructure, property, plant and equipment are held at fair value. Comprehensive valuations are performed at least every 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 Planning, Industry and Environment – Water.

Increases in the carrying amounts arising on revaluation are credited to the IPPE revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as

C1-7 Infrastructure, property, plant and equipment (continued)

profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against IPPE revaluation reserve to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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 C2-1.

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.

C1-8 Investment properties

| | 2024 \$ '000 | 2023 \$ '000 |
|--|-----------------|-----------------|
|--|-----------------|-----------------|

Owned investment property

Investment property on hand at fair value

| | | |
|--|--------|--------|
| | 69,650 | 66,807 |
|--|--------|--------|

| | | |
|--|---------------|---------------|
| Total owned investment property | 69,650 | 66,807 |
|--|---------------|---------------|

Owned investment property

Reconciliation of annual movement:

| | | |
|---|---------------|---------------|
| Opening balance at 1 July | 66,807 | 71,720 |
| Acquisitions | – | 997 |
| Capitalised subsequent expenditure | – | 348 |
| Net gain/(loss) from fair value adjustments | 2,603 | 222 |
| Other movements | 240 | – |
| Transfer from/(to) infrastructure (C1-8) | – | (6,480) |
| Closing balance at 30 June | 69,650 | 66,807 |

Material accounting policy information

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

C1-9 Other

Other assets

| | 2024 Current \$ '000 | 2024 Non-current \$ '000 | 2023 Current \$ '000 | 2023 Non-current \$ '000 |
|---------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Prepayments | 250 | – | 196 | – |
| Total other assets | 250 | – | 196 | – |

C2 Leasing activities

C2-1 Council as a lessor

(a) Operating leases

| | 2024 \$ '000 | 2023 \$ '000 |
|--|-----------------|-----------------|
|--|-----------------|-----------------|

(i) Assets held as investment property

Council holds a range of commercial 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) | 6,399 | 6,123 |
| Lease income relating to variable lease payments not dependent on an index or a rate | 5 | — |
| Total income relating to operating leases for investment property assets | 6,404 | 6,123 |

Operating lease expenses

Investment properties

| | | |
|--|--------------|--------------|
| Direct operating expenses that generated rental income | 1,258 | 1,210 |
| Total expenses relating to operating leases | 1,258 | 1,210 |

(ii) Assets held as property, plant and equipment

Council provides operating leases on Council buildings for the purpose of providing service to the community for educational and essential services the table below relates to operating leases on assets disclosed in C1-7.

| | | |
|--|------------|------------|
| Lease income (excluding variable lease payments not dependent on an index or rate) | 443 | 198 |
| Lease income relating to variable lease payments not dependent on an index or a rate | 332 | 324 |
| Total income relating to operating leases for Council assets | 775 | 522 |

Other leased assets expenses

| | | |
|---|------------|------------|
| Other | 198 | 189 |
| Total expenses relating to other leases assets | 198 | 189 |

(iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:

Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

| | | |
|---|---------------|---------------|
| < 1 year | 6,791 | 7,262 |
| 1–2 years | 6,939 | 6,791 |
| 2–3 years | 7,105 | 6,937 |
| 3–4 years | 7,261 | 7,105 |
| 4–5 years | 7,410 | 7,261 |
| > 5 years | 7,576 | 7,410 |
| Total undiscounted lease payments to be received | 43,082 | 42,766 |

(b) Finance leases

Council has sub-leased some properties which are on Crown land to community organisations and has classified these as finance leases since the sub-lease is for the remaining life of the Council's lease to the Crown.

| | | |
|---|-----------|-----------|
| Finance income on the net investment in the lease | 20 | 20 |
| Total Income relating to finance leases | 20 | 20 |

C2-1 Council as a lessor (continued)

| | 2024 \$ '000 | 2023 \$ '000 |
|---|-----------------|-----------------|
| Maturity analysis of undiscounted lease payments to be received after reporting date for finance leases: | | |
| < 1 year | 22 | 21 |
| 1–2 years | 22 | 22 |
| 2–3 years | 22 | 22 |
| 3–4 years | 23 | 22 |
| 4–5 years | 23 | 23 |
| > 5 years | 24 | 23 |
| Total lease payments receivable | 136 | 133 |
| Discounted unguaranteed residual value | (136) | (133) |

C3 Liabilities of Council

C3-1 Payables

| | 2024 Current \$ '000 | 2024 Non-current \$ '000 | 2023 Current \$ '000 | 2023 Non-current \$ '000 |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Goods and services ¹ | 2,077 | – | 2,374 | – |
| Accrued expenses: | | | | |
| – Borrowings | 340 | – | – | – |
| – Salaries and wages | 237 | – | – | – |
| – Other expenditure accruals ² | 475 | – | 160 | – |
| Security bonds, deposits and retentions | 5,215 | – | 5,468 | – |
| Prepaid rates | 624 | – | 563 | – |
| Other | 1 | – | 11 | – |
| Prepaid Water Charges | 177 | – | 184 | – |
| Prepaid Debtors | 158 | – | 109 | – |
| Total payables | 9,304 | – | 8,869 | – |

(1) Goods & Services in 2023 were separated for operating & capital expenditure, the amounts have been combined.

(2) Other accruals in 2023 were incorporated under Goods & Services.

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

| | 2024 \$ '000 | 2023 \$ '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 | 2,607 | 3,094 |
| Total payables | 2,607 | 3,094 |

C3-2 Contract Liabilities

| | | 2024 Current \$ '000 | 2024 Non-current \$ '000 | 2023 Current \$ '000 | 2023 Non-current \$ '000 |
|--|-------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| | Notes | | | | |
| Grants and contributions received in advance: | | | | | |
| Unexpended capital grants (to construct Council controlled assets) | (i) | 11,962 | – | 12,325 | – |
| Unexpended operating grants (received prior to performance obligation being satisfied) | (ii) | 252 | – | 519 | – |
| Total grants received in advance | | 12,214 | – | 12,844 | – |
| Total contract liabilities | | 12,214 | – | 12,844 | – |

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

| | 2024 \$ '000 | 2023 \$ '000 |
|--|-----------------|-----------------|
| Grants and contributions received in advance: | | |
| Capital grants (to construct Council controlled assets) | 2,681 | 2,547 |
| Operating grants (received prior to performance obligation being satisfied) | 425 | 340 |
| Total revenue recognised that was included in the contract liability balance at the beginning of the period | 3,106 | 2,887 |

C3-3 Borrowings

| | 2024 Current \$ '000 | 2024 Non-current \$ '000 | 2023 Current \$ '000 | 2023 Non-current \$ '000 |
|------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Loans – secured ¹ | 4,645 | 47,852 | 6,588 | 50,720 |
| Total borrowings | 4,645 | 47,852 | 6,588 | 50,720 |

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

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

(a) Changes in liabilities arising from financing activities

| | 2023 | | Non-cash movements | | | | 2024 |
|--|-------------------------------|-----------------------|-------------------------|----------------------------------|--|---------------------------------------|-------------------------------|
| | 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 | 57,308 | (4,811) | – | – | – | – | 52,497 |
| Total liabilities from financing activities | 57,308 | (4,811) | – | – | – | – | 52,497 |

| | 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 |

C3-3 Borrowings (continued)

(b) Financing arrangements

| | 2024 \$ '000 | 2023 \$ '000 |
|--|-----------------|-----------------|
| Total facilities | | |
| Total financing facilities available to Council at the reporting date are: | | |
| Bank overdraft facilities ¹ | 750 | 750 |
| Credit cards/purchase cards | 62 | 62 |
| Total financing arrangements | 812 | 812 |
| Drawn facilities | | |
| Financing facilities drawn down at the reporting date are: | | |
| Undrawn facilities | | |
| Undrawn financing facilities available to Council at the reporting date are: | | |
| – 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.

C3-4 Employee benefit provisions

| | 2024 Current \$ '000 | 2024 Non-current \$ '000 | 2023 Current \$ '000 | 2023 Non-current \$ '000 |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Annual leave | 1,643 | – | 1,370 | – |
| Long service leave | 2,160 | 371 | 1,578 | 323 |
| Other leave | 93 | – | 57 | – |
| Total employee benefit provisions | 3,896 | 371 | 3,005 | 323 |

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

| | 2024 \$ '000 | 2023 \$ '000 |
|--|-----------------|-----------------|
|--|-----------------|-----------------|

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

| | | |
|---------------------------------|------------|--------------|
| Provisions – employees benefits | 379 | 2,276 |
| | 379 | 2,276 |

Material accounting policy information

Other long-term employee benefit obligations

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

C3-5 Provisions

| | 2024 Current \$ '000 | 2024 Non-Current \$ '000 | 2023 Current \$ '000 | 2023 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) | – | 10,290 | – | 9,770 |
| Sub-total – asset remediation/restoration | – | 10,290 | – | 9,770 |
| Total provisions | 1,000 | 10,290 | 1,000 | 9,770 |

Description of and movements in provisions

| | Other provisions | | |
|---------------------------------------|---------------------------------|------------------|------------------|
| | Asset remediation \$ '000 | Legal \$ '000 | Total \$ '000 |
| 2024 | | | |
| At beginning of year | 9,770 | 1,000 | 10,770 |
| Unwinding of discount for remediation | 520 | – | 520 |
| Total other provisions at end of year | 10,290 | 1,000 | 11,290 |
| 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 |

Nature and purpose of provisions

Asset remediation

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

Material accounting policy information

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

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

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

Asset remediation – tips and quarries

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

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.

