

FINANCIAL STATEMENTS 2022/23

MID-WESTERN REGIONAL COUNCIL



Mid-Western Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

*A prosperous and progressive community we proudly call
home.*



Mid-Western Regional Council

General Purpose Financial Statements

for the year ended 30 June 2023

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Overview

Mid-Western Regional Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

86 Market Street
Mudgee NSW 2850

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

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

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

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

Mid-Western Regional Council

General Purpose Financial Statements

for the year ended 30 June 2023

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Mid-Western Regional Council

General Purpose Financial Statements

for the year ended 30 June 2023

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

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

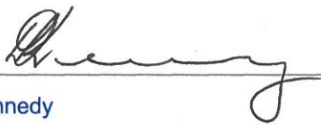
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 20 September 2023.



Des Kennedy

Mayor

27 September 2023



Sam Paine

Deputy Mayor

27 September 2023



Brad Cam

General Manager

27 September 2023



Neil Bungate

Chief Financial Officer

27 September 2023

Mid-Western Regional Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023 \$ '000		Notes	Actual 2023 \$ '000	Actual 2022 \$ '000
	Income from continuing operations			
44,657	Rates and annual charges	B2-1	45,068	44,707
16,740	User charges and fees	B2-2	26,658	16,599
2,039	Other revenues	B2-3	2,147	2,340
9,928	Grants and contributions provided for operating purposes	B2-4	22,441	16,598
39,299	Grants and contributions provided for capital purposes	B2-4	35,642	22,912
754	Interest and investment income	B2-5	3,414	836
1,727	Other income	B2-6	2,420	2,243
115,144	Total income from continuing operations		137,790	106,235
	Expenses from continuing operations			
31,891	Employee benefits and on-costs	B3-1	31,170	29,479
26,152	Materials and services	B3-2	39,015	24,083
651	Borrowing costs	B3-3	783	533
19,502	Depreciation, amortisation and impairment of non-financial assets	B3-4	21,670	18,380
1,537	Other expenses	B3-5	2,058	2,380
(637)	Net loss from the disposal of assets	B4-1	3,623	290
79,096	Total expenses from continuing operations		98,319	75,145
36,048	Operating result from continuing operations		39,471	31,090
36,048	Net operating result for the year attributable to Council		39,471	31,090
(3,250)	Net operating result for the year before grants and contributions provided for capital purposes		3,829	8,178

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

Mid-Western Regional Council

Statement of Comprehensive Income

for the year ended 30 June 2023

	Notes	2023 \$ '000	2022 \$ '000
Net operating result for the year – from Income Statement		39,471	31,090
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	120,305	70,256
Impairment (loss) reversal / (revaluation decrement) relating to infrastructure, property, plant and equipment	C1-8	(53)	–
Total items which will not be reclassified subsequently to the operating result		120,252	70,256
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Asset Remediation provision movements		241	1,425
Other movements		(3)	–
Total items which will be reclassified subsequently to the operating result when specific conditions are met		238	1,425
Total other comprehensive income for the year		120,490	71,681
Total comprehensive income for the year attributable to Council		159,961	102,771

