

Kempsey Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2024

*Lead and work with our community to build an inspired,
connected Macleay Valley*



Kempsey Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2024

*Lead and work with our community to build an inspired,
connected Macleay Valley*



Kempsey Shire Council

General Purpose Financial Statements

for the year ended 30 June 2024

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Overview

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

22 Tozer Street
WEST KEMPSEY NSW 2440

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.kempsey.nsw.gov.au.

Kempsey 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:

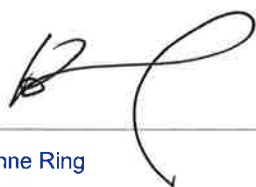
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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 20 August 2024.



Kinne Ring
Mayor

24 October 2024




Alexandra Wyatt
Councillor

24 October 2024



Craig Milburn
General Manager

24 October 2024



Stephen Mitchell
Responsible Accounting Officer

24 October 2024

Kempsey 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			
52,127	Rates and annual charges	B2-1	52,307	47,737
20,951	User charges and fees	B2-2	19,809	18,642
2,154	Other revenues	B2-3	2,739	2,647
15,196	Grants and contributions provided for operating purposes	B2-4	15,633	22,124
55,146	Grants and contributions provided for capital purposes	B2-4	38,458	35,917
4,921	Interest and investment income	B2-5	5,416	3,487
150,495	Total income from continuing operations		134,362	130,554
	Expenses from continuing operations			
33,240	Employee benefits and on-costs	B3-1	30,705	28,793
25,894	Materials and services	B3-2	33,905	30,952
1,889	Borrowing costs	B3-3	2,045	2,727
23,415	Depreciation, amortisation and impairment of non-financial assets	B3-4	24,926	22,366
5,229	Other expenses	B3-5	2,081	2,480
–	Net loss from the disposal of assets	B4-1	6,647	5,483
89,667	Total expenses from continuing operations		100,309	92,801
60,828	Operating result from continuing operations		34,053	37,753
60,828	Net operating result for the year attributable to Council		34,053	37,753
5,683	Net operating result for the year before grants and contributions provided for capital purposes		(4,405)	1,836

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

Kempsey Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2024

	Notes	Actual 2024 \$ '000	Actual 2023 \$ '000
Net operating result for the year – from Income Statement		34,053	37,753
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	90,827	115,853
Total items which will be reclassified subsequently to the operating result when specific conditions are met		90,827	115,853
Total other comprehensive income for the year		90,827	115,853
Total comprehensive income for the year attributable to Council		124,880	153,606

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

Kempsey Shire Council

Statement of Financial Position

as at 30 June 2024

	Notes	Actual 2024 \$ '000	Actual 2023 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	31,919	36,801
Investments	C1-2	84,893	76,312
Receivables	C1-4	20,100	26,895
Inventories	C1-5	512	527
Contract assets and contract cost assets	C1-6	4,680	4,666
Other		279	365
Total current assets		142,383	145,566
Non-current assets			
Receivables	C1-4	–	1
Infrastructure, property, plant and equipment (IPPE)	C1-7	1,482,624	1,357,739
Intangible assets	C1-8	991	1,308
Right of use assets		34	36
Total non-current assets		1,483,649	1,359,084
Total assets		1,626,032	1,504,650
LIABILITIES			
Current liabilities			
Payables	C2-1	17,355	14,353
Contract liabilities	C2-2	23,278	35,073
Lease liabilities		2	5
Borrowings	C2-3	4,363	4,592
Employee benefit provisions	C2-4	7,444	7,381
Total current liabilities		52,442	61,404
Non-current liabilities			
Lease liabilities		32	35
Borrowings	C2-3	52,814	47,177
Employee benefit provisions	C2-4	1,238	1,212
Provisions	C2-5	6,646	6,842
Total non-current liabilities		60,730	55,266
Total liabilities		113,172	116,670
Net assets		1,512,860	1,387,980
EQUITY			
Accumulated surplus		609,055	575,002
IPPE revaluation reserve	C3-1	903,805	812,978
Total equity		1,512,860	1,387,980

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

Kempsey Shire Council

Statement of Changes in Equity

for the year ended 30 June 2024

	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	575,002	812,978	1,387,980	526,981	692,128	1,219,109
Correction of prior period errors	–	–	–	10,268	4,997	15,265
Restated opening balance	575,002	812,978	1,387,980	537,249	697,125	1,234,374
Net operating result for the year	34,053	–	34,053	37,753	–	37,753
Restated net operating result for the period	34,053	–	34,053	37,753	–	37,753
Other comprehensive income						
Gain (loss) on revaluation of infrastructure, property, plant and equipment	–	90,827	90,827	–	115,853	115,853
Other comprehensive income	–	90,827	90,827	–	115,853	115,853
Total comprehensive income	34,053	90,827	124,880	37,753	115,853	153,606
Closing balance at 30 June	609,055	903,805	1,512,860	575,002	812,978	1,387,980

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

Kempsey 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:			
51,832	Rates and annual charges		52,335	48,416
20,664	User charges and fees		19,023	19,107
4,920	Interest received		4,776	2,911
74,964	Grants and contributions		39,434	52,265
–	Bonds, deposits and retentions received		13	678
1,872	Other		15,517	11,204
	Payments:			
(33,227)	Payments to employees		(30,450)	(28,704)
(26,761)	Payments for materials and services		(31,514)	(29,458)
(1,719)	Borrowing costs		(1,925)	(2,712)
(5,230)	Other		(10,647)	(9,200)
87,315	Net cash flows from operating activities	G1-1	56,562	64,507
	Cash flows from investing activities			
	Receipts:			
19,571	Sale of investments		–	–
–	Proceeds from sale of IPPE		887	515
	Payments:			
–	Purchase of investments		(81)	(7,304)
–	Acquisition of term deposits		(8,500)	(1,000)
(117,292)	Payments for IPPE		(59,023)	(51,878)
–	Purchase of intangible assets		(111)	(307)
–	Deferred debtors and advances made		(17)	(35)
(97,721)	Net cash flows from investing activities		(66,845)	(60,009)
	Cash flows from financing activities			
	Receipts:			
15,000	Proceeds from borrowings		10,000	–
	Payments:			
(4,593)	Repayment of borrowings		(4,592)	(4,391)
–	Principal component of lease payments		(7)	(18)
10,407	Net cash flows from financing activities		5,401	(4,409)
1	Net change in cash and cash equivalents		(4,882)	89
20,000	Cash and cash equivalents at beginning of year		36,801	36,712
20,001	Cash and cash equivalents at end of year	C1-1	31,919	36,801

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

Kempsey Shire Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 20 August 2024. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The material accounting policy information adopted in the preparation of these consolidated financial statements are set out below.

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

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

Historical cost convention

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

Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-7
- (ii) estimated asset remediation provisions – refer Note C2-5
- (iii) employee benefit provisions – refer Note C2-4

Significant judgements in applying the Council's accounting policies

- (i) Impairment of receivables - refer note C1-4
- (ii.) Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* - refer to Notes B2-2 - B2-4.
- (iii.) Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease.

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*, 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 Council.

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

- General purpose operations
- Water service

A1-1 Basis of preparation (continued)

- Sewerage service

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 the council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these reports.

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council has immaterial dependance on volunteer services received and therefore does not recognise these contributions in the income statement.

Areas where volunteer services are utilised include Library services, Visitor Information Centres and Community events.

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2024 reporting period.

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

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

New accounting standards adopted during the year

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

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

B Financial Performance

B1 Functions or activities

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

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

	<i>Income</i>		<i>Expenses</i>		<i>Operating result</i>		<i>Grants and contributions</i>		<i>Carrying amount of assets</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>
Functions or activities										
Leadership	63,659	64,435	24,750	22,651	38,909	41,784	10,590	18,427	17,555	16,576
Environment	59,066	52,155	43,989	41,133	15,077	11,022	14,421	11,082	506,068	487,284
Economy	8,882	10,657	23,671	20,285	(14,789)	(9,628)	26,930	25,866	847,994	757,498
Community	2,755	3,307	7,899	8,732	(5,144)	(5,425)	2,150	2,666	254,415	243,292
Total functions and activities	134,362	130,554	100,309	92,801	34,053	37,753	54,091	58,041	1,626,032	1,504,650

B1-2 Components of functions or activities

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

Leadership

Costs relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance, as well as financial and administrative services, human resources, public relations and information technology.

Environment

Water, sewerage, strategic planning, development control, environmental control and projects, domestic waste management and rubbish tips, noxious weeds, ranger services, community services and lifestyle management, public cemeteries, sporting fields and pools, animal control, drainage and building control.

Economy

Roads, bridges, footpaths and cycleways, kerb and guttering, road and traffic signs, traffic facilities, bus shelters, quarries, caravan parks, saleyards, airport, library, tourism and economic development.

Community

Bushfire and emergency services, community safety and crime prevention, flood plain mitigation and management, beach patrols and street lighting.

Cultural, aboriginal and youth services, art galleries, civic maintenance, community centres and community buildings, car parking, parks and reserves, boat ramps, wharves and jetties and public privies.

B2 Sources of income

B2-1 Rates and annual charges

	2024	2023
	Actual	Actual
	\$ '000	\$ '000
Ordinary rates		
Residential	17,781	16,824
Farmland	3,454	3,308
Business	2,334	2,271
Less: pensioner rebates	(715)	(728)
Rates levied to ratepayers	22,854	21,675
Pensioner rate subsidies received	376	378
Total ordinary rates	23,230	22,053
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)		
Domestic waste management services	5,953	5,155
Stormwater management services	208	205
Water supply services	5,939	5,542
Sewerage services	16,221	14,079
Waste management services (non-domestic)	516	492
On-site sewerage management charge	518	489
Less: pensioner rebates (mandatory)	(661)	(646)
Annual charges levied	28,694	25,316
Pensioner annual charges subsidies received:		
– Water	147	145
– Sewerage	109	108
– Domestic waste management	127	115
Total annual charges	29,077	25,684
Total rates and annual charges	52,307	47,737

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

Material accounting policy information

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

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

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

B2-2 User charges and fees

		2024	2023
	<i>Timing</i>	Actual	Actual
		\$ '000	\$ '000
User charges			
Water supply services	1	9,283	8,081
Sewerage services	1	1,607	1,361
Waste management services (non-domestic)	1	1,064	2,014
User charges		11,954	11,456
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s608)			
Inspection services	2	224	181
Planning and building regulation	2	608	450
Private works – section 67	1	467	341
Regulatory/ statutory fees	2	135	165
Section 10.7 certificates (EP&A Act)	2	103	106
Section 603 certificates	2	61	58
Total fees and charges – statutory/regulatory		1,598	1,301
(ii) Fees and charges – other (incl. general user charges (per s608))			
Aerodrome	2	45	18
Cemeteries	2	366	325
Lease rentals	2	2	26
Leaseback fees – Council vehicles	2	228	236
Library and art gallery	2	8	10
Water connection fees	2	112	195
Caravan parks and camping grounds	2	4,559	4,382
Sewerage services	2	448	310
Water supply	2	195	116
Other	2	294	267
Total fees and charges – other		6,257	5,885
Total other user charges and fees		7,855	7,186
Total user charges and fees		19,809	18,642
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		12,421	11,797
User charges and fees recognised at a point in time (2)		7,388	6,845
Total user charges and fees		19,809	18,642

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	2023
	<i>Timing</i>	Actual	Actual
		\$ '000	\$ '000
Commissions and agency fees	2	35	30
Diesel rebate	2	132	90
Fines – other	2	2	5
Fines – parking	2	160	185
Insurance claims recoveries	2	112	88
Legal fees recovery – rates and charges (extra charges)	2	158	168
Long service leave contributions	2	60	89
OH&S incentive rebate	2	96	92
Recycling income (non-domestic)	2	256	320
Rental income – investment property	2	–	8
Rental income – other council properties	2	652	632
Sales – general	2	359	400
Other	2	717	540
Total other revenue		2,739	2,647
Timing of revenue recognition for other revenue			
Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		2,739	2,647
Total other revenue		2,739	2,647

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 Actual \$ '000	Operating 2023 Actual \$ '000	Capital 2024 Actual \$ '000	Capital 2023 Actual \$ '000
	<i>Timing</i>				
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance	2	444	1,721	–	–
Payment in advance - future year allocation					
Financial assistance ¹	2	6,954	7,776	–	–
Amount recognised as income during current year		7,398	9,497	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Water supplies	2	19	–	46	676
Sewerage services	1	19	–	321	(150)
Bushfire and emergency services	2	293	995	17	310
Economic development	2	42	180	–	–
Community centres		18	–	–	–
Employment and training programs	2	24	213	–	–
Environmental programs	2	318	403	120	–
Library	2	68	65	–	–
Library – per capita	2	89	86	–	–
LIRS subsidy	2	18	38	–	–
Noxious weeds	2	623	803	–	–
Public halls	1	–	–	149	171
Recreation and culture	1	–	–	2,784	1,255
Aerodrome	1	–	–	321	768
Caravan parks and camping grounds	1	–	–	–	3
Community services	1	521	483	(40)	54
Emergency services	2	–	12	–	–
Flood mitigation	2	102	53	5	–
Waste levy	2	1	9	–	–
Street lighting	2	81	81	–	–
Transport (roads to recovery)	2	1,642	1,827	–	–
Transport (other roads and bridges funding)	1	1,208	1,593	22,207	19,157
Other specific grants	2	1,569	4,092	859	417
Kerb and gutter	2	–	–	16	33
Roads and bridges	2	–	–	100	–
Transport for NSW contributions (regional roads, block grant)	2	1,465	1,382	–	–
Other contributions	2	52	20	–	386
Water supplies (excl. section 64 contributions)	2	63	292	–	–
Total special purpose grants and non-developer contributions – cash		8,235	12,627	26,905	23,080
Non-cash contributions					
Dedications	2	–	–	2,240	7,064
Roads and bridges	2	–	–	4,824	2,354
Total other contributions – non-cash		–	–	7,064	9,418
Total special purpose grants and non-developer contributions (tied)		8,235	12,627	33,969	32,498
Total grants and non-developer contributions		15,633	22,124	33,969	32,498

continued on next page ...