C3-5 Provisions (continued)

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

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 2024 \$ '000 | Water 2024 \$ '000 | Sewer 2024 \$ '000 |
|--|-------------------------------------|-----------------------------------|-----------------------------------|
| Income from continuing operations | | | |
| Rates and annual charges | 24,866 | 2,193 | 5,924 |
| User charges and fees | 10,681 | 5,746 | 1,366 |
| Interest and investment revenue | 3,357 | 773 | 394 |
| Other revenues | 1,561 | – | – |
| Grants and contributions provided for operating purposes | 11,614 | – | 2 |
| Grants and contributions provided for capital purposes | 19,191 | 1,900 | 2,404 |
| Net gains from disposal of assets | 106 | 9 | – |
| Other income | 9,007 | – | – |
| Total income from continuing operations | 80,383 | 10,621 | 10,090 |
| Expenses from continuing operations | | | |
| Employee benefits and on-costs | 17,395 | 993 | 876 |
| Materials and services | 14,560 | 3,167 | 2,233 |
| Borrowing costs | 1,899 | 14 | 636 |
| Depreciation, amortisation and impairment of non-financial assets | 11,120 | 2,100 | 2,285 |
| Other expenses | 1,340 | 387 | 695 |
| Total expenses from continuing operations | 46,314 | 6,661 | 6,725 |
| Operating result from continuing operations | 34,069 | 3,960 | 3,365 |
| Net operating result for the year | 34,069 | 3,960 | 3,365 |
| Net operating result attributable to each council fund | 34,069 | 3,960 | 3,365 |
| Net operating result for the year before grants and contributions provided for capital purposes | 14,878 | 2,060 | 961 |

D1-2 Statement of Financial Position by fund

| | General 2024 \$ '000 | Water 2024 \$ '000 | Sewer 2024 \$ '000 |
|--|----------------------------|--------------------------|--------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 10,871 | – | – |
| Investments | 19,297 | 7,054 | 3,649 |
| Receivables | 5,449 | 2,080 | 849 |
| Inventories | 202 | 135 | – |
| Other | 250 | – | – |
| Non-current assets classified as held for sale | 1,114 | – | – |
| Total current assets | 37,183 | 9,269 | 4,498 |
| Non-current assets | | | |
| Investments | 38,883 | 9,092 | 4,702 |
| Receivables | – | 848 | – |
| Infrastructure, property, plant and equipment | 764,300 | 70,327 | 111,536 |
| Investment property | 69,650 | – | – |
| Total non-current assets | 872,833 | 80,267 | 116,238 |
| Total assets | 910,016 | 89,536 | 120,736 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | 9,127 | 177 | – |
| Contract liabilities | 12,214 | – | – |
| Borrowings | 3,828 | – | 817 |
| Employee benefit provision | 3,790 | 105 | 1 |
| Provisions | 1,000 | – | – |
| Total current liabilities | 29,959 | 282 | 818 |
| Non-current liabilities | | | |
| Borrowings | 36,131 | – | 12,569 |
| Employee benefit provision | 363 | 8 | – |
| Provisions | 10,290 | – | – |
| Total non-current liabilities | 46,784 | 8 | 12,569 |
| Total liabilities | 76,743 | 290 | 13,387 |
| Net assets | 833,273 | 89,246 | 107,349 |
| EQUITY | | | |
| Accumulated surplus | 378,289 | 44,695 | 59,429 |
| Revaluation reserves | 454,984 | 44,551 | 47,920 |
| Council equity interest | 833,273 | 89,246 | 107,349 |
| Total equity | 833,273 | 89,246 | 107,349 |

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 | | 09/08/2010 |
| 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 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's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance team manages the cash and Investments portfolio with the assistance of independent advisors. Council has an investment policy which complies with the s 625 of the Act and the Ministerial Investment Order. The policy is regularly reviewed by Council and a monthly investment report is provided to Council setting out the make-up performance of the portfolio as required by local government regulations.

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 the finance team under policies approved by the Councillors.

| | Carrying value 2024 \$ '000 | Carrying value 2023 \$ '000 | Fair value 2024 \$ '000 | Fair value 2023 \$ '000 |
|-------------------------------------|-----------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| Financial assets | | | | |
| Measured at amortised cost | | | | |
| Cash and cash equivalents | 10,871 | 7,856 | 10,871 | 7,856 |
| Receivables | 8,378 | 6,578 | 8,378 | 6,675 |
| Investments | | | | |
| – Debt securities at amortised cost | 82,677 | 66,272 | 82,677 | 66,817 |
| Total financial assets | 101,926 | 80,706 | 101,926 | 81,348 |
| Financial liabilities | | | | |
| Payables | 9,304 | 8,013 | 9,304 | 7,987 |
| Loans/advances | 52,497 | 57,308 | 52,497 | 57,308 |
| Total financial liabilities | 61,801 | 65,321 | 61,801 | 65,295 |

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

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

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

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

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

(a) Market risk – interest rate and price risk

| | 2024 \$ '000 | 2023 \$ '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 | 935 | 741 |
|-----------------------------|-----|-----|

Impact of a 10% movement in price of investments

| | | |
|-----------------------------|-------|-------|
| – Equity / Income Statement | 9,355 | 7,413 |
|-----------------------------|-------|-------|

(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 | | Total \$ '000 |
|-----------------------|-------------------------------|----------------------------------|----------------------|------------------|
| | | < 5 years \$ '000 | ≥ 5 years \$ '000 | |
| 2024 | | | | |
| Gross carrying amount | – | 2,133 | 264 | 2,397 |
| 2023 | | | | |
| Gross carrying amount | – | 2,058 | 223 | 2,281 |

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

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 | | | Total \$ '000 |
|------------------------|-------------------------------|------------------------|-------------------------|-------------------------|----------------------|------------------|
| | | | 31 - 60 days \$ '000 | 61 - 90 days \$ '000 | > 91 days \$ '000 | |
| 2024 | | | | | | |
| Gross carrying amount | 4,855 | 582 | 86 | 154 | 627 | 6,304 |
| ECL provision | — | — | 2 | 10 | 311 | 323 |
| Expected loss rate (%) | 0.00% | 0.00% | 1.80% | 6.30% | 49.60% | 5.11% |
| 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% |

(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 | ≤ 1 Year \$ '000 | payable in: | | Total cash outflows \$ '000 | Actual carrying values \$ '000 |
|------------------------------------|--|---|---------------------|---------------------------|----------------------|-----------------------------------|---|
| | | | | 1 - 5 Years \$ '000 | > 5 Years \$ '000 | | |
| 2024 | | | | | | | |
| Payables | 0.00% | 5,215 | 4,089 | — | — | 9,304 | 9,304 |
| Loans and advances – fixed | 3.91% | — | 4,645 | 22,299 | 25,553 | 52,497 | 52,497 |
| Total financial liabilities | | 5,215 | 8,734 | 22,299 | 25,553 | 61,801 | 61,801 |
| 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 |

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

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 | |
| | | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Investment property | C1-8 | | | | | | |
| Investment Properties | | 69,650 | 66,807 | – | – | 69,650 | 66,807 |
| Total investment property | | 69,650 | 66,807 | – | – | 69,650 | 66,807 |
| Infrastructure, property, plant and equipment | C1-7 | | | | | | |
| Operational Land | | 14,909 | 14,909 | – | – | 14,909 | 14,909 |
| Community Land | | – | – | 16,240 | 16,161 | 16,240 | 16,161 |
| Depreciable Land Improvements | | – | – | 10,042 | 8,866 | 10,042 | 8,866 |
| Buildings – Non-Specialised | | – | – | – | 97 | – | 97 |
| Buildings – Specialised | | – | – | 93,389 | 79,358 | 93,389 | 79,358 |
| Other Structures | | – | – | 17,791 | 17,386 | 17,791 | 17,386 |
| Roads | | – | – | 423,981 | 386,434 | 423,981 | 386,434 |
| Bridges | | – | – | 75,776 | 69,868 | 75,776 | 69,868 |
| Footpaths | | – | – | 18,768 | 17,458 | 18,768 | 17,458 |
| Stormwater Drainage | | – | – | 73,996 | 68,971 | 73,996 | 68,971 |
| Water Supply Network | | – | – | 67,548 | 61,744 | 67,548 | 61,744 |
| Sewerage Network | | – | – | 108,587 | 101,026 | 108,587 | 101,026 |
| Heritage Collections | | – | – | 5,600 | 5,529 | 5,600 | 5,529 |
| Other | | – | – | 151 | 118 | 151 | 118 |
| Tip Asset | | – | – | 4,681 | 9,914 | 4,681 | 9,914 |
| Total infrastructure, property, plant and equipment | | 14,909 | 14,909 | 916,550 | 850,679 | 931,459 | 865,588 |

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 current 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 (30/6/24) 2024 \$ '000 | Valuation technique/s | Unobservable inputs |
|--|--|-----------------------|---|
| Infrastructure, property, plant and equipment | | | |
| Community Land | 16,240 | Market Approach | Land Value, Land area. |
| Depreciable land improvements | 10,042 | Cost Approach | Current Replacement Cost. Asset Condition. Remaining Useful Life. |
| Buildings non-specialised | – | Cost Approach | Current Replacement Cost. Remaining Useful Life. Asset Condition. |
| Building specialised | 93,389 | Cost Approach | Current Replacement Cost. Remaining Useful Life. Asset Condition. |
| Other structures | 17,791 | Cost Approach | Current Replacement Cost. Remaining Useful Life. Asset Condition. |
| Roads | 423,981 | Cost Approach | Current Replacement Cost, Remaining Useful Life, Asset Condition. |
| Bridges | 75,776 | Cost Approach | Current Replacement Cost, Remaining Useful Life, Asset Condition. |
| Footpaths | 18,768 | Cost Approach | Current Replacement Cost, Remaining Useful Life, Asset Condition. |
| Stormwater drainage | 73,996 | Cost Approach | Current Replacement Cost, Remaining Useful Life, Asset Condition. |
| Water supply network | 67,548 | Cost Approach | Current Replacement Cost, Remaining Useful Life, Asset Condition. |
| Sewerage network | 108,587 | Cost Approach | Current Replacement Cost, Remaining Useful Life, Asset Condition. |
| Other minor classes | 5,751 | Cost Approach | Current Replacement Cost, Remaining Useful Life, Asset Condition. |
| Tip Asset | 4,681 | Cost Approach | Current Replacement Cost, Remaining Useful Life, Asset Condition. |