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

Mid-Western Regional Council

Statement of Financial Position

as at 30 June 2023

	Notes	2023 \$ '000	2022 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	4,651	5,343
Investments	C1-2	101,690	83,427
Receivables	C1-4	8,206	7,792
Inventories	C1-5	1,526	1,640
Contract assets and contract cost assets	C1-6	7,889	3,819
Other	C1-11	797	291
Total current assets		124,759	102,312
Non-current assets			
Investments	C1-2	36,000	39,000
Infrastructure, property, plant and equipment (IPPE)	C1-8	1,273,847	1,123,576
Investment property	C1-9	9,117	8,709
Intangible assets	C1-10	354	339
Right of use assets	C2-1	409	476
Total non-current assets		1,319,727	1,172,100
Total assets		1,444,486	1,274,412
LIABILITIES			
Current liabilities			
Payables	C3-1	10,284	8,962
Contract liabilities	C3-2	23,571	12,826
Lease liabilities	C2-1	78	74
Borrowings	C3-3	1,730	1,940
Employee benefit provisions	C3-4	7,500	7,427
Provisions	C3-5	525	2,467
Total current liabilities		43,688	33,696
Non-current liabilities			
Lease liabilities	C2-1	382	430
Borrowings	C3-3	12,605	14,333
Employee benefit provisions	C3-4	604	565
Provisions	C3-5	2,988	1,130
Total non-current liabilities		16,579	16,458
Total liabilities		60,267	50,154
Net assets		1,384,219	1,224,258
EQUITY			
Accumulated surplus	C4-1	588,354	546,897
IPPE revaluation reserve	C4-1	795,865	677,361
Total equity		1,384,219	1,224,258

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

Mid-Western Regional Council

Statement of Changes in Equity

for the year ended 30 June 2023

	Notes	2023			2022		
		Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus ¹ \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000
Opening balance at 1 July		546,897	677,361	1,224,258	513,803	607,684	1,121,487
Net operating result for the year		39,471	–	39,471	31,090	–	31,090
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	–	120,305	120,305	–	70,256	70,256
Impairment (loss) reversal relating to IPP&E	C1-8	–	(53)	(53)	–	–	–
– Other reserves movements (rounding)		(1)	(2)	(3)	–	–	–
Other movements (Asset remediation provision movement)		–	241	241	–	1,425	1,425
Other comprehensive income		(1)	120,491	120,490	–	71,681	71,681
Total comprehensive income		39,470	120,491	159,961	31,090	71,681	102,771
Transfers between equity items		1,987	(1,987)	–	2,004	(2,004)	–
Closing balance at 30 June		588,354	795,865	1,384,219	546,897	677,361	1,224,258

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

Mid-Western Regional Council

Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023 \$ '000		Notes	Actual 2023 \$ '000	Actual 2022 \$ '000
Cash flows from operating activities				
Receipts:				
44,373	Rates and annual charges		45,164	45,000
16,816	User charges and fees		24,656	15,112
1,520	Interest received		2,278	725
50,212	Grants and contributions		52,251	42,907
–	Bonds, deposits and retentions received		–	136
3,118	Other		12,806	10,662
Payments:				
(31,175)	Payments to employees		(31,074)	(29,268)
(29,409)	Payments for materials and services		(45,041)	(29,443)
(518)	Borrowing costs		(785)	(949)
–	Bonds, deposits and retentions refunded		(313)	–
(1,355)	Other		(2,401)	(2,745)
53,582	Net cash flows from operating activities	G1-1	57,541	52,137
Cash flows from investing activities				
Receipts:				
19,316	Redemption of term deposits		69,414	61,100
3,888	Proceeds from sale of IPPE		587	3,045
Payments:				
–	Purchase of investments		201	138
–	Acquisition of term deposits		(84,000)	(87,300)
(87,108)	Payments for IPPE		(42,333)	(36,289)
–	Purchase of intangible assets		(108)	(58)
(63,904)	Net cash flows from investing activities		(56,239)	(59,364)
Cash flows from financing activities				
Receipts:				
9,672	Proceeds from borrowings		–	7,400
Payments:				
(1,844)	Repayment of borrowings		(1,938)	(1,568)
–	Principal component of lease payments		(56)	(69)
7,828	Net cash flows from financing activities		(1,994)	5,763
(2,494)	Net change in cash and cash equivalents		(692)	(1,464)
10,482	Cash and cash equivalents at beginning of year		5,343	6,807
7,988	Cash and cash equivalents at end of year	C1-1	4,651	5,343

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

Mid-Western Regional 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 September 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these 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. Non-current assets classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- i. estimated fair values of investment property – refer Note C1-9
- ii. estimated fair values of infrastructure, property, plant and equipment – refer Note C1-8
- iii. estimated tip remediation provisions – refer Note C3-5
- iv. employee benefit provisions – refer Note C3-4.