B2-4 Grants and contributions (continued)

	Operating 2024 Actual Timing \$ '000	Operating 2023 Actual \$ '000	Capital 2024 Actual \$ '000	Capital 2023 Actual \$ '000
Comprising:				
– Commonwealth funding	9,487	11,359	3,855	1,745
– State funding	6,013	10,611	22,934	21,090
– Other funding	133	154	7,180	9,663
	15,633	22,124	33,969	32,498

(1) \$6.954M of the 2024-2025 Financial Assistance Grant from Commonwealth Government was received in June 2024 and therefore reported as 2023-2024 income although it relates to 2024-2025 financial year.

B2-4 Grants and contributions (continued)

Developer contributions

	Notes	Timing	Operating 2024 Actual \$ '000	Operating 2023 Actual \$ '000	Capital 2024 Actual \$ '000	Capital 2023 Actual \$ '000
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
G4						
Cash contributions						
S 7.11 – contributions towards amenities/services		2	–	–	1,746	1,396
S 7.12 – fixed development consent levies			–	–	45	–
S 64 – water supply contributions		2	–	–	1,235	1,179
S 64 – sewerage service contributions		2	–	–	1,463	844
Total developer contributions – cash			–	–	4,489	3,419
Total developer contributions			–	–	4,489	3,419
Total contributions			–	–	4,489	3,419
Total grants and contributions			15,633	22,124	38,458	35,917
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			2,962	–	23,715	–
Grants and contributions recognised at a point in time (2)			12,671	22,124	14,743	35,917
Total grants and contributions			15,633	22,124	38,458	35,917

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 Actual \$ '000	Operating 2023 Actual \$ '000	Capital 2024 Actual \$ '000	Capital 2023 Actual \$ '000
Unspent grants and contributions				
Unspent funds at 1 July	3,050	2,576	44,223	35,280
Add: Funds received and not recognised as revenue in the current year	23	3,050	23,317	25,850
Less: Funds received in prior year but revenue recognised and funds spent in current year	(254)	(2,576)	(13,835)	(16,907)
Unspent funds at 30 June	2,819	3,050	53,705	44,223

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. 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.

B2-4 Grants and contributions (continued)

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

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

Capital grants

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

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

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

Developer contributions

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

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	2023
	Actual	Actual
	\$ '000	\$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	396	245
– Cash and investments	5,020	3,242
Total interest and investment income (losses)	5,416	3,487

Material accounting policy information

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

Dividends are recognised as income in profit or loss when the shareholder's right to receive payment is established unless the dividend clearly represents a recovery of part of the cost of the investment.

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2024	2023
	Actual	Actual
	\$ '000	\$ '000
Salaries and wages	26,209	24,291
Travel expenses	62	46
Employee leave entitlements (ELE)	5,402	5,327
ELE on-costs	71	129
Superannuation	3,337	2,975
Workers' compensation insurance	630	504
Fringe benefit tax (FBT)	54	76
Payroll tax	205	204
Training costs (other than salaries and wages)	449	329
Protective clothing	117	106
Other	46	47
Total employee costs	36,582	34,034
Less: capitalised costs	(5,877)	(5,241)
Total employee costs expensed	30,705	28,793

Material accounting policy information

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

Retirement benefit obligations

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

Superannuation plans

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

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

B3-2 Materials and services

	2024 <i>Actual</i> \$ '000	2023 <i>Actual</i> \$ '000
Raw materials and consumables	7,557	7,702
Contractor costs	19,378	15,987
Audit Fees	141	90
Councillor and Mayoral fees and associated expenses	274	254
Advertising	252	160
Bank charges	126	119
Computer software charges	1,733	1,199
Electricity and heating	1,181	1,213
Insurance	1,541	1,295
Postage	76	77
Printing and stationery	219	178
Street lighting	350	1,334
Subscriptions and publications	123	174
Telephone and communications	375	453
Valuation fees	113	104
Other expenses	110	157
Legal expenses: planning and development	35	–
Legal expenses: debt recovery	157	166
Legal expenses: other	142	307
Variable lease expense relating to usage	(6)	(17)
Other	28	–
Total materials and services	33,905	30,952
Total materials and services	33,905	30,952

Material accounting policy information

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

B3-3 Borrowing costs

	2024 <i>Actual</i> \$ '000	2023 <i>Actual</i> \$ '000
(i) Interest bearing liability costs		
Interest on leases	1	1
Interest on loans	1,993	2,069
Total interest bearing liability costs	1,994	2,070
Total interest bearing liability costs expensed	1,994	2,070
(ii) Other borrowing costs		
Fair value adjustments on recognition of advances and deferred debtors		
– Interest free (or favourable) loans and advances made by Council	17	35
Discount adjustments relating to movements in provisions (other than ELE)	34	622
Total other borrowing costs	51	657
Total borrowing costs expensed	2,045	2,727

Material accounting policy information

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

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

	Notes	2024 \$ '000	2023 \$ '000
Depreciation and amortisation			
Plant and equipment	C1-7	1,514	1,370
Office equipment	C1-7	302	154
Furniture and fittings	C1-7	18	21
Land improvements (depreciable)	C1-7	674	573
Infrastructure:			
– Buildings – non-specialised	C1-7	1,106	987
– Buildings – specialised		566	434
– Other structures		61	48
– Roads		7,109	6,322
– Bridges		1,244	1,087
– Footpaths		413	359
– Stormwater drainage		1,430	1,266
– Water supply network		4,430	4,187
– Sewerage network		4,250	4,000
– Swimming pools		83	78
– Other open space/recreational assets		782	634
Right of use assets		3	3
Other assets:			
– Other	C1-7	74	46
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C1-7	426	410
– Quarry assets	C1-7	13	10
Intangible assets	C1-8	428	377
Total gross depreciation and amortisation costs		24,926	22,366
Total depreciation and amortisation costs		24,926	22,366
Total depreciation, amortisation and impairment for non-financial assets		24,926	22,366

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

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.

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

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

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

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

B3-5 Other expenses

	2024	2023
	Actual	Actual
	\$ '000	\$ '000
Impairment of receivables		
Other	35	2
Total impairment of receivables	35	2
Other		
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	139	56
– NSW fire brigade levy	133	83
– NSW rural fire service levy	522	377
– Waste levy	109	1,472
– Other contributions/levies	813	362
Donations, contributions and assistance to other organisations (Section 356)	330	128
Total other	2,046	2,478
Total other expenses	2,081	2,480

Material accounting policy information

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

Impairment expenses are recognised when identified.

B4 Gains or losses

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

	2024	2023
	Actual	Actual
	\$ '000	\$ '000
Gain (or loss) on disposal of property (excl. investment property)		
Proceeds from disposal – property	179	350
Gain (or loss) on disposal	179	350
Gain (or loss) on disposal of plant and equipment		
Proceeds from disposal – plant and equipment	708	165
Less: carrying amount of plant and equipment assets sold/written off	(744)	(1,133)
Gain (or loss) on disposal	(36)	(968)
Gain (or loss) on disposal of infrastructure		
Less: carrying amount of infrastructure assets sold/written off	(6,790)	(4,865)
Gain (or loss) on disposal	(6,790)	(4,865)
Net gain (or loss) from disposal of assets	(6,647)	(5,483)

Material accounting policy information

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 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 -----	
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Revenues

Other revenues	2,154	2,739	585	27%	F
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This is principally due to the receipt of higher street light sundry income from the National Carbon bank which Council periodically receives and was unbudgeted in 2023-24.

Capital grants and contributions	55,146	38,458	(16,688)	(30)%	U
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The unfavourable variance is explained by the deferral of several major grant funded capital programs during the year, which resulted in a similar deferral in capital grant income being recognised.

Interest and investment revenue	4,921	5,416	495	10%	F
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Interest and investment revenue exceeded budget due to a combination of greater cash and investment holdings over the financial year, as well as the higher interest rate environment.

Expenses

Materials and services	25,894	33,905	(8,011)	(31)%	U
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The variance principally relates to waste management costs associated with diverting waste to Port Macquarie Hastings Council's landfill due to the delays in the construction of Council's new waste cell.

Other expenses	5,229	2,081	3,148	60%	F
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The favourable variance relates to a number of expense areas including lower waste levy due to waste being diverted to Port Macquarie Hastings Council's landfill due to the delays in the construction of Council's new waste cell. This favourable variance partially offsets the unfavourable materials and services variance noted above.

Net losses from disposal of assets	-	6,647	(6,647)	∞	U
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This item is not budgeted as it is too difficult to accurately estimate.

Statement of cash flows

Cash flows from operating activities	87,315	56,562	(30,753)	(35)%	U
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This variance is mainly due to the deferral of several large grant funded capital expenditure programs.

Cash flows from investing activities	(97,721)	(66,845)	30,876	(32)%	F
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This variance is due to the deferral of several large capital expenditure programs.

Cash flows from financing activities	10,407	5,401	(5,006)	(48)%	U
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This is the result of deferring borrowings.

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2024 <i>Actual</i> \$ '000	2023 <i>Actual</i> \$ '000
Cash assets		
Cash on hand and at bank	16,776	21,237
Cash equivalent assets		
– Deposits at call	15,143	15,564
Total cash and cash equivalents	31,919	36,801

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	31,919	36,801
Balance as per the Statement of Cash Flows	31,919	36,801

Material accounting policy information

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

C1-2 Financial investments

	2024 <i>Current</i> <i>Actual</i> \$ '000	2023 <i>Current</i> <i>Actual</i> \$ '000
Financial assets at fair value through the profit and loss		
Managed funds	1,208	1,136
Total	1,208	1,136
Debt securities at amortised cost		
Long term deposits	42,500	34,000
NCD's, FRN's (with maturities > 3 months)	41,185	41,176
Total	83,685	75,176
Total financial investments	84,893	76,312
Total cash assets, cash equivalents and investments	116,812	113,113

Equity securities designated as at FVOCI

The investments shown designated as equity securities as at FVOCI represent investments that the Council intends to hold for long-term strategic purposes.

No strategic investments were disposed of during 2024, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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).

C1-2 Financial investments (continued)

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 term deposits, trade and other receivables and cash and cash equivalents in the Statement of Financial Position. Term deposits with an initial term of more than three months are classified as investment rather than cash and cash equivalents.

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

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

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments in Term Deposits and managed funds in the Statement of Financial Position.

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

	2024 <i>Actual</i> \$ '000	2023 <i>Actual</i> \$ '000
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	116,812	113,113
Less: Externally restricted cash, cash equivalents and investments	(101,397)	(98,234)
Cash, cash equivalents and investments not subject to external restrictions	15,415	14,879

External restrictions

External restrictions included in cash, cash equivalents and investments above comprise:

Specific purpose unexpended grants – general fund	22,925	19,162
Specific purpose unexpended grants – water fund	4,350	4,032
Specific purpose unexpended grants – sewer fund	1,240	1,560
Contributions – ancillary works	38	38
Developer contributions – general	9,671	7,597
Developer contributions – sewer fund	7,405	5,696
Developer contributions – water fund	10,933	9,226
Domestic waste management	97	1,624
Environmental Levy	2,529	2,384
Holiday Parks Reserve	6,783	7,933
On-site sewerage management reserve	683	664
Sewer fund	19,272	17,415
Stormwater Levy	878	669
Deposits, retentions and bonds	2,308	2,295
Water fund	12,285	17,939
Total external restrictions	101,397	98,234

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 <i>Actual</i> \$ '000	2023 <i>Actual</i> \$ '000
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	15,415	14,879
Less: Internally restricted cash, cash equivalents and investments	(9,042)	(8,791)
Unrestricted and unallocated cash, cash equivalents and investments	6,373	6,088

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

	2024	2023
	Actual	Actual
	\$ '000	\$ '000

Internal allocations

At 30 June, Council has internally allocated funds to the following:

Cemetery headstone restoration reserve	114	114
Corporate	5,371	5,371
General fleet	3,557	3,306
Total internal allocations	9,042	8,791

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	2024	2023	2023
	Current	Non-current	Current	Non-current
	Actual	Actual	Actual	Actual
	\$ '000	\$ '000	\$ '000	\$ '000
Rates and annual charges	4,286	–	4,384	–
User charges and fees	3,578	–	2,792	–
Accrued revenues				
– Interest on investments	1,434	–	794	–
– Other income accruals	228	–	272	–
Amounts due from other councils	5,571	–	5,524	–
Government grants and subsidies	3,856	–	8,071	1
Net GST receivable	1,201	–	1,158	–
Amounts due from other levels of government	–	–	3,954	–
Total	20,154	–	26,949	1
Less: provision for impairment				
Other debtors	(54)	–	(54)	–
Total provision for impairment – receivables	(54)	–	(54)	–
Total net receivables	20,100	–	26,895	1

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

Credit losses are measured 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.