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 improvements | | Buildings non-specialised | |
|---|------------------|---------|----------------|---------|-------------------------------|---------|---------------------------|---------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 |
| Opening balance | – | – | 16,161 | 13,541 | 8,866 | 3,395 | 97 | 97 |
| Total gains or losses for the period | | | | | | | | |
| Other movements | | | | | | | | |
| Transfers from/(to) another asset class | – | – | 79 | (1,922) | (79) | 1,922 | (97) | – |
| Purchases (GBV) | – | – | – | 632 | 56 | 3,326 | – | – |
| Disposals (WDV) | – | – | – | (450) | – | – | – | – |
| Depreciation and impairment | – | – | – | – | (287) | (97) | – | – |
| Revaluation Increments | – | – | – | 4,360 | 383 | 320 | – | – |
| Work in progress transfers | – | – | – | – | 1,108 | – | – | – |
| Closing balance | – | – | 16,240 | 16,161 | 10,047 | 8,866 | – | 97 |

| | Building specialised | | Other structures | | Roads | | Bridges | |
|---|----------------------|---------|------------------|---------|---------|---------|---------|---------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 |
| Opening balance | 79,358 | 53,514 | 17,386 | 14,826 | 386,434 | 351,805 | 69,868 | 63,398 |
| Total gains or losses for the period | | | | | | | | |
| Other movements | | | | | | | | |
| Transfers from/(to) another asset class | 97 | 6,480 | – | – | – | – | – | – |
| Purchases (GBV) | 2,987 | 1,552 | 353 | 1,778 | 11,428 | 8,091 | 12 | 581 |
| Disposals (WDV) | – | – | – | – | – | (390) | – | (187) |
| Depreciation and impairment | (2,206) | (1,884) | (618) | (498) | (4,581) | (4,625) | (428) | (479) |
| Revaluation Increments | 7,893 | 3,363 | 677 | 1,280 | 29,943 | 27,581 | 5,105 | 4,691 |
| Work in progress transfers | 5,246 | 16,333 | – | – | 752 | 3,972 | 1,219 | 1,864 |
| Closing balance | 93,375 | 79,358 | 17,798 | 17,386 | 423,976 | 386,434 | 75,776 | 69,868 |

E2-1 Fair value measurement (continued)

| | Footpaths | | Stormwater drainage | | Water supply network | | Sewerage network | |
|---|---------------|---------|---------------------|---------|----------------------|---------|------------------|---------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 |
| Opening balance | 17,458 | 14,977 | 68,971 | 61,351 | 61,744 | 54,019 | 101,026 | 92,380 |
| Total gains or losses for the period | | | | | | | | |
| Other movements | | | | | | | | |
| Purchases (GBV) | 905 | 1,188 | 2,845 | 2,207 | 2,278 | 2,036 | 2,899 | 1,199 |
| Disposals (WDV) | — | (54) | — | (3) | — | — | — | — |
| Depreciation and impairment | (451) | (423) | (884) | (850) | (2,036) | (1,985) | (2,227) | (2,191) |
| Revaluation Increments | 855 | — | 3,062 | 6,266 | 5,561 | 7,674 | 6,890 | 9,638 |
| Work in progress transfers | — | 1,770 | — | — | — | — | — | — |
| Closing balance | 18,767 | 17,458 | 73,994 | 68,971 | 67,547 | 61,744 | 108,588 | 101,026 |

| | Other minor classes | | Tip asset | | Total | |
|---|---------------------|---------|--------------|---------|----------------|----------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 |
| Opening balance | 5,647 | 5,569 | 9,914 | 3,306 | 842,930 | 732,178 |
| Transfers from/(to) another asset class | — | — | — | — | — | 6,480 |
| Purchases (GBV) | 158 | 139 | — | — | 23,921 | 22,729 |
| Disposals (WDV) | — | (1) | — | — | — | (1,085) |
| Depreciation and impairment | (54) | (60) | (195) | (236) | (13,967) | (13,328) |
| Revaluation Increments | — | — | (5,038) | 6,844 | 55,331 | 72,017 |
| Work in progress transfers | — | — | — | — | 8,325 | 23,939 |
| Closing balance | 5,751 | 5,647 | 4,681 | 9,914 | 916,540 | 842,930 |

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB 119 *Employee Benefits* for the following reasons:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formula 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).

Description of the funding arrangements.

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

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$20.0 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 2023. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan

As stated above, each sponsoring employer (Council) 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 Council.

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

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

E3-1 Contingencies (continued)

The 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 2024 was \$87,575.29. The last valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2024.

Council's expected contribution to the plan for the next annual reporting period is \$53,668.24.

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

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

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

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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 | 3.5% for FY 23/24 2.5% per annum thereafter |

* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review, which will be a triennial actuarial investigation will be completed by December 2024.

(ii) Statewide Limited

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

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

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

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 0.23% 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.

E3-1 Contingencies (continued)

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

(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 has no other legal contingencies other than those already provided for.

(iv) Fines and Penalties

Council received a show cause letter by the NSW Environmental Protection Authority (EPA) in October 2024, in response to a self-reported ferric sulphate leak incident at the Muswellbrook Water Treatment plant in March 2024. Council is unclear whether the EPA will impose a penalty for this incident and what the possible financial liability maybe incurred. This investigation is still ongoing.

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 June 2008.

(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

Council has obligations to undertake road work on Thomas Mitchell Drive through the Thomas Mitchell Drive Contribution Study Update 2021 developed in-line with the planning and approval conditions related to five (5) mines associated with the direct use of the road;

- Mount Arthur Coal (BHP) (MP09-0062)
- Bengalla (New Hope) (SSD 5170)
- Mangoola (Glencore) (MP06 – 0014)
- Mount Pleasant (MACH Energy) (DA 92-97)
- Maxwell Underground (Malabar Coal) (SSD 95260)

E3-1 Contingencies (continued)

The road works refer to periodic capital works required to achieve the nominated design life. It does not include routine maintenance such as cleaning or vegetation management. Typical roadwork activities include the following regime:

- Pavement resealed every eight years or so.

- Possible pavement rehabilitation between 20 to 25 years. Rehabilitation would include pavement work to achieve the required design life and possible improvement to safety barriers, pavement drainage or other road infrastructure necessary to satisfy standards or safety requirements of the time. Council will be undertaking the remaining works to be upgraded.

Therefore, two reseals to be planned for the years (or nearest to) 2023 and 2031) then one rehabilitation. Following this, the pavement would either be reconstructed, or maintenance continued beyond the 30-year design life. The design life is consistent with the current planned horizon of mining operations and work beyond 30 years is therefore not considered as part of this study.

The contributions plan proposes, each mine fund the road works as they arise. This ensures:

- Funding is used for the maintenance of the road
- Work is correctly funded, rather than attempting to estimate future works in 2021 dollars
- New developments or expanded operations can be included in the contributions model
- Ceased operations would not be required to fund activity and obligations redistribution between remaining mines

The costs of these works was estimated at \$11.7M in 2021 dollars, however the contribution plan requires that once the works are undertaken, the mines deemed to be the contributors to the need for the works are required to make monetary contribution toward the works. In total, these mines are required to pay 40.6% for the actual road maintenance costs. This total percentage is broken down to individual mine contributions based on Equivalent Standard Axels /km. In summary as the works are completed the effected coal mines will be invoiced for their contributions as determined by the Thomas Mitchell Drive Contribution Plan based upon the costs of the work.

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:

| | 2024 | 2023 |
|--------------------------|--------------|--------------|
| | \$ '000 | \$ '000 |
| Compensation: | | |
| Short-term benefits | 1,236 | 1,206 |
| Post-employment benefits | 170 | 161 |
| Other long-term benefits | 32 | 264 |
| Total | 1,438 | 1,631 |

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 |
|--|--|--|----------------------|--|----------------------------------|
| 2024 | | | | | |
| Upper Hunter Weeds Authority – Contribution ¹ | 108 | – | Annually | – | – |
| Contribution from Upper Hunter Weeds Authority | 16 | – | Annually | – | – |
| Local Government Training Institute – Training Services ² | – | – | 7 days | – | – |
| FYFE Survey ³ | 148 | – | 30 days | – | – |
| 2023 | | | | | |
| Upper Hunter Weeds Authority – Contribution ¹ | 103 | – | Annually | – | – |
| Contribution from Upper Hunter Weeds Authority | 16 | 5 | Annually | – | – |
| Local Government Training Institute – Training Services ² | 19 | – | 7 days | – | – |
| FYFE Survey ³ | 38 | 4 | 30 days | – | – |

(1) Council is a member. The activities are not controlled by any one council.

(2) Entity of Arrow Collaborative Services. The activities are not controlled by any one council.

(3) Council uses these surveying services.