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.
- iii. Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease – refer to Note C2-1.

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 the Council.

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

A1-1 Basis of preparation

- General purpose operations
- Water service
- Sewerage service
- Waste management

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 makes use of volunteers for the Community Transport program, and Meals on Wheels program. The value of these services has been included in the financial statements estimated at \$184,000 based on an average salary and on costs council would be required to pay if the services were not donated.

New accounting standards and interpretations issued but not yet effective

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (i.e. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2023 reporting period.

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2022.

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 financial statements, financial position, financial performance or cash flows.

New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2023. None of these standards had a significant impact on reported position or performance.

B Financial Performance

B1 Functions or activities

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

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

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000
Functions or activities										
Looking after our community	9,277	9,653	19,248	16,510	(9,971)	(6,857)	8,157	8,454	162,764	127,037
Protecting our natural environment	33,056	21,289	24,846	19,817	8,210	1,472	10,721	1,719	241,491	212,808
Building a strong local economy	5,432	3,484	4,667	1,725	765	1,759	1,420	818	40,145	28,564
Connecting the region	38,125	21,868	34,184	21,910	3,941	(42)	25,564	18,079	789,534	713,270
Good government	51,900	49,941	15,374	15,183	36,526	34,758	10,994	10,490	210,552	192,889
Other	–	–	–	–	–	–	1,227	(50)	–	(156)
Total functions and activities	137,790	106,235	98,319	75,145	39,471	31,090	58,083	39,510	1,444,486	1,274,412

B1-2 Components of functions or activities

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

Looking after our community

Animal control, public order & safety, emergency services levy, food control, health, community services, family day care, childcare, youth services, aged & disabled services, housing, town planning, public cemeteries, public toilets, libraries, art galleries, museums, community centres, public halls, swimming pools, sporting grounds, parks & gardens, building control, and urban streetscaping.

Protecting our natural environment

Noxious plants, domestic waste management, other solid waste management, street cleaning, stormwater drainage, environmental protection, water supply, sewerage services.

Building a strong local economy

Caravan parks, tourism & area promotions, industrial development, saleyards, real estate development.

Connecting the region

Urban roads local, urban roads regional, sealed rural roads local, sealed rural roads regional, unsealed rural roads local, unsealed rural roads regional, bridges, footpaths & cycleways, aerodromes, car parking areas, state roads, street lighting.

Good government

Corporate support, operations administration, infrastructure planning, asset management, plant operations, private works, general purpose revenue, developer contributions and governance. Governance includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policymaking committees, public disclosure (e.g. GIPA) and legislative compliance.

B2 Sources of income

B2-1 Rates and annual charges

	2023 \$ '000	2022 \$ '000
Ordinary rates		
Residential	11,699	11,440
Farmland	5,014	4,964
Mining	11,561	12,400
Business	1,561	1,547
Less: pensioner rebates (mandatory)	(314)	(323)
Rates levied to ratepayers	29,521	30,028
Pensioner rate subsidies received	171	179
Total ordinary rates	29,692	30,207
Special rates		
Hunter Valley catchment special rate	68	67
Rates levied to ratepayers	68	67
Total special rates	68	67
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)		
Domestic waste management services	2,624	2,470
Water supply services	1,737	1,654
Sewerage services	7,460	7,048
Waste management services (non-domestic)	3,662	3,431
Less: pensioner rebates (mandatory)	(387)	(386)
Annual charges levied	15,096	14,217
Pensioner annual charges subsidies received:		
– Water	65	61
– Sewerage	59	66
– Domestic waste management	88	89
Total annual charges	15,308	14,433
Total rates and annual charges	45,068	44,707