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 3 years past due, whichever occurs first.

No receivables were written off during the reporting period.

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.

C1-5 Inventories

	2024	2024	2023	2023
	Current	Non-current	Current	Non-current
	Actual	Actual	Actual	Actual
	\$ '000	\$ '000	\$ '000	\$ '000

(i) Inventories at cost

Stores and materials	512	-	527	-
Total inventories at cost	512	-	527	-
Total inventories	512	-	527	-

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. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

C1-6 Contract assets and Contract cost assets

	2024 Current Actual \$ '000	2024 Non-current Actual \$ '000	2023 Current Actual \$ '000	2023 Non-current Actual \$ '000
Contract assets	4,680	–	4,666	–
Total contract assets and contract cost assets	4,680	–	4,666	–

Contract assets

Work relating to infrastructure grants	3,250	–	3,901	–
Other	1,430	–	765	–
Total contract assets	4,680	–	4,666	–

Material accounting policy information

Contract assets

Contract assets represent Councils right to payment in exchange for goods or services the Council has transferred to a customer when that right is conditional on something other than the passage of time.

Contract assets arise when the amounts billed to customers are based on the achievement of various milestones established in the contract and therefore the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer. Once an invoice or payment claim is raised or the relevant milestone is reached, Council recognises a receivable.

Impairment of contract assets is assessed using the simplified expected credit loss model where lifetime credit losses are recognised on initial recognition.

Contract cost asset – costs to fulfil a contract

Where costs are incurred to fulfil a contract and these costs are outside the scope of another accounting standard, they are capitalised as contract cost assets if the following criteria are met:

- the costs relate directly to a contract
- the costs generate or enhance resources of Council that will be used to satisfy performance obligations in the future and
- the costs are expected to be recovered.

The capitalised costs are recognised in the Income statement on a systematic basis consistent with the timing of revenue recognition.

Refer to B3-4 for the accounting policy for impairment of contract cost assets.

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	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments 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	39,712	–	39,712	26,227	8,639	–	–	–	(22,108)	(738)	–	51,732	–	51,732
Plant and equipment	21,604	(8,434)	13,170	2,575	572	–	(661)	(1,514)	28	–	–	23,016	(8,846)	14,170
Office equipment	2,676	(1,345)	1,331	440	–	–	–	(302)	4	–	–	3,121	(1,648)	1,473
Furniture and fittings	244	(163)	81	20	–	–	–	(18)	6	–	–	270	(181)	89
Land:														
– Crown land	60,142	–	60,142	–	–	–	–	–	–	–	(1,022)	59,120	–	59,120
– Operational land	46,272	–	46,272	–	–	–	(7)	–	–	–	(787)	45,478	–	45,478
– Community land	16,979	–	16,979	–	–	–	–	–	–	–	(289)	16,690	–	16,690
Land improvements	56,525	(14,886)	41,639	353	538	–	(294)	(674)	1,973	–	5,050	65,676	(17,091)	48,585
Infrastructure:														
– Buildings – non-specialised	72,246	(37,568)	34,678	208	264	–	(59)	(1,106)	131	(1)	2,719	78,479	(41,645)	36,834
– Buildings – specialised	39,322	(19,667)	19,655	20	42	–	(6)	(566)	5	1	1,526	42,514	(21,837)	20,677
– Other structures	2,382	(1,169)	1,213	18	47	–	(2)	(61)	–	–	97	2,636	(1,324)	1,312
– Roads	416,564	(145,503)	271,061	5,146	4,913	779	(2,744)	(7,109)	6,133	1	23,269	464,134	(162,685)	301,449
– Bridges	113,438	(41,795)	71,643	4,993	2,237	–	(3,442)	(1,244)	5,645	–	3,980	127,353	(43,541)	83,812
– Footpaths	29,987	(13,352)	16,635	19	17	–	(49)	(413)	1,046	–	1,125	32,993	(14,613)	18,380
– Bulk earthworks (non-depreciable)	274,130	–	274,130	–	222	–	–	–	3,913	–	23,235	301,500	–	301,500
– Stormwater drainage	156,757	(51,996)	104,761	91	2,337	–	(59)	(1,430)	230	–	13,538	179,680	(60,212)	119,468
– Water supply network	319,532	(129,978)	189,554	1,205	1,326	–	–	(4,430)	1,206	–	9,575	339,659	(141,223)	198,436
– Sewerage network	256,873	(128,694)	128,179	1,391	1,508	–	(1)	(4,250)	1,322	–	6,497	274,330	(139,684)	134,646
– Swimming pools	6,605	(3,745)	2,860	58	–	–	–	(83)	–	1	226	7,195	(4,133)	3,062
– Other open space/recreational assets	31,347	(13,664)	17,683	239	522	–	(126)	(782)	466	1	2,088	36,115	(16,024)	20,091
Other assets:														
– Other	1,564	(878)	686	1	–	–	–	(74)	–	–	–	1,565	(952)	613
Reinstatement, rehabilitation and restoration assets (refer Note C2-5):														
– Quarry assets	163	(71)	92	–	–	–	–	(13)	–	5	–	168	(84)	84
– Tip assets	6,234	(651)	5,583	–	–	–	–	(426)	–	(236)	–	5,997	(1,077)	4,920
Total infrastructure, property, plant and equipment	1,971,298	(613,559)	1,357,739	43,004	23,184	779	(7,450)	(24,495)	–	(966)	90,827	2,159,421	(676,797)	1,482,624

(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	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments 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	34,348	–	34,348	22,435	6,553	–	–	–	(23,464)	(160)	–	39,712	–	39,712	
Plant and equipment	19,906	(8,512)	11,394	2,944	1,007	–	(804)	(1,370)	3	(4)	–	21,604	(8,434)	13,170	
Office equipment	1,855	(749)	1,106	822	–	–	–	(154)	–	(443)	–	2,676	(1,345)	1,331	
Furniture and fittings	243	(142)	101	–	–	–	–	(21)	–	1	–	244	(163)	81	
Land:															
– Operational land	34,117	–	34,117	–	8	–	–	–	48	1	12,098	46,272	–	46,272	
– Community land	12,540	–	12,540	–	–	–	–	–	–	–	4,439	16,979	–	16,979	
– Crown land	55,368	–	55,368	–	–	–	–	–	–	(1)	4,775	60,142	–	60,142	
Land improvements	50,542	(12,761)	37,781	42	2,308	–	–	(573)	34	(604)	2,651	56,525	(14,886)	41,639	
Infrastructure:															
– Buildings – non-specialised	59,218	(31,250)	27,968	220	7,451	–	(338)	(987)	1,398	(3,157)	2,123	72,246	(37,568)	34,678	
– Buildings – specialised	30,158	(18,085)	12,073	199	1,432	–	(22)	(434)	5,205	(1)	1,203	39,322	(19,667)	19,655	
– Other structures	1,972	(1,049)	923	–	93	–	–	(48)	171	–	74	2,382	(1,169)	1,213	
– Roads	372,694	(130,143)	242,551	8,013	1,694	413	(3,342)	(6,322)	6,071	2	21,981	416,564	(145,503)	271,061	
– Bridges	102,695	(39,285)	63,410	2,699	1,474	–	(1,163)	(1,087)	1,978	(1)	4,333	113,438	(41,795)	71,643	
– Footpaths	26,894	(11,989)	14,905	68	273	–	(16)	(359)	501	–	1,262	29,987	(13,352)	16,635	
– Bulk earthworks (non-depreciable)	245,179	–	245,179	–	501	–	–	–	–	–	28,450	274,130	–	274,130	
– Stormwater drainage	142,707	(46,554)	96,153	10	958	–	(2)	(1,266)	488	–	8,420	156,757	(51,996)	104,761	
– Water supply network	293,838	(117,244)	176,594	1,567	818	–	(291)	(4,187)	1,484	1	13,568	319,532	(129,978)	189,554	
– Sewerage network	233,075	(116,037)	117,038	520	1,570	108	(322)	(4,000)	4,093	(3)	9,175	256,873	(128,694)	128,179	
– Swimming pools	6,201	(3,439)	2,762	–	–	–	–	(78)	–	1	175	6,605	(3,745)	2,860	
– Other open space/recreational assets	27,816	(12,768)	15,048	93	346	–	(285)	(634)	1,990	(1)	1,126	31,347	(13,664)	17,683	
Other assets:															
– Other	1,243	(831)	412	321	–	–	–	(46)	–	(1)	–	1,564	(878)	686	
Reinstatement, rehabilitation and restoration assets:															
– Tip assets	6,978	(299)	6,679	–	–	–	–	(410)	–	(686)	–	6,234	(651)	5,583	
– Quarry assets	228	(104)	124	–	–	–	–	(10)	–	(22)	–	163	(71)	92	
Total infrastructure, property, plant and equipment	1,759,815	(551,241)	1,208,574	39,953	26,486	521	(6,585)	(21,986)	–	(5,078)	115,853	1,971,298	(613,559)	1,357,739	

(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

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

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

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

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).

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

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

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:

Plant and equipment	Years	Buildings	Years
Office equipment	5 to 10	Buildings	12 to 150
Office furniture	4 to 10		
Computer equipment	3 to 10		
Vehicles	5 to 13		
Heavy plant/road making equipment	5 to 13		
Other plant and equipment	3 to 10		
Water and sewer assets		Stormwater assets	
Dams and reservoirs	15 to 200	Drains	80 to 100
Water mains	10 to 100	Flood mitigation systems	70 to 80
Sewer mains	40 to 120	Flood Drains	Infinite
Treatment works	15 to 100		
Pumps and telemetry	15 to 30		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20 to 30	Bulk earthworks	Infinite
Sealed roads: structure	60 to 225	Swimming pools	80
Unsealed roads	7 to 90	Land improvements	10 to 180
Bridge	40 to 100	Other open space/recreational assets	10 to 180
Footpaths	40 to 85	Other structures	20 to 80

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

Land under roads

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

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

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

Crown reserves

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

Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases.

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

Rural Fire Service assets

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

Only land and building Rural Fire Service assets are recognised as assets of the Council in these financial statements as it is Council's position it does not control firefighting plant and equipment.

C1-8 Intangible assets

Intangible assets are as follows:

	2024 <i>Actual</i> \$ '000	2023 <i>Actual</i> \$ '000
Software		
Opening values at 1 July		
Gross book value	2,029	1,723
Accumulated amortisation	(721)	(345)
Net book value – opening balance	1,308	1,378
Movements for the year		
Purchases	111	307
Amortisation charges	(428)	(377)
Closing values at 30 June		
Gross book value	2,140	2,029
Accumulated amortisation	(1,149)	(721)
Total software – net book value	991	1,308
Total intangible assets – net book value	991	1,308

Material accounting policy information

IT development, software and software implementation

Software development costs include only those costs directly attributable to the development phase (including external direct costs of materials and services, direct payroll and payroll related costs of employees time spent on the project) and are only recognised following completion of technical feasibility, and where the Council has an intention and ability to use the asset. Amortisation is calculated on a straight-line basis over periods generally ranging from three to five years.

C2 Liabilities of Council

C2-1 Payables

	2024 Current \$ '000	2024 Non-current \$ '000	2023 Current \$ '000	2023 Non-current \$ '000
– Interest on leases	2	–	2	–
Goods and services – operating expenditure	10,283	–	7,907	–
Accrued expenses:				
– Borrowings	288	–	185	–
– Salaries and wages	542	–	376	–
– Other expenditure accruals	1,547	–	1,150	–
Security bonds, deposits and retentions	2,308	–	2,295	–
Prepaid rates	2,366	–	2,436	–
Other	19	–	2	–
Total payables	17,355	–	14,353	–

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

	2024 Actual \$ '000	2023 Actual \$ '000
Payables – security bonds, deposits and retentions	375	1,073
Total payables	375	1,073

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

Total payables

Material accounting policy information

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

The financial liabilities of the Council comprise trade payables, bank and other loans.