F1-2 Councillor and Mayoral fees and associated expenses

| | 2024 | 2023 |
|--|---------|---------|
| | \$ '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 | 38 | 28 |
| Councillors' fees | 212 | 152 |
| Other Councillors' expenses (including Mayor) | 18 | 26 |
| Total | 268 | 206 |

F2 Other relationships

F2-1 Audit fees

| | 2024 \$ '000 | 2023 \$ '000 |
|--|-----------------|-----------------|
|--|-----------------|-----------------|

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

| | | |
|--|-----|-----|
| | 230 | 181 |
|--|-----|-----|

| | | |
|--|------------|------------|
| Remuneration for audit and other assurance services | 230 | 181 |
|--|------------|------------|

| | | |
|---|------------|------------|
| Total Auditor-General remuneration | 230 | 181 |
|---|------------|------------|

Non NSW Auditor-General audit firms

(i) Audit and other assurance services

– Other audit and assurance services: Internal Auditor

| | | |
|--|---|----|
| | 8 | 12 |
|--|---|----|

| | | |
|--|----------|-----------|
| Remuneration for audit and other assurance services | 8 | 12 |
|--|----------|-----------|

| | | |
|--|----------|-----------|
| Total remuneration of non NSW Auditor-General audit firms | 8 | 12 |
|--|----------|-----------|

| | | |
|-------------------------|------------|------------|
| Total audit fees | 238 | 193 |
|-------------------------|------------|------------|

G Other matters

G1-1 Statement of Cash Flows information

(a) Reconciliation of Operating Result

| | 2024 \$ '000 | 2023 \$ '000 |
|--|-----------------|-----------------|
| Net operating result from Income Statement | 41,394 | 25,290 |
| Add / (less) non-cash items: | | |
| Depreciation and amortisation | 15,505 | 14,951 |
| (Gain) / loss on disposal of assets | (115) | 101 |
| Non-cash capital grants and contributions | (10,996) | (3,404) |
| Reversal of prior year IPP&E revaluation decrements / impairment previously costed direct to the P&L | (253) | (266) |
| Losses/(gains) recognised on fair value re-measurements through the P&L: | | |
| – Investment property | (2,603) | (222) |
| Movements in operating assets and liabilities and other cash items: | | |
| (Increase) / decrease of receivables | (1,290) | (400) |
| Increase / (decrease) in provision for impairment of receivables | (128) | 88 |
| (Increase) / decrease of inventories | (56) | 125 |
| (Increase) / decrease of other current assets | (54) | 118 |
| Increase / (decrease) in payables | (297) | 332 |
| Increase / (decrease) in accrued interest payable | 340 | – |
| Increase / (decrease) in other accrued expenses payable | 552 | – |
| Increase / (decrease) in other liabilities | (160) | 1,030 |
| Increase / (decrease) in contract liabilities | (630) | 8,468 |
| Increase / (decrease) in employee benefit provision | 939 | 31 |
| Increase / (decrease) in other provisions | 520 | 410 |
| Net cash flows from operating activities | 42,668 | 46,652 |

(b) Non-cash investing and financing activities

| | | |
|--|---------------|-------|
| Developer contributions 'in kind' | 10,996 | 3,404 |
| Total non-cash investing and financing activities | 10,996 | 3,404 |

G2-1 Commitments

Capital commitments (exclusive of GST)

| | 2024 \$ '000 | 2023 \$ '000 |
|--|-----------------|-----------------|
| Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities: | | |
| Property, plant and equipment | | |
| Buildings | 241 | 8,301 |
| Plant and equipment | – | 1,607 |
| Road Infrastructure | – | 5,370 |
| Land | – | 19 |
| Sewerage Infrastructure | – | 1,999 |
| Land Improvements | – | 6,271 |
| Water Infrastructure | 107 | 1,588 |
| Other | – | 276 |
| Stormwater Drainage | 841 | 615 |
| Other Structures | 1,024 | 4,144 |
| Total commitments | 2,213 | 30,190 |
| Within the next year | 2,213 | 30,190 |
| Total payable | 2,213 | 30,190 |
| Future grants and contributions | 1,539 | 9,902 |
| Section 7.11 and 64 funds/reserves | 567 | – |
| Unexpended grants | – | 8,337 |
| Externally restricted reserves | 107 | 6,210 |
| Internally restricted reserves | – | 4,130 |
| Unexpended loans | – | 30 |
| New loans (to be raised) | – | 1,581 |
| Total sources of funding | 2,213 | 30,190 |

Details of capital commitments

Projects that have not been completed in the 2023/24 financial year but have capital commitments.

G3-1 Events occurring after the reporting date

The Muswellbrook LGA has experienced several earthquakes from August 2024. Council has engaged structural engineers to assess damage to Council's assets. This will assist Council in assessing the financial impact of the earthquakes. At this stage, Council does not believe there will be a significant financial impact on the 2024-2025 financial statements.

Subsequent to the reporting date, Muswellbrook Shire Council has been invited to Show Cause by the NSW Environmental Protection Authority (EPA) on 3 October 2024, for a self-reported ferric sulphate leak Incident at the Muswellbrook Water Treatment plant, that occurred on 28 March 2024.

G4 Statement of developer contributions

G4-1 Summary of developer contributions

| | Opening balance at 1 July 2023 \$ '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 2024 \$ '000 | Cumulative balance of internal borrowings (to)/from \$ '000 |
|--|---|--|--------------------------|------------------------------|--|--------------------------------|-----------------------------------|---|---|
| | | Cash \$ '000 | Non-cash Land \$ '000 | Non-cash Other \$ '000 | | | | | |
| Drainage | 256 | 113 | — | — | 19 | — | — | 388 | — |
| Roads | 541 | 21 | — | — | 29 | — | — | 591 | — |
| Parking | 2 | — | — | — | — | — | — | 2 | — |
| Open space | 274 | 7 | — | — | 14 | — | — | 295 | — |
| Community facilities | 16 | — | — | — | 1 | — | — | 17 | — |
| Tourism | 39 | — | — | — | 2 | — | — | 41 | — |
| Bushfire | 145 | 10 | — | — | 8 | — | — | 163 | — |
| Social Infrastructure | 247 | 218 | — | — | 24 | — | — | 489 | — |
| S7.11 contributions – under a plan | 1,520 | 369 | — | — | 97 | — | — | 1,986 | — |
| S7.12 levies – under a plan | 253 | 102 | — | — | 18 | — | — | 373 | — |
| Total S7.11 and S7.12 revenue under plans | 1,773 | 471 | — | — | 115 | — | — | 2,359 | — |
| S7.4 planning agreements | 2,972 | 6,596 | — | — | — | (2,323) | — | 7,245 | — |
| S.64 contributions | 12,977 | 1,315 | — | — | 726 | (58) | — | 14,960 | — |
| Total contributions | 17,722 | 8,382 | — | — | 841 | (2,381) | — | 24,564 | — |

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 2023 \$ '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 2024 \$ '000 | Cumulative balance of internal borrowings (to)/from \$ '000 |
|--------------------------|---|--|--------------------------|------------------------------|--|--------------------------------|-----------------------------------|---|---|
| | | Cash \$ '000 | Non-cash Land \$ '000 | Non-cash Other \$ '000 | | | | | |
| CONTRIBUTION PLAN | | | | | | | | | |
| Drainage | 256 | 113 | — | — | 19 | — | — | 388 | — |
| Roads | 541 | 21 | — | — | 29 | — | — | 591 | — |
| Parking | 2 | — | — | — | — | — | — | 2 | — |
| Open space | 274 | 7 | — | — | 14 | — | — | 295 | — |
| Community facilities | 16 | — | — | — | 1 | — | — | 17 | — |
| Tourism | 39 | — | — | — | 2 | — | — | 41 | — |
| Bushfire | 145 | 10 | — | — | 8 | — | — | 163 | — |
| Social Infrastructure | 247 | 218 | — | — | 24 | — | — | 489 | — |
| Total | 1,520 | 369 | — | — | 97 | — | — | 1,986 | — |

S7.12 Levies – under a plan

| | | | | | | | | | |
|--------------------------|------------|------------|----------|----------|-----------|----------|----------|------------|----------|
| CONTRIBUTION PLAN | | | | | | | | | |
| S94A Levies | 253 | 102 | — | — | 18 | — | — | 373 | — |
| Total | 253 | 102 | — | — | 18 | — | — | 373 | — |

G4-3 Contributions not under plans

| | | | | | | | | | |
|--------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| VOLUNTARY PLANNING AGREEMENTS | | | | | | | | | |
| Environment | — | — | — | — | — | — | — | — | — |
| Total | — | — | — | — | — | — | — | — | — |

G4-4 S7.4 planning agreements

| | Opening balance at 1 July 2023 \$ '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 2024 \$ '000 | Cumulative balance of internal borrowings (to)/from \$ '000 |
|----------------------|---|--|--------------------------|------------------------------|--|--------------------------------|-----------------------------------|---|---|
| | | Cash \$ '000 | Non-cash Land \$ '000 | Non-cash Other \$ '000 | | | | | |
| VPAs | | | | | | | | | |
| Roads | 120 | 1,014 | — | — | — | (1,134) | — | — | — |
| Community facilities | 2,146 | 4,634 | — | — | — | (994) | — | 5,786 | — |
| Tonnage | 180 | 77 | — | — | — | — | — | 257 | — |
| Recreation | 365 | 677 | — | — | — | — | — | 1,042 | — |
| Environment | 161 | 194 | — | — | — | (195) | — | 160 | — |
| Total | 2,972 | 6,596 | — | — | — | (2,323) | — | 7,245 | — |

G4-5 S64 contributions

S64 contributions

| | | | | | | | | | |
|--------------|---------------|--------------|----------|----------|------------|-------------|----------|---------------|----------|
| Water | 8,725 | 689 | — | — | 478 | — | — | 9,892 | — |
| Sewer | 4,252 | 626 | — | — | 248 | (58) | — | 5,068 | — |
| Total | 12,977 | 1,315 | — | — | 726 | (58) | — | 14,960 | — |