Council has used 2019 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy

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

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

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

B2-2 User charges and fees

	Timing	2023 \$ '000	2022 \$ '000
Specific user charges (per s502 - specific 'actual use' charges)			
Water supply services	1	5,858	5,106
Sewerage services	1	840	647
Total specific user charges		6,698	5,753
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s608)			
Planning and building regulation	2	1,080	1,190
Private works – section 67	2	142	168
Total fees and charges – statutory/regulatory		1,222	1,358
(ii) Fees and charges – other (incl. general user charges (per s608))			
Aerodrome	2	151	65
Aged care	2	137	107
Caravan park	2	2,494	984
Cemeteries	2	275	293
Community facility hire	2	121	171
Library and art gallery	2	–	2
Transport for NSW works (state roads not controlled by Council)	1	12,493	4,861
Saleyards	2	311	264
Swimming centres	2	253	201
Water connection fees	2	174	225
Children services	2	96	107
Parks and sports grounds	2	241	216
Waste depot	2	1,906	1,905
Waste water services	2	86	87
Total fees and charges – other		18,738	9,488
Total other user charges and fees		19,960	10,846
Total user charges and fees		26,658	16,599
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		19,270	10,614
User charges and fees recognised at a point in time (2)		7,388	5,985
Total user charges and fees		26,658	16,599

Accounting policy

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

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

In the case of Private Works where a fee is charged in advance, the revenue is not recognised until the works are completed.

B2-3 Other revenues

	Timing	2023 \$ '000	2022 \$ '000
Fines	2	96	100
Legal fees recovery – rates and charges (extra charges)	2	171	213
Commissions and agency fees	2	41	40
Diesel rebate	2	162	168
Insurance claims recoveries	2	231	150
Recycling income (non-domestic)	2	492	430
Sales – events	2	475	360
Sales – ironed out	2	23	20
Sales – mudgee town hall cinema	2	44	25
Sales - library	2	20	16
Volunteer services income (Community Transport & Meals on Wheels)	2	184	198
Other	2	208	620
Total other revenue		2,147	2,340
Timing of revenue recognition for other revenue			
Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		2,147	2,340
Total other revenue		2,147	2,340

Accounting policy for other revenue

Where the revenue is earned by 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

	Timing	Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
General purpose grants and non-developer contributions (untied)					
Current year allocation					
Financial assistance – general component	2	1,344	2,309	–	–
Financial assistance – local roads component	2	813	1,342	–	–
Payment in advance - future year allocation					
Financial assistance – general component ¹	2	5,228	3,546	–	–
Financial assistance – local roads component ¹	2	3,085	2,070	–	–
Amount recognised as income during current year		10,470	9,267	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Water supplies	1	–	–	53	272
Sewerage services	1	138	(43)	45	37
Aged care	2	1,111	996	–	–
Employment and training programs	2	85	44	–	–
Heritage and cultural	2	10	12	–	–
Library	2	112	150	–	–
Library – special projects	1	–	–	–	1
LIRS subsidy	2	6	28	–	–
Natural disaster recovery	2	3,506	378	422	–
Noxious weeds	2	192	190	–	–
Recreation and culture	1	41	17	3,685	5,736
Aerodromes	2	(2)	–	45	–
Transport (other roads and bridges funding)	1	–	–	7,742	7,289
Children's services	2	477	517	–	–
Environmental programs	1	339	5	195	220
Youth services	2	30	195	–	–
Street lighting	2	58	343	–	–
Strategic planning	2	68	–	–	–
Transport (roads to recovery)	1	1,201	1,764	–	–
Other specific grants	1	638	752	1,422	1,266
Community services	2	–	–	1	–
Occupational health and safety	2	97	97	–	–
Recreation and culture	1	6	–	–	–
Roads and bridges	1	961	306	2,476	368
Transport for NSW contributions (regional roads, block grant)	1	2,612	1,322	2,714	2,917
Other contributions	1	217	174	–	–
Non-cash contributions					
Dedications – subdivisions (other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA)	2	–	–	10,058	550
Other	2	68	84	2,876	–
Total special purpose grants and non-developer contributions (tied)		11,971	7,331	31,734	18,656
Total grants and non-developer contributions		22,441	16,598	31,734	18,656
Comprising:					
– Commonwealth funding		11,992	12,016	3,251	7,024
– State funding		7,397	4,155	8,260	8,341
– Other funding		3,052	427	20,223	3,291
		22,441	16,598	31,734	18,656

B2-4 Grants and contributions

(1) \$8.313m of the 2023 - 2024 Financial Assistance Grant from Commonwealth Government was received by Council in June 2023 and hence is reported as 2022 - 2023 income although it relates to 2023 - 2024 financial year.