Payables

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

C2-2 Contract Liabilities

	2024 Current Actual \$ '000	2024 Non-current Actual \$ '000	2023 Current Actual \$ '000	2023 Non-current Actual \$ '000
Funds to construct Council controlled assets	23,255	–	34,028	–
Funds received prior to performance obligation being satisfied (upfront payments) - AASB 15	23	–	1,045	–
Total contract liabilities	23,278	–	35,073	–

Notes

(i) Council has received funding to construct assets including roads, bridges, sporting fields, bushfire and flood recovery, stronger communities, water security 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.

C2-2 Contract Liabilities (continued)

(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 Actual \$ '000	2023 Actual \$ '000
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	12,281	5,514
Operating grants (received prior to performance obligation being satisfied)	244	1,905
Total revenue recognised that was included in the contract liability balance at the beginning of the period	12,525	7,419

Material accounting policy information

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

C2-3 Borrowings

	2024 Current Actual \$ '000	2024 Non-current Actual \$ '000	2023 Current Actual \$ '000	2023 Non-current Actual \$ '000
Bank overdraft	-	-	-	-
Loans – secured	4,363	52,814	4,592	47,177
Total borrowings	4,363	52,814	4,592	47,177

(a) Changes in liabilities arising from financing activities

	2023 Opening Balance \$ '000	Cash flows \$ '000	Non-cash movements		2024 Closing balance \$ '000
			Acquisition \$ '000	Other \$ '000	
Loans – secured	51,769	(4,592)	10,000	-	57,177
Lease liability	40	(6)	-	-	34
Total liabilities from financing activities	51,809	(4,598)	10,000	-	57,211

	2022		Non-cash movements				2023
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	56,160	(4,391)	-	-	-	-	51,769
Lease liability	58	(18)	-	-	-	-	40
Total liabilities from financing activities	56,218	(4,409)	-	-	-	-	51,809

(b) Financing arrangements

	2024 Actual	2023 Actual

C2-3 Borrowings (continued)

	\$ '000	\$ '000
Total facilities		
Total financing facilities available to Council at the reporting date are:		
Bank overdraft facilities ¹	–	–
Credit cards/purchase cards	450	450
Total financing arrangements	450	450
Drawn facilities		
Financing facilities drawn down at the reporting date are:		
– Bank overdraft facilities	–	–
– Credit cards/purchase cards	92	23
Total drawn financing arrangements	92	23
Undrawn facilities		
Undrawn financing facilities available to Council at the reporting date are:		
– Credit cards/purchase cards	358	427
Total undrawn financing arrangements	358	427
Additional financing arrangements information		
Breaches and defaults		
During the current and prior year, there were no defaults or breaches on any of the loans.		
Security over loans		
Council loans are secured over the general rating income of Council.		

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

Material accounting policy information

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

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

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

C2-4 Employee benefit provisions

	2024	2024	2023	2023
	Current	Non-current	Current	Non-current
	Actual	Actual	Actual	Actual
	\$ '000	\$ '000	\$ '000	\$ '000
Annual leave	3,072	–	2,961	–
Sick leave	543	–	673	–
Long service leave	3,829	1,238	3,747	1,212
Total employee benefit provisions	7,444	1,238	7,381	1,212

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

	2024	2023
	Actual	Actual
	\$ '000	\$ '000
	3,252	4,208
	3,252	4,208

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

Provisions – employees benefits	3,252	4,208
	3,252	4,208

Material accounting policy information

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C2-5 Provisions

	2024	2024	2023	2023
	Current	Non-Current	Current	Non-Current
	Actual	Actual	Actual	Actual
	\$ '000	\$ '000	\$ '000	\$ '000

Asset remediation/restoration:

Asset remediation/restoration (future works)	–	6,646	–	6,842
Sub-total – asset remediation/restoration	–	6,646	–	6,842
Total provisions	–	6,646	–	6,842

continued on next page ...

C2-5 Provisions (continued)

Description of and movements in provisions

	Other provisions	
	Asset remediation \$ '000	Total \$ '000
2024		
At beginning of year	6,842	6,842
Changes to provision:		
– Revised costs	(196)	(196)
Total other provisions at end of year	6,646	6,646
2023		
At beginning of year	6,934	6,934
Changes to provision:		
– Revised costs	(92)	(92)
Total other provisions at end of year	6,842	6,842

Nature and purpose of provisions

Asset remediation

The Asset Remediation Provision represents the present value estimate of future costs Council will incur to restore, rehabilitate and reinstate the council tip and quarry as a result of past operations.

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.

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

C3 Reserves

C3-1 Nature and purpose of reserves

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	29,908	5,940	16,459
User charges and fees	7,831	9,930	2,048
Interest and investment revenue	3,590	843	983
Other revenues	2,305	120	314
Grants and contributions provided for operating purposes	15,275	230	128
Grants and contributions provided for capital purposes	33,154	2,346	2,958
Other income	256	–	(256)
Total income from continuing operations	92,319	19,409	22,634
Expenses from continuing operations			
Employee benefits and on-costs	23,998	3,378	3,329
Materials and services	19,882	7,199	6,824
Borrowing costs	479	915	651
Depreciation, amortisation and impairment	16,138	4,489	4,299
Other expenses	2,065	–	16
Net losses from the disposal of assets	6,646	–	1
Total expenses from continuing operations	69,208	15,981	15,120
Operating result from continuing operations	23,111	3,428	7,514
Net operating result for the year	23,111	3,428	7,514
Net operating result attributable to each council fund	23,111	3,428	7,514
Net operating result for the year before grants and contributions provided for capital purposes	(10,043)	1,082	4,556

D1-2 Statement of Financial Position by fund

	General 2024 \$ '000	Water 2024 \$ '000	Sewer 2024 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	7,613	13,565	10,741
Investments	53,714	14,003	17,176
Receivables	15,554	3,276	1,270
Inventories	496	10	6
Contract assets and contract cost assets	4,680	–	–
Other	279	–	–
Total current assets	82,336	30,854	29,193
Non-current assets			
Infrastructure, property, plant and equipment	1,125,266	213,197	144,161
Intangible assets	991	–	–
Right of use assets	34	–	–
Total non-current assets	1,126,291	213,197	144,161
Total assets	1,208,627	244,051	173,354
LIABILITIES			
Current liabilities			
Payables	16,944	216	195
Contract liabilities	17,688	4,350	1,240
Lease liabilities	2	–	–
Borrowings	1,085	1,848	1,430
Employee benefit provision	7,444	–	–
Total current liabilities	43,163	6,414	2,865
Non-current liabilities			
Lease liabilities	32	–	–
Borrowings	23,145	20,049	9,620
Employee benefit provision	1,238	–	–
Provisions	6,646	–	–
Total non-current liabilities	31,061	20,049	9,620
Total liabilities	74,224	26,463	12,485
Net assets	1,134,403	217,588	160,869
EQUITY			
Accumulated surplus	466,455	70,027	72,573
Revaluation reserves	667,948	147,561	88,296
Council equity interest	1,134,403	217,588	160,869
Total equity	1,134,403	217,588	160,869

D2 Interests in other entities

D2-1 Interests in joint arrangements

(i) Joint operations

	<i>Principal activity</i>	<i>Place of business</i>	<i>Interest in ownership</i>	
			<i>2024</i>	<i>2023</i>
(a) Council is involved in the following joint operations (JO's)				
Maria River Road upgrade	Upgrade of Maria River Road, a joint operation between Port Macquarie-Hastings Council and Kempsey Shire Council with a total project cost of \$17.01m	Port Macquarie NSW	52%	52%

Material accounting policy information

The percentage ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

Council has determined that it has only a joint operation.

Joint operations

In relation to its joint operations, where the Council has the rights to the individual assets and obligations arising from the arrangement, the Council has recognised:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

These figures are incorporated into the relevant line item in the primary statements.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

	<i>Carrying value</i> 2024 \$ '000	<i>Carrying value</i> 2023 \$ '000	<i>Fair value</i> 2024 \$ '000	<i>Fair value</i> 2023 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	31,919	36,801	31,919	36,801
Receivables	20,100	26,896	20,100	26,896
Investments				
– Debt securities at amortised cost	83,685	75,176	83,685	77,062
Fair value through profit and loss				
Investments				
– Held for trading	1,208	1,136	1,208	1,136
Total financial assets	136,912	140,009	136,912	141,895
Financial liabilities				
Payables	17,355	14,353	17,355	14,353
Loans/advances	57,177	51,769	57,177	51,769
Total financial liabilities	74,532	66,122	74,532	66,122

Fair value is determined as follows:

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

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance team manage the cash and investment portfolio with the assistance of independent advisers.

Council has an investment policy which complies with s625 of the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Market risk** – the risk that movements in interest rates could affect returns.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council.

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

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from its independent advisers before placing any cash 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	1,000	919
Impact of a 10% movement in price of investments		
– Equity / Income Statement	4,239	4,081

(b) Credit risk

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

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

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

	Not yet overdue rates and annual charges			Total \$ '000
	Not yet overdue \$ '000	< 5 years \$ '000	≥ 5 years \$ '000	
2024				
Gross carrying amount	–	4,286	–	4,286
2023				
Gross carrying amount	–	4,384	–	4,384

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	Overdue debts				Total \$ '000
		0 - 30 days \$ '000	31 - 60 days \$ '000	61 - 90 days \$ '000	> 91 days \$ '000	
2024						
Gross carrying amount	19,518	313	256	45	416	20,548
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	13.00%	0.26%
ECL provision	–	–	–	–	54	54
2023						
Gross carrying amount	19,148	5,394	323	2,067	300	27,232
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	18.00%	0.20%
ECL provision	–	–	–	–	54	54

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

(c) Liquidity risk

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

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

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

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

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

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

	<i>Weighted average interest rate %</i>	<i>Subject to no maturity \$ '000</i>	<i>payable in:</i>			<i>Total contractu al cash outflows \$ '000</i>	<i>Actual carrying values \$ '000</i>
			<i>≤ 1 Year \$ '000</i>	<i>1 - 5 Years \$ '000</i>	<i>> 5 Years \$ '000</i>		
2024							
Payables	0.00%	2,308	14,906	–	–	17,214	17,355
Borrowings	4.08%	–	693	11,030	40,046	51,769	57,177
Total financial liabilities		2,308	15,599	11,030	40,046	68,983	74,532
2023							
Payables	0.00%	2,295	12,058	–	–	14,353	14,353
Borrowings	3.79%	–	1,353	12,683	42,124	56,160	51,769
Total financial liabilities		2,295	13,411	12,683	42,124	70,513	66,122

E2-1 Fair value measurement

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

- Financial assets
- Infrastructure, property, plant and equipment

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).

The table below shows the assigned level for each asset and liability held at fair value by Council.

		Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
\$ '000	Notes	2024	2023	2024	2023	2024	2023
Recurring fair value measurements							
Financial assets							
Financial investments	C1-2						
At fair value through profit or loss		1,208	1,136	–	–	1,208	1,136
Total financial assets		1,208	1,136	–	–	1,208	1,136
Infrastructure, property, plant and equipment							
	C1-7						
Plant and equipment		–	–	14,170	13,170	14,170	13,170
Office equipment		–	–	1,473	1,331	1,473	1,331
Furniture and fittings		–	–	89	81	89	81
Crown Land		–	–	59,120	60,142	59,120	60,142
Operational land		–	–	45,478	46,272	45,478	46,272
Community land		–	–	16,690	16,979	16,690	16,979
Land Improvements		–	–	48,585	41,639	48,585	41,639
Buildings – non specialised		–	–	36,834	34,678	36,834	34,678
Buildings – specialised		–	–	20,677	19,655	20,677	19,655
Other Structures		–	–	1,312	1,213	1,312	1,213
Roads, bridges, footpaths, bulk earthwork		–	–	705,141	633,469	705,141	633,469
Stormwater drainage		–	–	119,468	104,761	119,468	104,761
Water supply network		–	–	198,436	189,554	198,436	189,554
Sewerage network		–	–	134,646	128,179	134,646	128,179
Swimming pools		–	–	3,062	2,860	3,062	2,860
Other open space/recreational assets		–	–	20,091	17,683	20,091	17,683
Other		–	–	613	686	613	686
Tip Assets		–	–	4,920	5,583	4,920	5,583
Quarry assets		–	–	84	92	84	92
Total infrastructure, property, plant and equipment		–	–	1,430,889	1,318,027	1,430,889	1,318,027

Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

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 uses a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

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

Fair value measurements using significant unobservable inputs (level 3)

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

	<i>Plant and equipment</i>		<i>Office equipment</i>		<i>Furniture and fittings</i>		<i>Crown Land</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>
Opening balance	13,170	11,394	1,331	1,106	81	101	60,142	55,368
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	–	–	–	–	–	–	(1,022)	4,775
Other movements								
Adjustments and transfers from/(to) another asset class	–	(4)	–	(443)	–	1	–	(1)
Purchases (GBV)	3,175	3,954	444	822	26	–	–	–
Disposals (WDV)	(661)	(804)	–	–	–	–	–	–
Depreciation and impairment	(1,514)	(1,370)	(302)	(154)	(18)	(21)	–	–
Closing balance	14,170	13,170	1,473	1,331	89	81	59,120	60,142