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

| \$ '000 | Amounts 2024 | Indicator 2024 | Indicators 2023 2022 | | Benchmark |
|--|-----------------|-------------------|------------------------------|--------|-----------|
| 1. Operating performance ratio | | | | | |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2} | 15,111 | 20.18% | 9.48% | 8.34% | > 0.00% |
| Total continuing operating revenue excluding capital grants and contributions ¹ | 74,881 | | | | |
| 2. Own source operating revenue ratio | | | | | |
| Total continuing operating revenue excluding all grants and contributions ¹ | 63,265 | 64.31% | 64.42% | 63.53% | > 60.00% |
| Total continuing operating revenue ¹ | 98,376 | | | | |
| 3. Unrestricted current ratio | | | | | |
| Current assets less all external restrictions | 47,751 | 1.77x | 1.66x | 1.98x | > 1.50x |
| Current liabilities less specific purpose liabilities | 26,973 | | | | |
| 4. Debt service cover ratio | | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation ¹ | 33,165 | 4.51x | 2.88x | 3.20x | > 2.00x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | 7,360 | | | | |
| 5. Rates and annual charges outstanding percentage | | | | | |
| Rates and annual charges outstanding | 2,397 | 6.73% | 7.15% | 7.70% | < 10.00% |
| Rates and annual charges collectable | 35,618 | | | | |
| 6. Cash expense cover ratio | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 35,121 | 8.13 | 9.97 | 9.65 | > 3.00 |
| Monthly payments from cash flow of operating and financing activities | 4,320 | 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 |
|---|---------------------------------|--------|------------------|---------|------------------|--------|-----------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | |
| 1. Operating performance ratio | | | | | | | |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2} | 20.68% | 11.65% | 23.62% | (2.38)% | 12.50% | 3.13% | > 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 | 60.34% | 60.25% | 82.11% | 81.72% | 76.15% | 86.92% | > 60.00% |
| Total continuing operating revenue ¹ | | | | | | | |
| 3. Unrestricted current ratio | | | | | | | |
| Current assets less all external restrictions | 1.77x | 1.66x | 32.87x | 10.40x | 5.50x | 3.73x | > 1.50x |
| Current liabilities less specific purpose liabilities | | | | | | | |
| 4. Debt service cover ratio | | | | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation ¹ | 3.74x | 2.47x | 298.14x | 52.16x | 6.10x | 4.68x | > 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 | 5.89% | 6.52% | 6.16% | 5.82% | 10.69% | 10.93% | < 10.00% |
| Rates and annual charges collectable | | | | | | | |
| 6. Cash expense cover ratio | | | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 8.13 | 9.97 | ∞ | ∞ | ∞ | ∞ | > 3.00 |
| Monthly payments from cash flow of operating and financing activities | months | months | | | | | months |

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

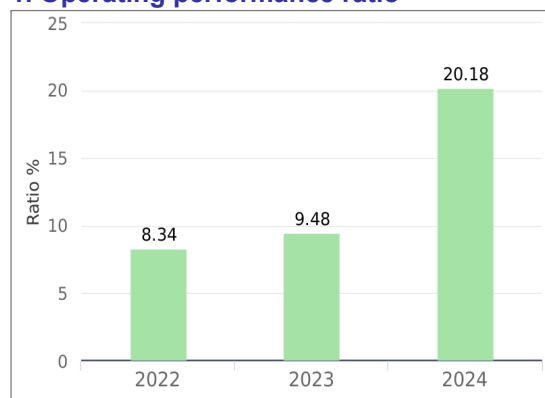
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

End of the audited financial statements

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2023/24 result

2023/24 ratio 20.18%

Significantly higher revenue from grants, voluntary agreement contributions, interest on investments, user fees and charges and revaluation for commercial property offset by lower than anticipated operating expenditure has resulted in a large operating surplus.

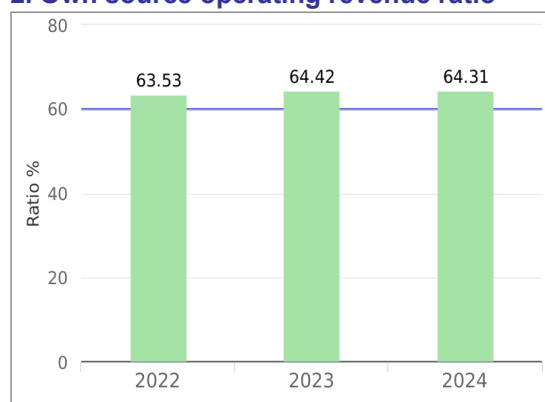
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2023/24 result

2023/24 ratio 64.31%

Council's own source of operating revenue has slightly exceeded the OLG benchmark of 60% during the reporting period and is consistent with the previous three years of results.

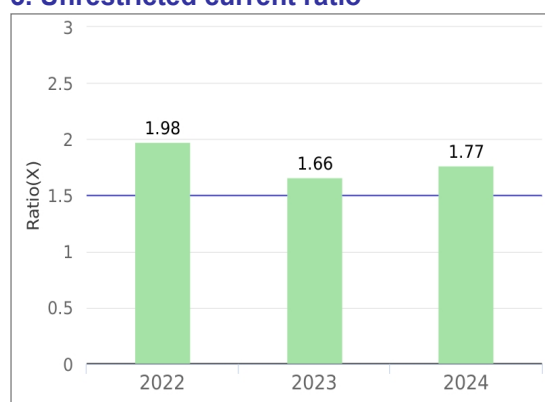
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2023/24 result

2023/24 ratio 1.77x

Council continues to have sufficient liquidity and is able to satisfy its short-term obligations as they fall due.

Benchmark: — > 1.50x

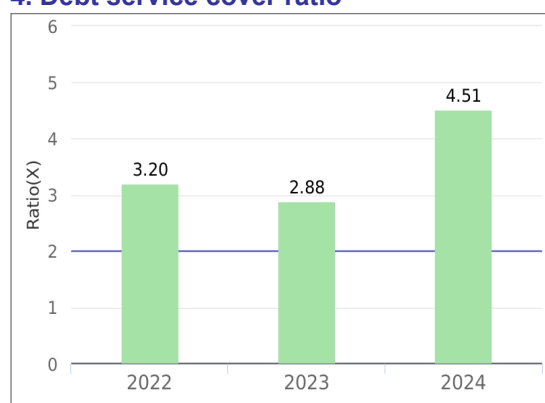
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2023/24 result

2023/24 ratio 4.51x

Council's debt service cover ratio has increased compared to the previous three years due to its higher operating cash reserves.

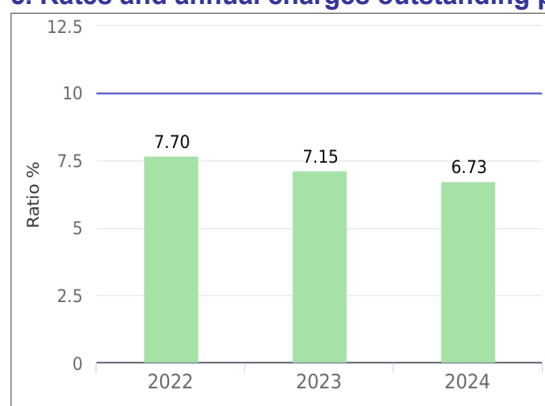
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2023/24 result

2023/24 ratio 6.73%

Uncollected rates and annual charges have been improving over the past three years as a result of an active debt collection effort.

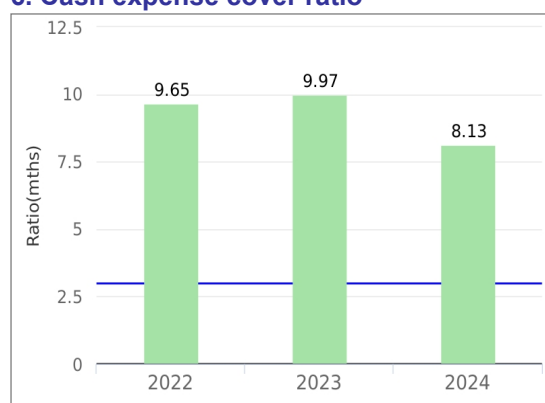
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on 2023/24 result

2023/24 ratio 8.13 months

Council has approximately eight months of cash to meet its immediate expenditure without additional cash inflow.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark



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 2024, the Statement of Financial Position as at 30 June 2024, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

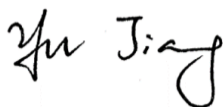
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/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.



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

31 October 2024
SYDNEY



Mr Jeffrey Drayton
Mayor
Muswellbrook Shire Council
PO Box 122
MUSWELLBROOK NSW 2333

Contact: Reiky Jiang
Phone no: 02 9275 7281
Our ref: R008-2124742775-8265

31 October 2024

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2024
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 2024 as required by section 415 of the *Local Government Act 1993* (the Act).

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

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

INCOME STATEMENT

Operating result

| | 2024 \$m | 2023 \$m | Variance % |
|--|-------------|-------------|---------------|
| Rates and annual charges revenue | 33.0 | 29.3 | 12.6 |
| Grants and contributions revenue | 35.1 | 30.2 | 16.2 |
| Operating result from continuing operations | 41.4 | 25.3 | 63.6 |
| Net operating result before capital grants and contributions | 17.9 | 5.9 | 203 |

Rates and annual charges revenue (\$33.0 million) increased by \$3.7 million (12.6 per cent) in 2023–24 due to:

- rate peg increase of 3.7 per cent during 2023-24
- increased residential ratepayers due to the newly subdivided Eastbrook Links and Ironbark Ridge Estates
- Valuer-General's valuation led to an increase in mining rates for underground mine
- increased in sewerage services of \$1.1 million compared to prior year.

Grants and contributions revenue (\$35.1 million) increased by \$4.9 million (16.2 per cent) in 2023–24 due to:

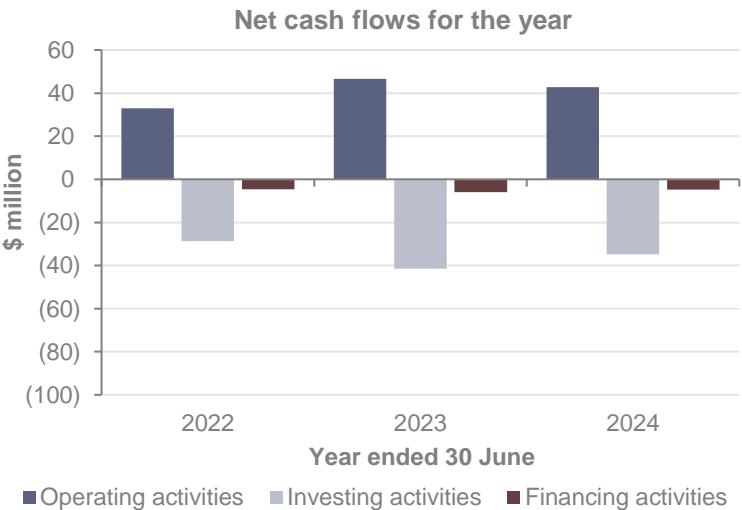
- increase of \$7.6 million in non-cash contributions recognised during the year
- increase of \$3.1 million in developer contributions
- the above are offset by decrease in grants for Transport (other roads and bridges funding) of \$4.9 million and recreation and culture of \$1.4 million.