Developer contributions

	Notes	Timing	Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
Developer contributions:	G4					
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
S 7.4 – contributions using planning agreements		2	–	–	1,169	1,352
S 7.11 – contributions towards amenities/services		2	–	–	585	786
S 7.12 – fixed development consent levies		2	–	–	46	72
S 64 – water supply contributions		2	–	–	1,423	1,418
S 64 – sewerage service contributions		2	–	–	685	628
Total developer contributions			–	–	3,908	4,256
Total grants and contributions			22,441	16,598	35,642	22,912
Timing of revenue recognition						
Grants and contributions recognised over time (1)			10,417	4,349	13,231	18,106
Grants and contributions recognised at a point in time (2)			12,024	12,249	22,411	4,806
Total grants and contributions			22,441	16,598	35,642	22,912

B2-4 Grants and contributions

Unspent grants and contributions

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

	Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
Unspent grants and contributions				
Unspent funds at 1 July	7,272	1,165	11,370	12,588
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	88	5,724	202	176
Add: Funds received and not recognised as revenue in the current year	639	1,110	19,088	8,026
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(5,683)	(440)	(176)	(261)
Less: Funds received in prior year but revenue recognised and funds spent in current year	(1,074)	(287)	(9,211)	(9,159)
Unspent funds at 30 June	1,242	7,272	21,273	11,370
Contributions				
Unspent funds at 1 July	22,675	18,447	–	–
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	6,090	4,541	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(1,132)	(313)	–	–
Unspent contributions at 30 June	27,633	22,675	–	–

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but include milestone events, percentage of completion or delivery of an outcome. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Capital grants

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

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

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

B2-4 Grants and contributions

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

	2023 \$ '000	2022 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	97	90
– Cash and investments	3,317	746
Total interest and investment income	3,414	836

Accounting policy

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

B2-6 Other income

	Notes	2023 \$ '000	2022 \$ '000
Fair value increment on investment properties			
Fair value increment on investment properties		408	775
Total fair value increment on investment properties	C1-9	408	775
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		—	535
Total Investment properties		—	535
Other lease income			
Buildings and other structures lease income		998	462
Leaseback fees - council vehicles		76	56
Total other lease income		1,074	518
Total rental income	C2-2	1,074	1,053
Fair value increment on investments			
Fair value increment on investments through profit and loss		676	—
Movements in fair value of interest in insurance mutual		202	140
Total Fair value increment on investments		878	140
Other			
Other		—	275
Reversal of prior year impairment to P&L		60	—
Total other		60	275
Total other income		2,420	2,243

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2023 \$ '000	2022 \$ '000
Salaries and wages	24,778	24,521
Employee termination costs	18	8
Employee leave entitlements (ELE)	5,444	4,527
Superannuation – defined contribution plans	2,853	2,656
Superannuation – defined benefit plans	191	238
Workers' compensation insurance	739	854
Fringe benefit tax (FBT)	300	207
Payroll tax	122	107
Protective clothing	144	158
Other	55	20
Total employee costs	34,644	33,296
Less: capitalised costs	(3,474)	(3,817)
Total employee costs expensed	31,170	29,479