	<i>Operational land</i>		<i>Community Land</i>		<i>Land improvement</i>		<i>Buildings non specialised</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>
Opening balance	46,272	34,117	16,979	12,540	41,639	37,781	34,678	27,968
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	(787)	12,098	(289)	4,439	5,050	2,651	2,719	2,123
Other movements								
Adjustments and transfers from/(to) another asset class	–	1	–	–	–	(604)	(1)	(3,157)
Purchases (GBV)	–	56	–	–	2,864	2,384	603	9,069
Disposals (WDV)	(7)	–	–	–	(294)	–	(59)	(338)
Depreciation and impairment	–	–	–	–	(674)	(573)	(1,106)	(987)
Closing balance	45,478	46,272	16,690	16,979	48,585	41,639	36,834	34,678

E2-1 Fair value measurement (continued)

	<i>Building specialised</i>		<i>Other Structures</i>		<i>Roads bridges</i>		<i>Stormwater drainage</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>	<i>footpaths</i>	<i>earthworks</i>	<i>2024</i>	<i>2023</i>
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>
Opening balance	19,655	12,073	1,213	923	633,469	566,045	104,761	96,153
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	1,526	1,203	97	74	51,609	56,026	13,538	8,420
Other movements								
Adjustments and transfers from/(to) another asset class	1	(1)	–	–	–	2	–	–
Purchases (GBV)	67	6,836	65	264	34,284	23,685	2,658	1,456
Disposals (WDV)	(6)	(22)	(2)	–	(6,235)	(4,521)	(59)	(2)
Depreciation and impairment	(566)	(434)	(61)	(48)	(7,986)	(7,768)	(1,430)	(1,266)
Closing balance	20,677	19,655	1,312	1,213	705,141	633,469	119,468	104,761

	<i>Water supply network</i>		<i>Sewerage network</i>		<i>Swimming pools</i>		<i>Open space/recreational</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>
Opening balance	189,554	176,594	128,179	117,038	2,860	2,762	17,683	15,048
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	9,575	13,568	6,497	9,175	226	175	2,088	1,126
Other movements								
Adjustments and transfers from/(to) another asset class	–	1	–	(3)	1	1	1	(1)
Purchases (GBV)	3,737	3,869	4,221	6,291	58	–	1,227	2,429
Disposals (WDV)	–	(291)	(1)	(322)	–	–	(126)	(285)
Depreciation and impairment	(4,430)	(4,187)	(4,250)	(4,000)	(83)	(78)	(782)	(634)
Closing balance	198,436	189,554	134,646	128,179	3,062	2,860	20,091	17,683

E2-1 Fair value measurement (continued)

	Other		Tip assets		Quarry Assets		Total	
	2024 Actual \$ '000	2023 Actual \$ '000	2024 Actual \$ '000	2023 Actual \$ '000	2024 Actual \$ '000	2023 Actual \$ '000	2024 Actual \$ '000	2023 Actual \$ '000
Opening balance	686	412	5,583	6,679	92	124	1,318,027	1,174,226
Recognised in other comprehensive income – revaluation surplus	–	–	–	–	–	–	90,827	115,853
Adjustments and transfers from/(to) another asset class	–	(1)	(236)	(686)	5	(22)	(229)	(4,917)
Purchases (GBV)	1	321	–	–	–	–	53,430	61,436
Disposals (WDV)	–	–	–	–	–	–	(7,450)	(6,585)
Depreciation and impairment	(74)	(46)	(426)	(410)	(13)	(10)	(23,715)	(21,986)
Closing balance	613	686	4,921	5,583	84	92	1,430,890	1,318,027

Information relating to the transfers into and out of the level 3 fair valuation hierarchy includes:

There were no transfers into and out of the level 3 fair valuation hierarchy.

c. The valuation process for level 3 fair value measurements

Property, plant and equipment, furniture and fittings incorporates:

Major plant
Fleet vehicles
Minor plant
Furniture and fittings
Office equipment

All are disclosed at fair value in the notes. Council assumes that the carrying amount reflects the fair value of the asset due to the nature of the items as shown above.

The unobservable Level 3 inputs include:

- Pattern Consumption
- Useful life
- Asset Condition
- Residual Value

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

Operational land

Council's 'Operational' Land by definition has no special restriction other than those that may apply to any piece of land. Operational Land was revalued by an external valuer at 30 June 2022 using Level 3 inputs. 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 the current market price in an active and liquid market of the same or similar asset.

The 'Market Approach' is used to value Operational land.

Indexation was applied to operational land at 30 June 2024.

Community land

Council's 'Community' land (including owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under Section 7.11 of the Environmental Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land. Community land has been split into Community Land owned by Council and Crown Land that is managed by Council.

Community Land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and
 - Must have a plan of management for it.

E2-1 Fair value measurement (continued)

Community land may be valued as follows:

- The NSW Valuer General's valuations may be used under the revaluation model to represent fair value for the revaluation of community land under clause 31 of AASB 116.

Council fair values community land using unobservable Level 3 inputs based on inputs on either the UCV (Unimproved Capital Value) provided by the Valuer General or an average unit rate based on the UCV and allocated by Council against those properties where the Valuer General did not provide a UCV.

The 'Market Approach' is used to value Community land.

Indexation was applied to Community land assets at 30 June 2024.

Land improvements – non depreciable and depreciable

Council's Land Improvements incorporates fencing, landscaping, earthworks and playgrounds.

Council carries fair values of land using the following unobservable Level 3 inputs:

- Gross replacement cost
- Asset condition
- Non Depreciable
 - Remaining useful life.

Indexation was applied to land improvement assets at 30 June 2024.

Buildings – non-specialised and specialised

Council Buildings include libraries, public amenities, sporting club houses, depot buildings, workshops, community centres, rural fire service buildings and tourist caravan parks.

Valuations are carried out by an external valuer using the cost approach. This approach estimates the replacement cost for each building by componentising the building (for complex structures) into significant parts with different useful life and taking into account a range of factors. Buildings are physically inspected and values are provided based on extensive professional judgement, condition and consumption rates.

As such, these assets are classified as having been valued using the following unobservable Level 3 inputs:

- Consumption rate
- Future Economic Benefits
- Condition
- Useful life of an asset.

Indexation was applied to building assets at 30 June 2024.

Roads, water and sewer networks

This asset class comprises the Roads, Bridges, Car Parks, Kerb & Guttering, Footpaths, Cycleways together with Water and Sewerage Networks.

The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter.

Council fair values road infrastructure using unobservable Level 3 inputs at a component level. Council fair values kerb and guttering and footpaths using unobservable Level 3 inputs at a non-componentised level.

The 'Cost Approach' is used to value these assets by componentising the assets into significant parts and then rolling up these component values to provide an overall valuation for each significant assets (e.g. road, water treatment facility, dam, pump station, sewer treatment plant) within Council's Asset System. Kerb and guttering, footpaths, water mains and sewers are also valued using the "Cost Approach" however this is done on a non componentised basis.

The level of componentisation adopted by Council is in accordance with AASB 116 and OLG Circular 09-09.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Residual Value
- Asset condition
- Remaining useful life
 - Current replacement cost.

Indexation was applied to road, water and sewer assets at 30 June 2024.

E2-1 Fair value measurement (continued)

Stormwater drainage

Council's Drainage Assets comprises pits, pipes, culverts, open channels, headwalls and flood mitigation levees, drains and gate structures.

Council carries fair values of drainage assets using unobservable Level 3 inputs which include:

- Pattern of Consumption
- Asset condition
- Residual value
 - Current replacement cost.

Indexation was applied to storm water drainage assets at 30 June 2024.

Other assets, swimming pools and other open space/recreational assets

Council's Other Assets includes powerheads, waste systems, water tanks, landfill lids and recycling facilities.

Council carries fair values of Other Assets using Level 3 inputs. The unobservable Level 3 inputs include:

- Pattern of Consumption
- Asset condition
- Residual value
- Current replacement cost.

Indexation was applied to other assets at 30 June 2024.

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

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

Council participates in a defined benefits superannuation scheme called the the Local Government Superannuation Scheme – Pool B (Scheme). Pooled Employers from a sub-group of the Scheme with over 150 employers supporting around 5,000 employees and ex-employees.

The Scheme is considered to be a defined benefit multi-employer plan for the following reasons:

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

Description of the funding arrangements.

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

The future 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 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 ended 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 entities obligations under the terms and conditions of the multi-employer plan

Each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

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

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 on an employer.

E3-1 Contingencies (continued)

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 other accounts and reserves in both assets and liabilities.

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	6.0% per annum
Salary inflation	3.5% per annum
Increase in CPI	3.5% for Financial Year 2023-24 2.5% per annum thereafter

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

Council has provided no other guarantees other than those listed above.

E3-1 Contingencies (continued)

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) Contract liabilities

Council has entered into a contract for the future purchase of the freehold at the Slim Dusty Centre within the next five years at a future price to be determined based on market value. The exact timing of this has not been determined as of reporting date.

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.

(iii) Mid North Coast Co-Op Library

Council together with other local government authorities have entered into an agreement to operate a regional library known as the Mid North Coast Co-Op Library. Annually, the Council contributes to the library to fund its activities based upon a prescribed formula. In the event that Council wishes to withdraw from the agreement, the assets and liabilities of the Regional Library attributable to Council will be determined by the Library Board of New South Wales.

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 \$ '000	2023 \$ '000
Compensation:		
Short-term benefits	1,435	1,097
Post-employment benefits	108	76
Other long-term benefits	32	24
Total	1,575	1,197

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.

Transactions of a minor / immaterial nature were made to companies associated with Council's KMP. The transactions related to:

- Maintenance to Council's assets.
- Venue hire.

F1-2 Councillor and Mayoral fees and associated expenses

	2024	2023
	Actual	Actual
	\$ '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	47	46
Councillors' fees	226	205
Other Councillors' expenses (including Mayor)	1	3
Total	274	254

F2 Other relationships

F2-1 Audit fees

	2024	2023
	Actual	Actual
	\$ '000	\$ '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

Remuneration for audit and other assurance services

Total Auditor-General remuneration

141	86
141	86
141	86

(i) Audit and other assurance services

Audit and review of financial statements

Remuneration for audit and other assurance services

Total audit fees

-	4
-	4
141	90

G Other matters

G1-1 Statement of Cash Flows information

(a) Reconciliation of Net Operating Result to Cash Provided from Operating Activities

	2024 <i>Actual</i> \$ '000	2023 <i>Actual</i> \$ '000
Net operating result from Income Statement	34,053	37,753
Add / (less) non-cash items:		
Depreciation and amortisation	24,926	22,366
(Gain) / loss on disposal of assets	6,647	5,483
Non-cash capital grants and contributions	(7,064)	(9,418)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Interest-free advances made by Council (deferred debtors)	17	35
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	6,796	(1,152)
(Increase) / decrease of inventories	15	3
(Increase) / decrease of other current assets	86	65
(Increase) / decrease of contract asset	(14)	(2,426)
Increase / (decrease) in payables	2,376	1,491
Increase / (decrease) in accrued interest payable	103	(20)
Increase / (decrease) in other accrued expenses payable	563	1,270
Increase / (decrease) in other liabilities	(40)	908
Increase / (decrease) in contract liabilities	(11,795)	8,528
Increase / (decrease) in employee benefit provision	89	(287)
Increase / (decrease) in other provisions	(196)	(92)
Net cash flows from operating activities	56,562	64,507

(b) Non-cash investing and financing activities

Dedications	2,240	7,064
Developer dedicated assets	4,824	2,354
Total non-cash investing and financing activities	7,064	9,418

G2-1 Commitments

Capital commitments (exclusive of GST)

	2024	2023
	Actual	Actual
	\$ '000	\$ '000

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Sewerage and water infrastructure	548	20
Land Improvements	1,365	929
Stormwater	132	–
Bridges	–	8,115
Roads	435	925
Total commitments	2,480	9,989

Details of capital commitments

Capital expenditure commitments relate to the construction of Smithtown and Gladstone wharves, remediation works of the Sherwood Road landslip, stormwater remediation works at Stuarts Point, upgrades to the Stuarts Point and Crescent Head holiday parks, the installation of safari tents at Crescent Head holiday park, the installation of fencing at Kempsey airport, and works associated with the Stuarts Point sewerage scheme including the environmental impact statement.