Council's operating result from continuing operations (\$41.4 million including depreciation, amortisation and impairment expense of \$15.5 million) was \$16.1 million higher than the 2022–23 result. This is because the expenses remained relatively stable whereas total income increased by \$15.9 million.

The net operating result before capital grants and contributions (\$17.9 million) was \$12.0 million higher than the 2022–23 result. This was primarily due to the increase in total income excluding grants and contributions provided for capital purpose of \$11.8 million while the total expenses remained stable.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$10.9 million at 30 June 2024 (\$7.9 million as at 30 June 2023), a net increase of \$3.0 million from prior year.
- Net cash inflows from operating activities decreased by \$4.0 million, mainly due to a reduction in grants and contributions received of \$11.0 million, partially offset by the increase in receipts from rates and annual charges (\$3.4 million) and user charges and fees (\$3.8 million).
- Net cash outflows from investing activities decreased by \$6.7 million, due to the increase in purchase of investment of \$21.1 million, partially offset by the decrease in payment for Infrastructure, Property, Plant and Equipment of \$10.7 million.
- Net cash outflows from financing activities decreased by \$1.2 million due to lower repayment of borrowings during 2023-24.



FINANCIAL POSITION

Cash and investments

| Cash and investments | 2024 | 2023 | Commentary |
|--|-------------|-------------|--|
| | \$m | \$m | |
| Total cash, cash equivalents and investments | 93.5 | 74.1 | <ul style="list-style-type: none"> 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 developer contributions of \$6.8 million, water and sewer funds of \$3.1 million, and specific purpose unexpended grant - general fund of \$2.0 million. |
| • External restrictions | 50.8 | 38.8 | |
| • Internal allocations | 42.4 | 35.3 | <ul style="list-style-type: none"> Internal allocations are determined by council policies or decisions, which are subject to change. |
| | | | Significant internal allocations include waste management centre of \$6.8 million, deposits, retentions and bonds of \$5.2 million, SRV Reserve of \$4.5 million and financial assistance grant of \$4.1 million. |

Debt

At 30 June 2024, Council had:

- \$52.5 million in secured loans (\$57.3 million in 2022-23)
- \$750,000 in approved overdraft facility with \$nil drawn down
- \$62,000 in credit card facility with \$nil used.

PERFORMANCE

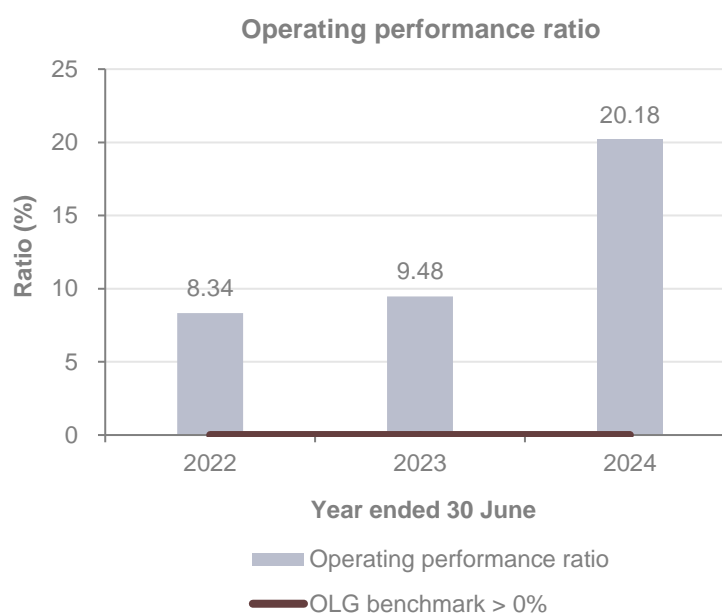
Performance measures

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

Council exceeded the benchmark for the current reporting period.

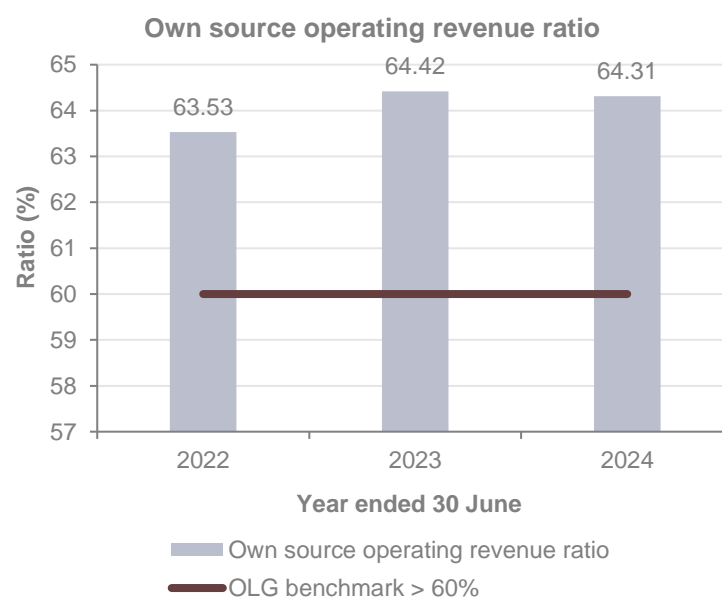
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

Council met the benchmark for the current reporting period.

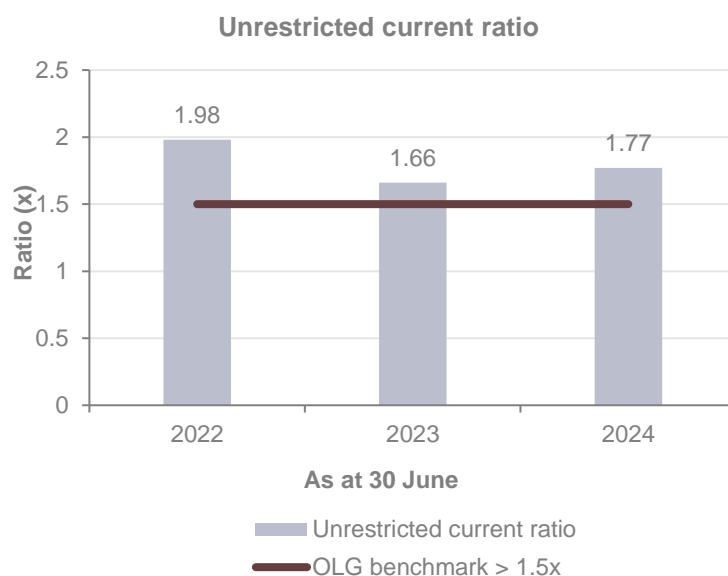
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council met the benchmark for the current reporting period.

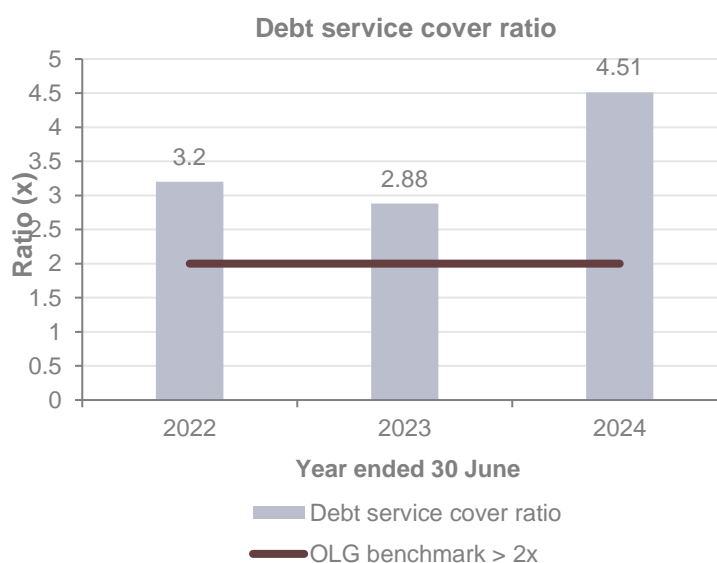
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council met the benchmark for the current reporting period.

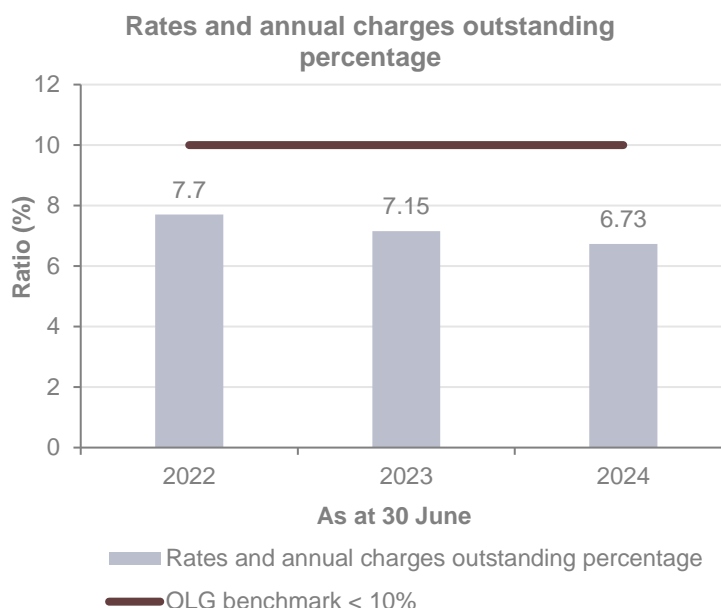
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

Council met the benchmark for the current reporting period.