Accounting policy

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

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

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

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

B3-2 Materials and services

	Notes	2023 \$ '000	2022 \$ '000
Raw materials and consumables		7,804	5,579
Contractor costs		16,602	7,695
Labour contracts		509	396
Plant hire wet		3,747	1,944
Road sealing contract		713	409
Tourism contract		768	625
Consultancy		682	131
Audit Fees	F2-1	83	86
Councillor and Mayoral fees and associated expenses	F1-2	371	323
Advertising		108	92
Bank charges		128	129
Computer software charges		1,711	1,369
Electricity and heating		1,504	1,397
Insurance		1,244	1,067
Postage		133	130
Printing and stationery		143	165
Street lighting		232	220
Subscriptions and publications		135	105
Telephone and communications		383	405
Other expenses		15	—
Family day care centre		397	431
Recruitment costs		42	42
Travel expenses (employee)		18	9
Training expenses (employee)		432	425
Volunteer services expenses (Community Transport & Meals on Wheels)		184	198
Legal expenses:			
– Legal expenses: planning and development		300	120
– Legal expenses: debt recovery		172	145
– Legal expenses: other		131	133
Expenses from leases of low value assets		324	313
Total materials and services		39,015	24,083
Total materials and services		39,015	24,083

Accounting policy

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

B3-3 Borrowing costs

	Notes	2023 \$ '000	2022 \$ '000
(i) Interest bearing liability costs			
Interest on leases		20	24
Interest on loans		607	420
Total interest bearing liability costs		627	444
Total interest bearing liability costs expensed		627	444
(ii) Other borrowing costs			
Amortisation of discounts and premiums			
– Remediation liabilities	C3-5	156	89
Total other borrowing costs		156	89
Total borrowing costs expensed		783	533

Accounting policy

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

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

	Notes	2023 \$ '000	2022 \$ '000
Depreciation and amortisation			
Right of use assets	C2-1	79	90
Infrastructure, Property, Plant and Equipment	C1-8	21,498	18,098
Intangible assets	C1-10	93	132
Total depreciation and amortisation costs		21,670	18,320
Impairment / revaluation decrement of IPPE			
Plant, equipment, furniture and fittings		–	60
Total impairment costs charged to Income Statement (IPPE)		–	60
Total depreciation, amortisation and impairment for non-financial assets		21,670	18,380

Accounting policy

Depreciation and amortisation

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

Impairment of non-financial assets

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

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

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

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

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

B3-5 Other expenses

	Notes	2023 \$ '000	2022 \$ '000
Impairment of receivables	C1-4	17	180
Fair value decrement on investments through profit and loss		–	601
Contributions/levies to other levels of government			
– State Emergency Service levy		68	37
– NSW fire brigade levy		72	63
– NSW rural fire service levy		964	722
– Other contributions/levies		225	213
Donations, contributions and assistance		278	206
– FlyPelican air service		79	84
– Housing plus crisis accommodation		300	85
– Mudgee Golf Club - raw water		–	106
– GP Respiratory and Vaccine Clinics - In-kind facility hire		–	83
- Macquarie Home Stay		55	–
Total other expenses		2,058	2,380

Accounting policy

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

	Notes	2023 \$ '000	2022 \$ '000
Gain (or loss) on disposal of infrastructure, property, plant and equipment	C1-8		
Proceeds from disposal		587	1,049
Less: carrying amount of assets sold/written off		(4,210)	(2,682)
Gain (or loss) on disposal		(3,623)	(1,633)
Gain (or loss) on disposal of term deposits	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		69,414	61,100
Less: carrying amount of term deposits sold/redeemed/matured		(69,414)	(61,100)
Gain (or loss) on disposal		–	–
Gain (or loss) on disposal of non-current assets classified as 'held for sale'	C1-7		
Proceeds from disposal – non-current assets 'held for sale'		–	1,996
Less: carrying amount of 'held for sale' assets sold/written off		–	(653)
Gain (or loss) on disposal		–	1,343
Net gain (or loss) from disposal of assets		(3,623)	(290)