G3-1 Events occurring after the reporting date

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

G4 Statement of developer contributions

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	32	–	–	–	2	–	–	34	–	
Roads	2,096	241	–	–	105	(117)	–	2,325	–	
Parking	52	–	–	–	2	–	–	54	–	
Community facilities	416	15	–	–	20	–	–	451	–	
SWR plan	4,354	1,377	–	–	266	(26)	–	5,971	–	
Public domain	310	20	–	–	15	–	–	345	–	
Administration	337	89	–	–	19	–	–	445	–	
S7.11 contributions – under a plan	7,597	1,742	–	–	429	(143)	–	9,625	–	
S7.12 levies – under a plan	–	45	–	–	1	–	–	46	–	
Total S7.11 and S7.12 revenue under plans	7,597	1,787	–	–	430	(143)	–	9,671	–	
S64 contributions	14,922	2,635	–	–	781	–	–	18,338	–	
Total contributions	22,519	4,422	–	–	1,211	(143)	–	28,009	–	

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 NUMBER 1										
Drainage	32	–	–	–	2	–	–	34	–	
Roads	2,096	241	–	–	105	(117)	–	2,325	–	
Parking	52	–	–	–	2	–	–	54	–	
Community facilities	416	15	–	–	20	–	–	451	–	
SWR plan	4,354	1,377	–	–	266	(26)	–	5,971	–	
Public domain	310	20	–	–	15	–	–	345	–	
Administration	337	89	–	–	19	–	–	445	–	
Total	7,597	1,742	–	–	429	(143)	–	9,625	–	

G4-2 Developer contributions by plan (continued)

	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						

S7.12 Levies – under a plan

S7.12 Local Infrastructure Contributions Plan

Roads	–	45	–	–	1	–	–	46	–
Total	–	45	–	–	1	–	–	46	–

G4-3 Contributions not under plans

S64 contributions

S64 Water contributions	9,226	1,235	–	–	472	–	–	10,933	–
S64 Sewerage contributions	5,696	1,400	–	–	309	–	–	7,405	–
Total	14,922	2,635	–	–	781	–	–	18,338	–

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts	Indicator	Indicators		Benchmark
	2024	2024	2023	2022	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	2,277	2.37%	7.74%	(0.62)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	95,904				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	80,271	59.74%	55.54%	57.53%	> 60.00%
Total continuing operating revenue ¹	134,362				
3. Unrestricted current ratio					
Current assets less all external restrictions	36,424	2.19x	1.52x	1.92x	> 1.50x
Current liabilities less specific purpose liabilities	16,611				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	29,248	4.40x	4.54x	3.88x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	6,644				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	4,286	7.49%	8.28%	9.63%	< 10.00%
Rates and annual charges collectable	57,245				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	74,419	11.28 months	11.41 months	13.24 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	6,595				

(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		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}	(5.68)%	4.23%	6.34%	9.47%	23.16%	19.40%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding all grants and contributions ¹	47.54%	43.45%	86.73%	82.67%	86.37%	92.39%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.19x	1.52x	1.85x	13.52x	5.31x	13.14x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6.71x	7.20x	2.43x	2.50x	4.76x	3.99x	> 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	6.06%	6.11%	20.15%	22.88%	5.93%	7.68%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	9.34 months	7.61 months	12.70 months	20.65 months	15.10 months	16.37 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

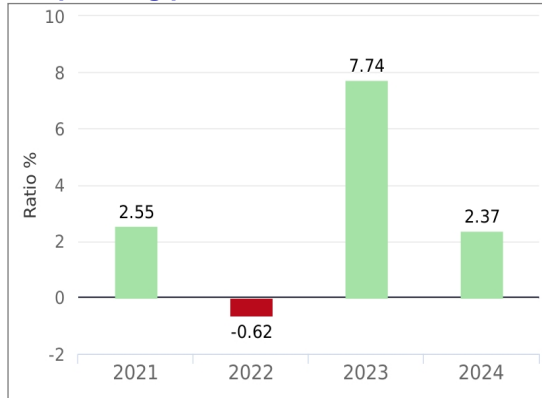
(1) - (2) Refer to Notes at Note G5-1 above.

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 2.37%

Results for this ratio are above benchmark due to strong operating results in both the Water, and in particular, Sewer funds. The General Fund remains in a deficit position pending further work on financial sustainability.

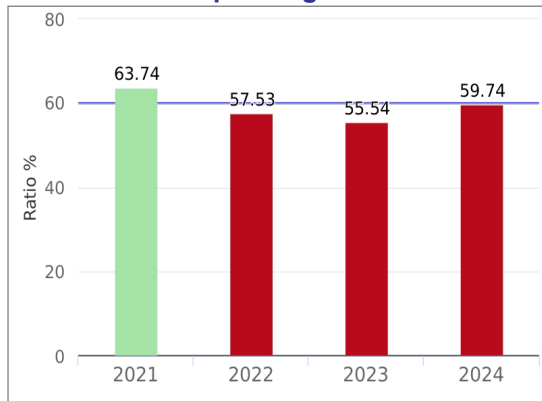
Benchmark: — > 0.00%

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 59.74%

This ratio continues to be impacted by the high levels of grant funding.

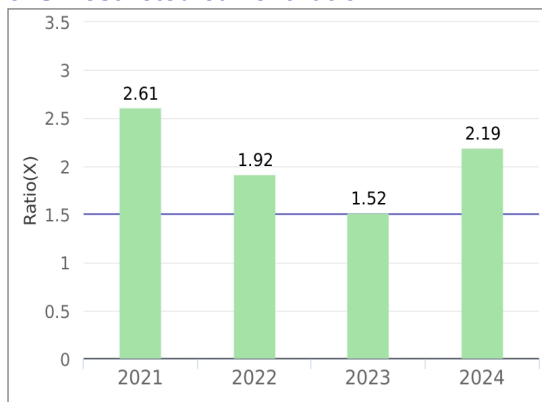
Benchmark: — > 60.00%

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 2.19x

Results are satisfactory and above benchmark.

Benchmark: — > 1.50x

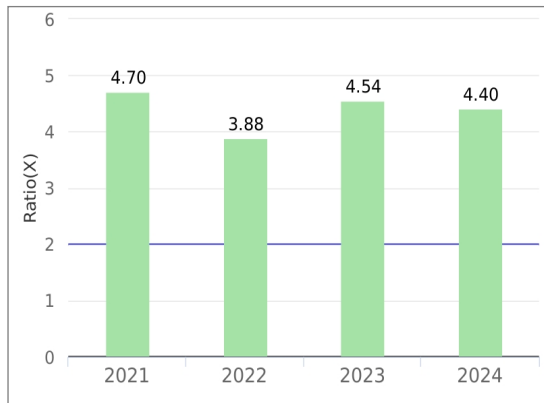
Source of benchmark: Code of Accounting Practice and Financial Reporting

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 4.40x

Results are satisfactory and above benchmark.

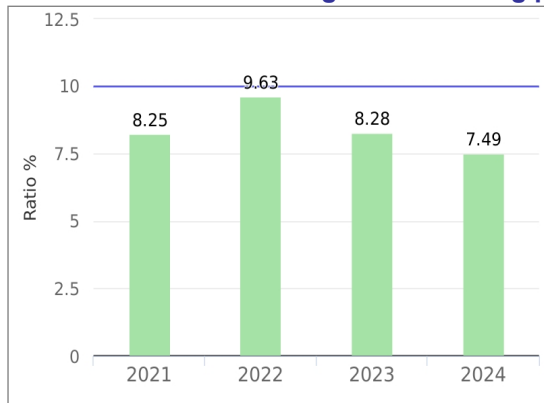
Benchmark: — > 2.00x

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 7.49%

Results are satisfactory and below benchmark.

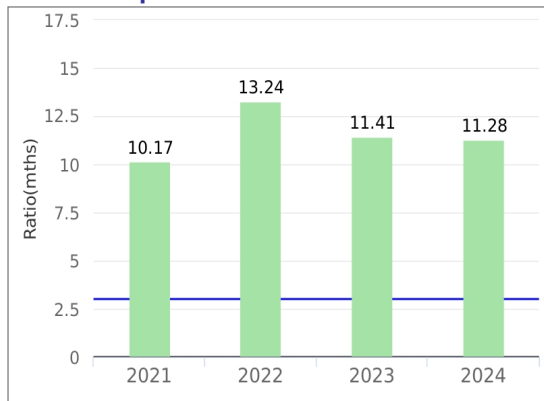
Benchmark: — < 10.00%

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 11.28 months

Council remains in a relatively strong position with this result.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:
22 Tozer Street
WEST KEMPSEY NSW 2440

Contact details

Mailing Address:
P O Box 3078
WEST KEMPSEY NSW 2440

Telephone: 02 6566 3200

Opening hours:
8:30am - 4:30pm
Monday to Friday

Internet: www.kempsey.nsw.gov.au

Email: ksc@council.nsw.gov.au

Officers

General Manager
Craig Milburn

Responsible Accounting Officer
Stephen Mitchell

Elected members

Mayor
Kinne Ring

Other information

ABN: 70 705 618 663



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Kempsey Shire Council

To the Councillors of Kempsey Shire Council

Opinion

I have audited the accompanying financial statements of Kempsey 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:

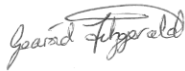
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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.



Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

25 October 2024
SYDNEY



Cr Kinne Ring
 Mayor
 Kempsey Shire Council
 PO Box 78
 WEST KEMPSEY NSW 2440

Contact: Gearoid Fitzgerald
 Phone no: 02 9275 7392
 Our ref: [R008-2124742775-8117](#)

25 October 2024

Dear Mayor

**Report on the Conduct of the Audit
 for the year ended 30 June 2024
 Kempsey Shire Council**

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

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

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

INCOME STATEMENT

Operating result

	2024	2023	Variance
	\$m	\$m	%
Rates and annual charges revenue	52.3	47.7	9.6
Grants and contributions revenue	54.1	58.0	6.7
Materials and services	33.9	31.0	9.4
Depreciation and amortisation and impairment of non-financial assets	24.9	22.4	11.2

Operating result from continuing operations	34.1	37.8	9.8
Net operating result before capital grants and contributions	(4.4)	1.8	344.4

Rates and annual charges revenue (\$52.3 million) increased by \$4.6 million (9.6 per cent) in 2023–24 due to rate peg increase of 3.7 per cent.

Grants and contributions revenue (\$54.1 million) decreased by \$3.9 million (6.7 per cent) in 2023–24 due to:

- increase of \$1.1 million of developer contributions recognised during the year
- decrease of \$2.1 million of funding for other specific purpose grants
- decrease of \$1 million of funding for bushfire and emergency services
- receiving 85 per cent of the financial assistance grants for 2024-25 in advance (100 per cent in 2022-23).

Council's operating result from continuing operations (\$34.1 million including depreciation, amortisation and impairment expense of \$24.9 million) was \$3.7 million lower than the 2022–23 result. The decrease in operating result is largely attributable to the following:

- increase of \$4.6 million in rates and annual charges
- decrease of \$3.9 million in grants and contributions revenue
- increase of \$2.9 million in materials and services expense
- increase of \$2.6 million in depreciation, amortisation and impairment expense
- increase of \$1.9 million in employee benefits and on-costs

The net operating result before capital grants and contributions (\$4.4 million) was \$6.2 million lower than the 2022–23 result.

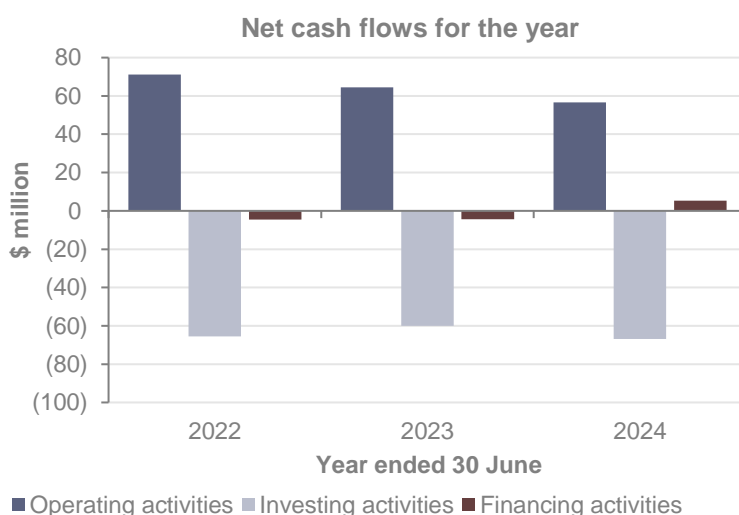
STATEMENT OF CASH FLOWS

Cash and cash equivalents balances at 30 June 2024 (\$31.9 million) decreased by \$4.9 million from the prior year (\$36.8 million).

Net cash provided by operating activities decreased by \$7.9 million largely due to a reduction in receipts from grants and contributions.

Net cash used in investing activities increased by \$6.8 million. This was largely due to an increase in the purchase of term deposits as well as payments for infrastructure, property, plant and equipment.

Net cash provided by financing activities increased by \$9.8 million due to new borrowings drawn down during 2023-24.



FINANCIAL POSITION

Cash and investments

Cash and investments	2024	2023	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	116.8	113.1	Externally restricted balances comprise mainly of developer contributions, water and sewer funds.
Restricted and allocated cash, cash equivalents and investments:			Externally restricted cash and investments increased by \$3.7 million on the prior year from the collection of developer contributions and movements in operating cash relating to domestic waste management, holiday parks, water and sewer activities.
• External restrictions	101.4	98.2	
• Internal allocations	9.0	8.8	Internal allocations are determined by council policies or decisions, which are subject to change. Internally restricted cash and investments have remained consistent with the prior year.