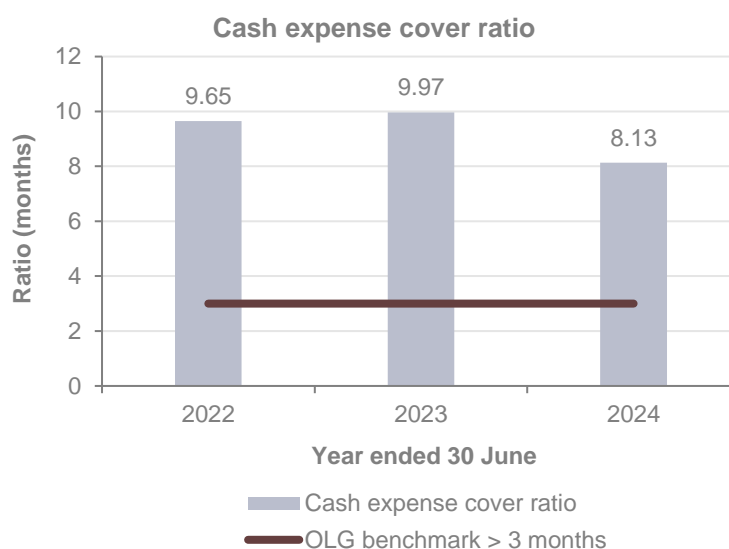
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

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

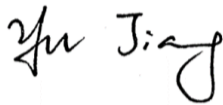
Council renewed \$10.4 million of infrastructure, property, plant and equipment during the 2023-24 financial year. This was mainly spent on roads and water and sewer assets. A further \$18.9 million was spent on new assets including work-in-progress, roads, buildings and other infrastructures.

OTHER MATTERS

Legislative compliance

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

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



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 2024

*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 2024

| Contents | Page |
|---|-----------|
| Statement by Councillors and Management | 3 |
| Special Purpose Financial Statements: | |
| Income Statement of water supply business activity | 4 |
| Income Statement of sewerage business activity | 5 |
| Income Statement of Commercial Buildings | 6 |
| Statement of Financial Position of water supply business activity | 7 |
| Statement of Financial Position of sewerage business activity | 8 |
| Statement of Financial Position of Commercial Buildings | 9 |
| Note – Material accounting policy information | 10 |
| Auditor's Report on Special Purpose Financial Statements | 13 |

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 2024

Statement by Councillors and Management

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

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

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

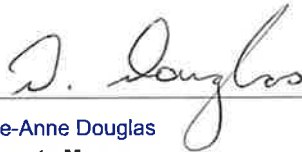
To the best of our knowledge and belief, these statements:

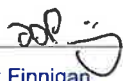
- present fairly the operating result and financial position for each of Council's declared business activities for the year,
- accord with Council's accounting and other records; and
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.


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

Signed in accordance with a resolution of Council made on 23 July 2024.



Jeff Drayton
Mayor
30 October 2024

De-Anne Douglas
Deputy Mayor
30 October 2024

Derek Finnigan
General Manager
30 October 2024

Josh Hogan
Responsible Accounting Officer
30 October 2024

Muswellbrook Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2024

| | 2024 \$ '000 | 2023 \$ '000 |
|--|-----------------|-----------------|
| Income from continuing operations | | |
| Access charges | 2,193 | 1,896 |
| User charges | 5,746 | 3,514 |
| Interest and investment income | 773 | 576 |
| Grants and contributions provided for operating purposes | – | 47 |
| Net gain from the disposal of assets | 9 | – |
| Other income | – | 367 |
| Total income from continuing operations | 8,721 | 6,400 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 993 | 1,301 |
| Borrowing costs | 14 | 37 |
| Materials and services | 3,167 | 2,697 |
| Depreciation, amortisation and impairment | 2,100 | 2,045 |
| Other expenses | 387 | 472 |
| Total expenses from continuing operations | 6,661 | 6,552 |
| Surplus (deficit) from continuing operations before capital amounts | 2,060 | (152) |
| Grants and contributions provided for capital purposes | 1,900 | 1,374 |
| Surplus (deficit) from continuing operations after capital amounts | 3,960 | 1,222 |
| Surplus (deficit) from all operations before tax | 3,960 | 1,222 |
| Less: corporate taxation equivalent (25%) [based on result before capital] | (515) | – |
| Surplus (deficit) after tax | 3,445 | 1,222 |
| Plus accumulated surplus | 40,879 | 39,657 |
| Less: other adjustments | (144) | – |
| Plus adjustments for amounts unpaid: | | |
| – Corporate taxation equivalent | 515 | – |
| Closing accumulated surplus | 44,695 | 40,879 |
| Return on capital % | 2.9% | (0.2)% |
| Subsidy from Council | 950 | 2,700 |
| Calculation of dividend payable: | | |
| Surplus (deficit) after tax | 3,445 | 1,222 |
| Less: capital grants and contributions (excluding developer contributions) | (97) | (1,374) |
| Surplus for dividend calculation purposes | 3,348 | – |
| Potential dividend calculated from surplus | 1,674 | – |

Muswellbrook Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2024

| | 2024 \$ '000 | 2023 \$ '000 |
|--|-----------------|-----------------|
| Income from continuing operations | | |
| Access charges | 5,924 | 4,731 |
| User charges | 1,366 | 732 |
| Liquid trade waste charges | – | 78 |
| Interest and investment income | 394 | 182 |
| Grants and contributions provided for operating purposes | 2 | 41 |
| Other income | – | 398 |
| Total income from continuing operations | 7,686 | 6,162 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 876 | 743 |
| Borrowing costs | 636 | 664 |
| Materials and services | 2,233 | 1,595 |
| Depreciation, amortisation and impairment | 2,285 | 2,252 |
| Other expenses | 695 | 715 |
| Total expenses from continuing operations | 6,725 | 5,969 |
| Surplus (deficit) from continuing operations before capital amounts | 961 | 193 |
| Grants and contributions provided for capital purposes | 2,404 | 880 |
| Surplus (deficit) from continuing operations after capital amounts | 3,365 | 1,073 |
| Surplus (deficit) from all operations before tax | 3,365 | 1,073 |
| Less: corporate taxation equivalent (25%) [based on result before capital] | (240) | (48) |
| Surplus (deficit) after tax | 3,125 | 1,025 |
| Plus accumulated surplus | 56,081 | 55,008 |
| Less: other adjustments | (17) | – |
| Plus adjustments for amounts unpaid: | | |
| – Corporate taxation equivalent | 240 | 48 |
| Closing accumulated surplus | 59,429 | 56,081 |
| Return on capital % | 1.4% | 0.8% |
| Subsidy from Council | 3,199 | 3,322 |
| Calculation of dividend payable: | | |
| Surplus (deficit) after tax | 3,125 | 1,025 |
| Less: capital grants and contributions (excluding developer contributions) | – | (881) |
| Surplus for dividend calculation purposes | 3,125 | 144 |
| Potential dividend calculated from surplus | 1,562 | 72 |

Muswellbrook Shire Council

Income Statement of Commercial Buildings

for the year ended 30 June 2024

| | 2024 ¹ Category 1 \$ '000 | 2023 Category 1 \$ '000 |
|--|--|-------------------------------|
| Income from continuing operations | | |
| Interest and investment income | – | 8 |
| Other income | – | 6,783 |
| Total income from continuing operations | – | 6,791 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | – | 251 |
| Borrowing costs | – | 988 |
| Materials and services | – | 1,245 |
| Depreciation, amortisation and impairment | – | 614 |
| Other expenses | – | 978 |
| Total expenses from continuing operations | – | 4,076 |
| Surplus (deficit) from continuing operations before capital amounts | – | 2,715 |
| Surplus (deficit) from continuing operations after capital amounts | – | 2,715 |
| Surplus (deficit) from all operations before tax | – | 2,715 |
| Less: corporate taxation equivalent (25%) [based on result before capital] | – | (679) |
| Surplus (deficit) after tax | – | 2,036 |
| Plus accumulated surplus | – | 50,157 |
| Plus adjustments for amounts unpaid: | | |
| – Corporate taxation equivalent | – | 679 |
| Add: | | |
| – Subsidy paid/contribution to operations | – | (754) |
| Closing accumulated surplus | – | 52,118 |
| Return on capital % | 0.0% | 15.0% |

(1) A Council resolution was passed in May 2024 to remove Commercial Buildings from the Special Purpose Financial Statements from 2023-24.

Muswellbrook Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2024

| | 2024 \$ '000 | 2023 \$ '000 |
|---|-----------------|-----------------|
| ASSETS | | |
| Current assets | | |
| Investments | 7,054 | 6,494 |
| Receivables | 2,080 | 1,991 |
| Inventories | 135 | 1 |
| Total current assets | 9,269 | 8,486 |
| Non-current assets | | |
| Investments | 9,092 | 6,748 |
| Receivables | 848 | 994 |
| Infrastructure, property, plant and equipment | 70,327 | 64,313 |
| Total non-current assets | 80,267 | 72,055 |
| Total assets | 89,536 | 80,541 |
| LIABILITIES | | |
| Current liabilities | | |
| Payables | 177 | 306 |
| Borrowings | – | 277 |
| Employee benefit provisions | 105 | 233 |
| Total current liabilities | 282 | 816 |
| Non-current liabilities | | |
| Employee benefit provisions | 8 | – |
| Total non-current liabilities | 8 | – |
| Total liabilities | 290 | 816 |
| Net assets | 89,246 | 79,725 |
| EQUITY | | |
| Accumulated surplus | 44,695 | 40,735 |
| Revaluation reserves | 44,551 | 38,990 |
| Total equity | 89,246 | 79,725 |

Muswellbrook Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2024

| | 2024 \$ '000 | 2023 \$ '000 |
|---|-----------------|-----------------|
| ASSETS | | |
| Current assets | | |
| Investments | 3,649 | 3,041 |
| Receivables | 849 | 1,545 |
| Total current assets | 4,498 | 4,586 |
| Non-current assets | | |
| Investments | 4,702 | 3,161 |
| Infrastructure, property, plant and equipment | 111,536 | 103,963 |
| Total non-current assets | 116,238 | 107,124 |
| Total assets | 120,736 | 111,710 |
| LIABILITIES | | |
| Current liabilities | | |
| Payables | – | 365 |
| Borrowings | 817 | 778 |
| Employee benefit provisions | 1 | 88 |
| Total current liabilities | 818 | 1,231 |
| Non-current liabilities | | |
| Borrowings | 12,569 | 13,387 |
| Total non-current liabilities | 12,569 | 13,387 |
| Total liabilities | 13,387 | 14,618 |
| Net assets | 107,349 | 97,092 |
| EQUITY | | |
| Accumulated surplus | 59,429 | 56,065 |
| Revaluation reserves | 47,920 | 41,027 |
| Total equity | 107,349 | 97,092 |

Muswellbrook Shire Council

Statement of Financial Position of Commercial Buildings

as at 30 June 2024

| | 2024 ¹ Category 1 \$ '000 | 2023 Category 1 \$ '000 |
|--|--|-------------------------------|
| ASSETS | | |
| Current assets | | |
| Investments | – | 767 |
| Receivables | – | 587 |
| Non-current assets classified as held for sale | – | 1,114 |
| Total current assets | – | 2,468 |
| Non-current assets | | |
| Investments | – | 798 |
| Infrastructure, property, plant and equipment | – | 24,606 |
| Investment property | – | 66,807 |
| Total non-current assets | – | 92,211 |
| Total assets | – | 94,679 |
| LIABILITIES | | |
| Current liabilities | | |
| Payables | – | 114 |
| Borrowings | – | 3,232 |
| Total current liabilities | – | 3,346 |
| Non-current liabilities | | |
| Borrowings | – | 35,149 |
| Total non-current liabilities | – | 35,149 |
| Total liabilities | – | 38,495 |
| Net assets | – | 56,184 |
| EQUITY | | |
| Accumulated surplus | – | 56,184 |
| Total equity | – | 56,184 |

(1) A Council resolution was passed in May 2024 to remove Commercial Buildings from the Special Purpose Financial Statements from 2023-24.

Note – Material accounting policy information

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

a. 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.

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):

Notional rate applied (%)

Corporate income tax rate – **25%** (LY 25%)

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

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

Note – Material accounting policy information (continued)

In accordance with DCCEEW's regulatory and assurance framework, 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 regulatory and assurance framework as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the Act.

Achievement of substantial compliance to DCCEEW's regulatory and assurance framework 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.

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 4.37% at 30 June 2024.

Note – Material accounting policy information (continued)

(iii) Dividends

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

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

In accordance with DCCEEW's regulatory and assurance framework, statement of compliance and statement of dividend payment, dividend payment form and unqualified independent financial audit report are submitted to DCCEEW.



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 2024, the Statement of Financial Position of each Declared Business Activity as at 30 June 2024 and the Material accounting policy information note.

The Declared Business Activities of the Council are:

- water supply
- sewerage.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

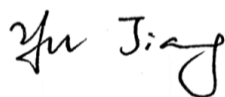
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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



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

31 October 2024
SYDNEY

Muswellbrook Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2024

*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 2024

| Contents | Page |
|--|------|
| Special Schedules: | |
| Permissible income for general rates | 3 |
| Report on infrastructure assets as at 30 June 2024 | 7 |

Muswellbrook Shire Council

Permissible income for general rates

| | Notes | Calculation 2023/24 \$ '000 | Calculation 2024/25 \$ '000 |
|---|-----------------|-----------------------------------|-----------------------------------|
| Notional general income calculation ¹ | | | |
| Last year notional general income yield | a | 20,575 | 22,233 |
| Plus or minus adjustments ² | b | 694 | 58 |
| Notional general income | c = a + b | 21,269 | 22,291 |
| Permissible income calculation | | | |
| Percentage increase | d | 3.70% | 4.50% |
| Plus percentage increase amount ³ | f = d x (c + e) | 787 | 1,003 |
| Sub-total | g = (c + e + f) | 22,056 | 23,294 |
| Plus (or minus) last year's carry forward total | h | 183 | 6 |
| Sub-total | j = (h + i) | 183 | 6 |
| Total permissible income | k = g + j | 22,239 | 23,300 |
| Less notional general income yield | l | 22,233 | 23,291 |
| Catch-up or (excess) result | m = k - l | 6 | 9 |
| Carry forward to next year ⁶ | p = m + n + o | 6 | 9 |

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

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 2025.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2023–24 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

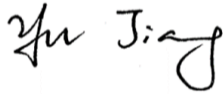
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

31 October 2024
SYDNEY

Muswellbrook Shire Council

Report on infrastructure assets as at 30 June 2024

| 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 | 2023/24 Required maintenance ^a | 2023/24 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 | 13,432 | 26,863 | 1,862 | 564 | 93,389 | 135,392 | 46.0% | 21.0% | 14.0% | 13.0% | 6.0% |
| | Sub-total | 13,432 | 26,863 | 1,862 | 564 | 93,389 | 135,392 | 46.0% | 21.0% | 14.0% | 13.0% | 6.0% |
| Other structures | Other structures | 357 | 713 | 400 | 255 | 17,791 | 35,270 | 34.0% | 47.0% | 16.0% | 3.0% | 0.0% |
| | Sub-total | 357 | 713 | 400 | 255 | 17,791 | 35,270 | 34.0% | 47.0% | 16.0% | 3.0% | 0.0% |
| Roads | Other | 47,280 | 94,559 | 3,039 | 2,484 | 518,525 | 446,551 | 33.0% | 25.0% | 32.0% | 6.0% | 4.0% |
| | Sub-total | 47,280 | 94,559 | 3,039 | 2,484 | 518,525 | 446,551 | 33.0% | 25.0% | 32.0% | 6.0% | 4.0% |
| Water supply network | Other | 14,980 | 7,490 | 1,321 | 2,026 | 67,548 | 117,773 | 16.0% | 38.0% | 33.0% | 12.0% | 1.0% |
| | Sub-total | 14,980 | 7,490 | 1,321 | 2,026 | 67,548 | 117,773 | 16.0% | 38.0% | 33.0% | 12.0% | 1.0% |
| Sewerage network | Other | 9,996 | 4,998 | 1,198 | 1,651 | 108,587 | 145,756 | 54.0% | 24.0% | 15.0% | 4.0% | 3.0% |
| | Sub-total | 9,996 | 4,998 | 1,198 | 1,651 | 108,587 | 145,756 | 54.0% | 24.0% | 15.0% | 4.0% | 3.0% |
| Stormwater drainage | Other | 27,880 | 55,760 | 129 | 48 | 73,996 | 102,889 | 9.0% | 16.0% | 21.0% | 22.0% | 32.0% |
| | Sub-total | 27,880 | 55,760 | 129 | 48 | 73,996 | 102,889 | 9.0% | 16.0% | 21.0% | 22.0% | 32.0% |
| Total – all assets | | 113,925 | 190,383 | 7,949 | 7,028 | 879,836 | 983,631 | 33.4% | 25.7% | 25.4% | 9.0% | 6.5% |

(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 2024

Infrastructure asset performance indicators (consolidated) *

| \$ '000 | Amounts 2024 | Indicator 2024 | Indicators 2023 2022 | | Benchmark |
|--|-----------------|-------------------|------------------------------|--------|-----------|
| Buildings and infrastructure renewals ratio | | | | | |
| Asset renewals ¹ | 8,148 | 60.67% | 63.17% | 68.33% | > 100.00% |
| Depreciation, amortisation and impairment | 13,431 | | | | |
| Infrastructure backlog ratio | | | | | |
| Estimated cost to bring assets to a satisfactory standard | 113,925 | 12.85% | 2.42% | 2.13% | < 2.00% |
| Net carrying amount of infrastructure assets | 886,824 | | | | |
| Asset maintenance ratio | | | | | |
| Actual asset maintenance | 7,028 | 88.41% | 61.06% | 53.41% | > 100.00% |
| Required asset maintenance | 7,949 | | | | |
| Cost to bring assets to agreed service level | | | | | |
| Estimated cost to bring assets to an agreed service level set by Council | 190,383 | 19.36% | 6.73% | 5.75% | |
| Gross replacement cost | 983,631 | | | | |

(*) 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 2024

Infrastructure asset performance indicators (by fund)

| \$ '000 | General fund | | Water fund | | Sewer fund | | Benchmark |
|--|--------------|--------|------------|---------|------------|--------|-----------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | |
| Buildings and infrastructure renewals ratio | | | | | | | |
| Asset renewals ¹ | 65.03% | 63.04% | 52.31% | 84.53% | 50.34% | 44.32% | > 100.00% |
| Depreciation, amortisation and impairment | | | | | | | |
| Infrastructure backlog ratio | | | | | | | |
| Estimated cost to bring assets to a satisfactory standard | 12.52% | 2.01% | 22.18% | 4.86% | 9.21% | 3.55% | < 2.00% |
| Net carrying amount of infrastructure assets | | | | | | | |
| Asset maintenance ratio | | | | | | | |
| Actual asset maintenance | 61.71% | 48.74% | 153.37% | 154.04% | 137.81% | 62.89% | > 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 | 24.70% | 5.81% | 6.36% | 12.97% | 3.43% | 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.