Debt

At 30 June 2024, Council had:

- \$57.2 million in secured loans (\$51.8 million in 2022-23)
- \$0.45 million in credit card facility with \$0.092 million used.

PERFORMANCE

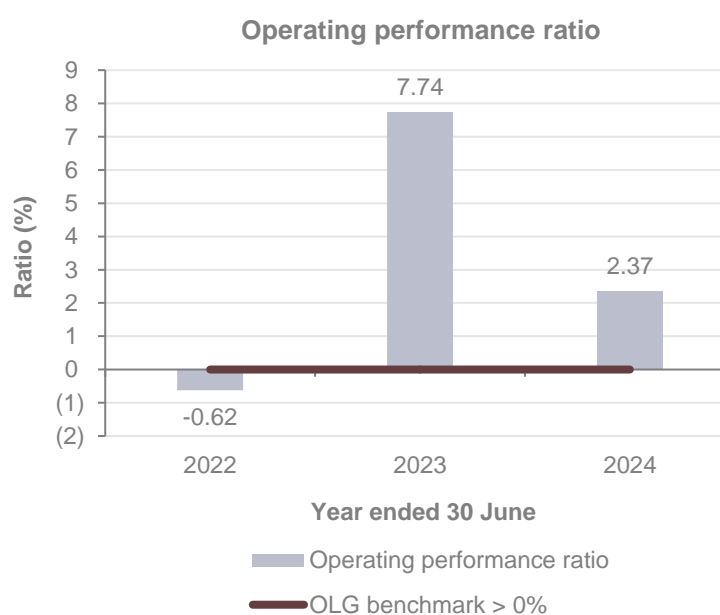
Performance measures

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 did not meet the benchmark for the current reporting period.

The ratio was negatively impacted by a high level of capital grants and contributions.

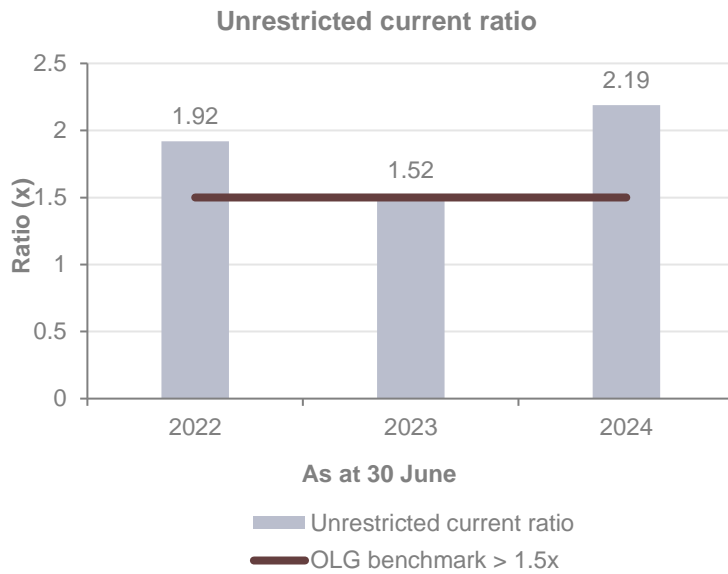
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council exceeded the benchmark for the current reporting period.

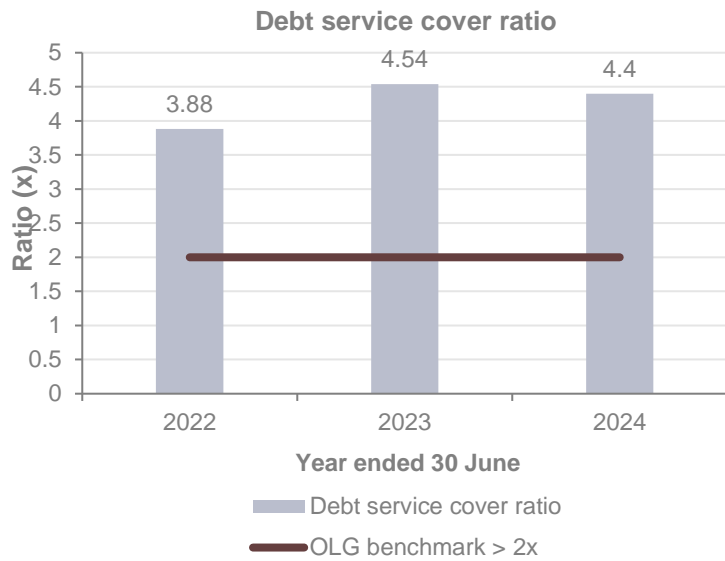
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council exceeded the benchmark for the current reporting period.

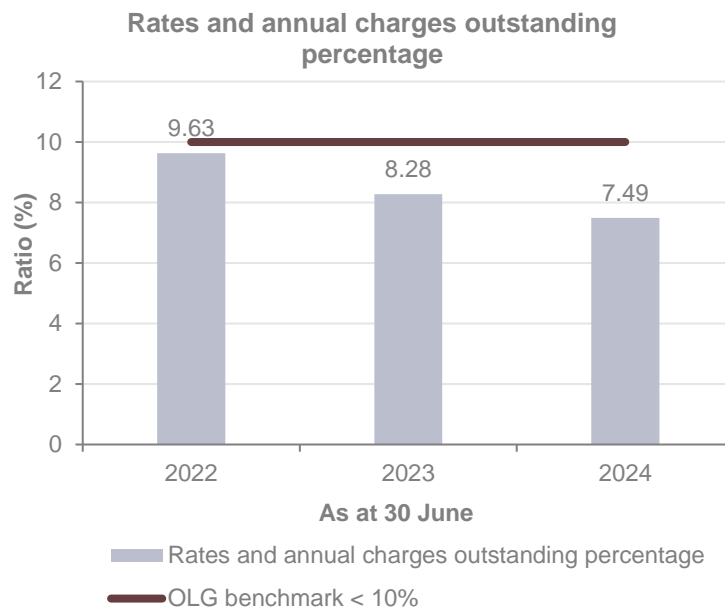
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

Council met the benchmark for the current reporting period.

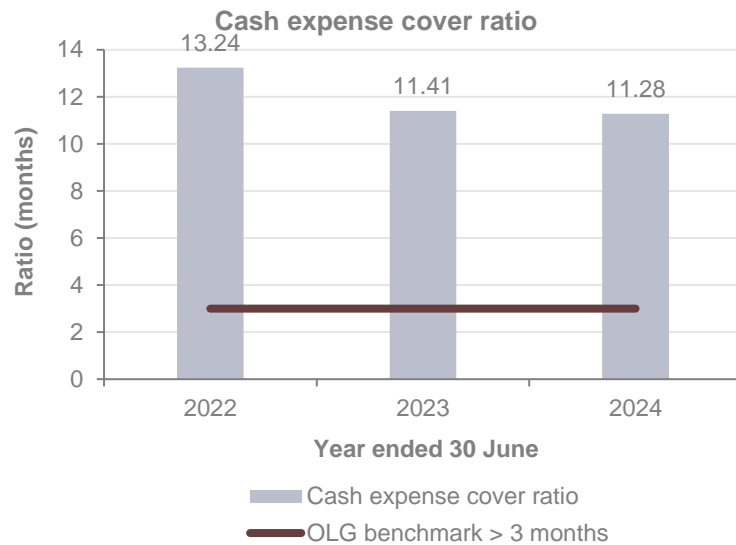
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



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 \$43.8 million of infrastructure, property, plant and equipment during the 2023-24 financial year. In 2023-24, major renewal projects included:

- Timber Bridge replacement program
- Road Renewals throughout the Shire
- Clybucca Reservoir refurbishment

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.

Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

Kempsey Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2024

*Lead and work with our community to build an inspired,
connected Macleay Valley*



Kempsey Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2024

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Kempsey 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',
- 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, and
- accord with Council's accounting and other records.
- 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 20 August 2024.



Kinne Ring

Mayor

24 October 2024



Alexandra Wyatt

Councillor

24 October 2024



Craig Milburn

General Manager

24 October 2024



Stephen Mitchell

Responsible Accounting Officer

24 October 2024

Kempsey Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2024

	2024 Actual \$ '000	2023 Actual \$ '000
Income from continuing operations		
Access charges	5,940	5,521
User charges	9,623	8,335
Fees	307	311
Interest and investment income	843	588
Grants and contributions provided for operating purposes	230	437
Other income	120	147
Total income from continuing operations	17,063	15,339
Expenses from continuing operations		
Employee benefits and on-costs	3,378	2,983
Borrowing costs	915	994
Materials and services	7,199	5,667
Depreciation, amortisation and impairment	4,489	4,243
Net loss from the disposal of assets	–	291
Calculated taxation equivalents	39	39
Debt guarantee fee (if applicable)	145	155
Total expenses from continuing operations	16,165	14,372
Surplus (deficit) from continuing operations before capital amounts	898	967
Grants and contributions provided for capital purposes	2,346	2,687
Surplus (deficit) from continuing operations after capital amounts	3,244	3,654
Surplus (deficit) from all operations before tax	3,244	3,654
Less: corporate taxation equivalent (25%) [based on result before capital]	(225)	(242)
Surplus (deficit) after tax	3,019	3,412
Plus accumulated surplus	66,858	63,049
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	39	39
– Debt guarantee fees	145	155
– Corporate taxation equivalent	225	242
Less:		
– Tax equivalent dividend paid	(39)	(39)
Closing accumulated surplus	70,247	66,858
Return on capital %	0.9%	1.0%
Subsidy from Council	7,354	6,012
Calculation of dividend payable:		
Surplus (deficit) after tax	3,020	3,412
Less: capital grants and contributions (excluding developer contributions)	(2,346)	(2,687)
Surplus for dividend calculation purposes	674	725
Potential dividend calculated from surplus	337	363

Kempsey Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2024

	2024 Actual \$ '000	2023 Actual \$ '000
Income from continuing operations		
Access charges	16,246	14,073
User charges	1,328	1,100
Liquid trade waste charges	322	299
Fees	355	215
Interest and investment income	983	552
Grants and contributions provided for operating purposes	128	108
Other income	314	211
Total income from continuing operations	19,676	16,558
Expenses from continuing operations		
Employee benefits and on-costs	3,329	3,007
Borrowing costs	651	724
Materials and services	6,824	5,581
Depreciation, amortisation and impairment	4,299	4,033
Net loss from the disposal of assets	1	322
Calculated taxation equivalents	28	28
Debt guarantee fee (if applicable)	55	62
Other expenses	16	–
Total expenses from continuing operations	15,203	13,757
Surplus (deficit) from continuing operations before capital amounts	4,473	2,801
Grants and contributions provided for capital purposes	2,958	1,246
Surplus (deficit) from continuing operations after capital amounts	7,431	4,047
Surplus (deficit) from all operations before tax	7,431	4,047
Less: corporate taxation equivalent (25%) [based on result before capital]	(1,118)	(700)
Surplus (deficit) after tax	6,313	3,347
Plus accumulated surplus	65,083	60,974
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	28	28
– Debt guarantee fees	55	62
– Corporate taxation equivalent	1,118	700
Less:		
– Tax equivalent dividend paid	(28)	(28)
Closing accumulated surplus	72,569	65,083
Return on capital %	3.6%	2.6%
Subsidy from Council	1,075	1,893
Calculation of dividend payable:		
Surplus (deficit) after tax	6,313	3,347
Less: capital grants and contributions (excluding developer contributions)	(2,958)	(1,246)
Surplus for dividend calculation purposes	3,355	2,101
Potential dividend calculated from surplus	1,677	1,050

Kempsey Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2024

	2024	2023
	Actual	Actual
	\$ '000	\$ '000
ASSETS		
Current assets		
Cash and cash equivalents	13,565	17,081
Investments	14,003	14,116
Receivables	3,276	3,082
Inventories	10	21
Total current assets	30,854	34,300
Non-current assets		
Infrastructure, property, plant and equipment	213,197	198,327
Total non-current assets	213,197	198,327
Total assets	244,051	232,627
LIABILITIES		
Current liabilities		
Contract liabilities	4,350	4,032
Payables	216	97
Borrowings	1,848	1,757
Total current liabilities	6,414	5,886
Non-current liabilities		
Borrowings	20,049	21,897
Total non-current liabilities	20,049	21,897
Total liabilities	26,463	27,783
Net assets	217,588	204,844
EQUITY		
Accumulated surplus	70,027	66,858
Revaluation reserves	147,561	137,986
Total equity	217,588	204,844

Kempsey Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2024

	2024 <i>Actual</i> \$ '000	2023 <i>Actual</i> \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	10,741	9,871
Investments	17,176	14,800
Receivables	1,270	1,462
Inventories	6	21
Total current assets	29,193	26,154
Non-current assets		
Infrastructure, property, plant and equipment	144,161	134,776
Total non-current assets	144,161	134,776
Total assets	173,354	160,930
LIABILITIES		
Current liabilities		
Contract liabilities	1,240	1,561
Payables	195	93
Borrowings	1,430	1,345
Total current liabilities	2,865	2,999
Non-current liabilities		
Borrowings	9,620	11,049
Total non-current liabilities	9,620	11,049
Total liabilities	12,485	14,048
Net assets	160,869	146,882
EQUITY		
Accumulated surplus	72,573	65,083
Revaluation reserves	88,296	81,799
Total equity	160,869	146,882

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 Supply

Water supply services within the Kempsey Shire Council area

b. Sewerage Service

Sewerage services within the Kempsey Shire Council area

Taxation equivalent charges

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

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

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

Note – Material accounting policy information (continued)

Notional rate applied (%)

Corporate income tax rate – 25%

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 1.6% + \$100. For the remaining combined land value that exceeds \$6,571,000 a premium marginal rate of 2.0% applies.

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

In accordance with 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 regulatory and assurance framework as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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 relevant 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.

Note – Material accounting policy information (continued)

(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.

(iii) Dividends

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

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

Each dividend must be calculated and approved in accordance DCCEEW's regulatory and assurance framework and must not exceed:

- 50% of this 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

Kempsey Shire Council

To the Councillors of Kempsey Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Kempsey 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 business activity
- Sewerage business activity.

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.



Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

25 October 2024
SYDNEY

Kempsey Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2024

*Lead and work with our community to build an inspired,
connected Macleay Valley*



Kempsey Shire Council

Special Schedules

for the year ended 30 June 2024

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Kempsey 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	22,704	23,755
Plus or minus adjustments ²	b	203	162
Notional general income	c = a + b	22,907	23,917
Permissible income calculation			
Special rate variation percentage ³	d	3.70%	7.90%
Plus percentage increase amount ³	f = d x (c + e)	848	1,889
Sub-total	g = (c + e + f)	23,755	25,806
Plus (or minus) last year's carry forward total	h	4	4
Sub-total	j = (h + i)	4	4
Total permissible income	k = g + j	23,759	25,810
Less notional general income yield	l	23,755	25,773
Catch-up or (excess) result	m = k - l	4	37
Carry forward to next year ⁶	p = m + n + o	4	37
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

Kempsey Shire Council

To the Councillors of Kempsey Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Kempsey 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:

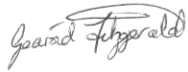
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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.



Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

25 October 2024
SYDNEY

Kempsey 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 assets 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	\$ '000	1	2	3	4	5
Buildings	Buildings – non-specialised	401	401	905	775	36,834	78,479	17.8%	33.9%	44.7%	3.1%	0.5%	
	Buildings – specialised	446	446	460	394	20,677	42,514	30.4%	14.9%	45.3%	8.4%	1.0%	
	Sub-total	847	847	1,365	1,169	57,511	120,993	22.2%	27.2%	44.9%	5.0%	0.7%	
Other structures	Other structures	35	35	28	24	1,312	2,636	35.7%	4.5%	51.7%	6.8%	1.3%	
	Sub-total	35	35	28	24	1,312	2,636	35.7%	4.5%	51.7%	6.8%	1.3%	
Roads	Sealed roads	18,309	18,309	3,526	3,526	221,032	321,224	39.9%	40.1%	8.3%	4.8%	6.9%	
	Unsealed roads	2,116	2,116	3,357	2,557	17,416	33,576	12.1%	52.1%	29.5%	5.3%	1.0%	
	Bridges	2,211	2,211	82	82	83,896	127,353	44.6%	13.4%	35.1%	5.2%	1.7%	
	Footpaths	216	216	81	81	18,380	32,993	32.9%	8.5%	44.4%	13.5%	0.7%	
	Other road assets	1,208	1,208	164	164	63,494	109,827	22.1%	35.8%	34.8%	6.3%	1.0%	
	Bulk earthworks	–	–	–	–	301,500	301,500	100.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total	24,060	24,060	7,210	6,410	705,141	926,473	56.7%	22.2%	14.5%	3.8%	2.8%	
Water supply network	Water supply network	12,168	12,168	3,238	3,238	198,436	339,659	32.6%	27.3%	30.2%	6.3%	3.6%	
	Sub-total	12,168	12,168	3,238	3,238	198,436	339,659	32.6%	27.3%	30.2%	6.3%	3.6%	
Sewerage network	Sewerage network	39,505	39,505	166	166	134,646	274,330	28.2%	26.8%	14.5%	16.1%	14.4%	
	Sub-total	39,505	39,505	166	166	134,646	274,330	28.2%	26.8%	14.5%	16.1%	14.4%	
Stormwater drainage	Stormwater drainage	2,318	2,318	424	424	119,468	179,680	50.4%	32.4%	10.5%	5.7%	1.0%	
	Sub-total	2,318	2,318	424	424	119,468	179,680	50.4%	32.4%	10.5%	5.7%	1.0%	
Open space / recreational assets	Swimming pools	149	149	–	–	3,062	7,195	29.3%	0.0%	40.5%	30.2%	0.0%	
	Other	1,194	1,194	4,185	4,185	20,091	36,115	42.6%	9.4%	38.6%	6.0%	3.4%	
	Sub-total	1,343	1,343	4,185	4,185	23,153	43,310	40.4%	7.8%	38.9%	10.0%	2.9%	
Total – all assets		80,276	80,276	16,616	15,616	1,239,667	1,887,081	45.0%	24.7%	19.5%	6.4%	4.4%	

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

Kempsey Shire Council

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

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

Kempsey Shire Council

Report on infrastructure assets as at 30 June 2024

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts	Indicator	Indicators		Benchmark
	2024	2024	2023	2022	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	13,388	62.35%	40.56%	37.34%	> 100.00%
Depreciation, amortisation and impairment	21,474				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	80,276	6.22%	6.95%	8.56%	< 2.00%
Net carrying amount of infrastructure assets	1,291,399				
Asset maintenance ratio					
Actual asset maintenance	15,616	93.98%	94.22%	96.51%	> 100.00%
Required asset maintenance	16,616				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	80,276	4.25%	4.74%	5.97%	
Gross replacement cost	1,887,081				

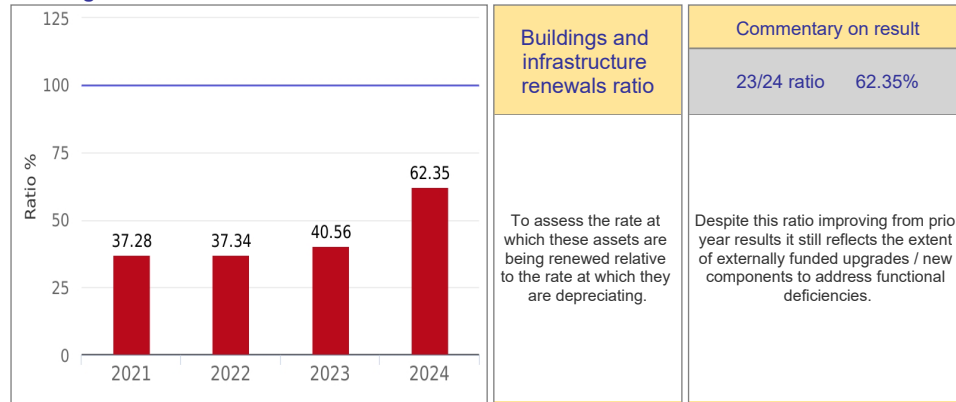
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Kempsey Shire Council

Report on infrastructure assets as at 30 June 2024

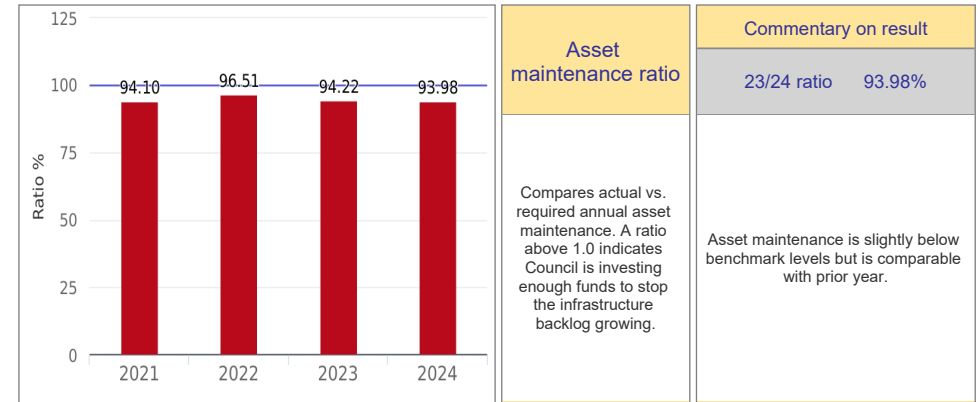
Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio	Commentary on result
	23/24 ratio 62.35%
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.	Despite this ratio improving from prior year results it still reflects the extent of externally funded upgrades / new components to address functional deficiencies.

Benchmark: — > 100.00%
 Source of benchmark: Code of Accounting Practice and Financial Reporting
■ Ratio achieves benchmark
■ Ratio is outside benchmark

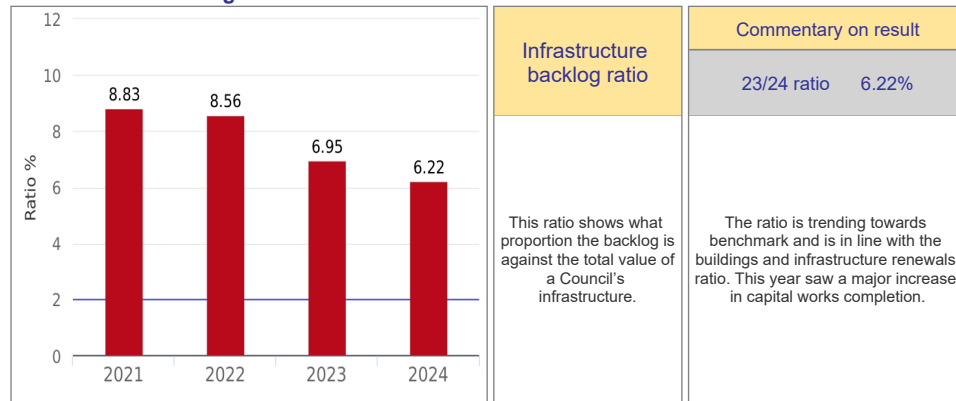
Asset maintenance ratio



Asset maintenance ratio	Commentary on result
	23/24 ratio 93.98%
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.	Asset maintenance is slightly below benchmark levels but is comparable with prior year.

Benchmark: — > 100.00%
 Source of benchmark: Code of Accounting Practice and Financial Reporting
■ Ratio achieves benchmark
■ Ratio is outside benchmark

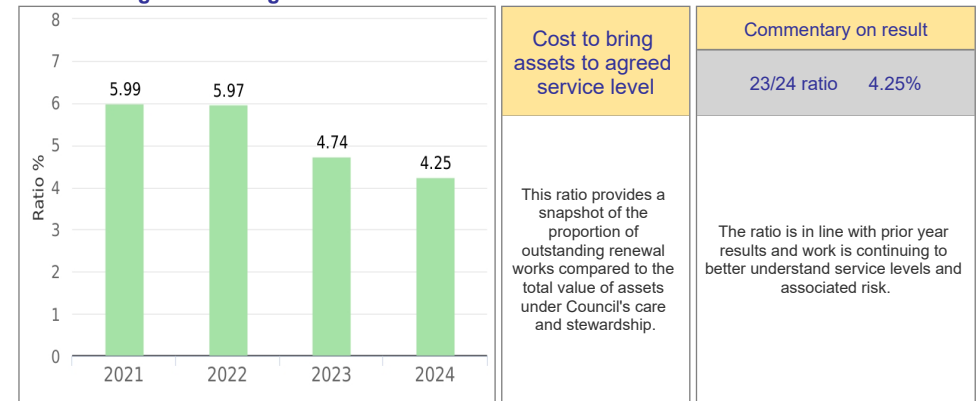
Infrastructure backlog ratio



Infrastructure backlog ratio	Commentary on result
	23/24 ratio 6.22%
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.	The ratio is trending towards benchmark and is in line with the buildings and infrastructure renewals ratio. This year saw a major increase in capital works completion.

Benchmark: — < 2.00%
 Source of benchmark: Code of Accounting Practice and Financial Reporting
■ Ratio achieves benchmark
■ Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level	Commentary on result
	23/24 ratio 4.25%
This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.	The ratio is in line with prior year results and work is continuing to better understand service levels and associated risk.

Benchmark: — 4.25%
 Source of benchmark: Code of Accounting Practice and Financial Reporting
■ Ratio achieves benchmark
■ Ratio is outside benchmark

Kempsey 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	84.35%	53.23%	27.20%	30.55%	32.73%	15.50%	> 100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	2.98%	3.78%	6.13%	6.11%	29.34%	29.33%	< 2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	92.43%	93.52%	100.00%	100.00%	100.00%	100.00%	> 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	2.25%	2.82%	3.58%	3.62%	14.40%	14.64%	
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.