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 15 June 2022 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
Revenues				
Rates and annual charges	44,657	45,068	411	1% F
User charges and fees	16,740	26,658	9,918	59% F
Council has higher than expected income in the following areas:				
<ul style="list-style-type: none"> \$8,240,000 State Highway works, mostly due to Heavy patching works required following wet weather events \$765,000 waste tipping fees due to increased fees charges and volume of waste \$342,000 business and bulk water usage charges 				
Other revenues	2,039	2,147	108	5% F
Operating grants and contributions	9,928	22,441	12,513	126% F
Council has materially higher than expected income in the following areas:				
<ul style="list-style-type: none"> \$8,313,000 Financial Assistance Grant received in advance \$2,967,000 Flood repairs related to AGRN1034 natural disaster event NSW Flooding from 14 September 2022 onwards. This flood caused major road failures. Work completed to date is claimable under NSW Natural Disaster Essential Public Asset Restoration \$511,000 claim for work complete to date under NSW Fixing Local Roads Pothole Repair funding received due to severe weather and flooding in the LGA during 2022 				
Capital grants and contributions	39,299	35,642	(3,657)	(9)% U
Council has materially lower than expected income in the following areas:				
<ul style="list-style-type: none"> \$8,500,000 Cudgegong District RFS HQ project was removed to be undertaken by Public Works \$6,300,000 Dixons Long Point Bridge project was cancelled due to shortfall in grant funding \$2,000,000 Glen Willow training camp grant and project reallocated across multiple years The above is offset by \$12,934,000 Developer Contributed Assets recognised this year 				
Interest and investment revenue	754	3,414	2,660	353% F
A continued increase in interest rates generated higher than expected earnings on Council's cash investments,				
Other income	1,727	2,420	693	40% F
The main reason for variance is due to:				
<ul style="list-style-type: none"> \$408,000 Gain of investment property revaluation due to increase in property market values \$202,000 increase in Insurance Mutual asset. The mutual had a strong result due to low claims, high investment earnings, and competitive insurance pricing. 				

B5-1 Material budget variations

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
Expenses				
Employee benefits and on-costs	31,891	31,170	721	2% F
Materials and services	26,152	39,015	(12,863)	(49)% U
Council has materially higher than expected material and service expenditure in the following areas:				
<ul style="list-style-type: none"> \$3,289,000 additional State Highway contract work expenditure due to additional contract work to repair roads following severe wet weather and flooding \$3,059,000 additional road maintenance expenditure due to wet weather \$2,632,000 unplanned natural disaster recovery road projects because of severe wet weather and flooding in September 2022 New grant funded operating projects accepted during the year \$648,000 				
Borrowing costs	651	783	(132)	(20)% U
The main variance is \$133,000 additional expense relating to accounting for the provision of Tip and Quarry remediation. Interest rates were higher than anticipated.				
Depreciation, amortisation and impairment of non-financial assets	19,502	21,670	(2,168)	(11)% U
In the financial year ended 30 June 2022 Council revalued Water Supply and Sewerage Network assets. This resulted in increase of those assets values and therefore a higher depreciation calculation in future years. The revaluation increases were not know when preparing the budget estimates.				
Other expenses	1,537	2,058	(521)	(34)% U
Council has higher than expected Other expenses in the following areas:				
<ul style="list-style-type: none"> \$224,000 NSW RFS Levy increase by NSW State Government \$203,000 additional funds to Housing Plus to support the provision of domestic violence accomodation \$111,000 net additional donations including Macquarie Home Stay \$55,000 (as resolved by Council to support expansion of the facility that Mid-Western Regional Council residents use for patient accomodation support at Dubbo Hospital) and \$62,000 Bushfire recovery (grant funded) 				
Net loss from disposal of assets	(637)	3,623	(4,260)	669% U
The original budget anticipated that property development at Saleyards Lane would be completed and property assets sold totalling \$4,000,000. The development project is continuing and no land sales were made during the year.				
Statement of cash flows				
Cash flows from operating activities	53,582	57,541	3,959	7% F
Cash flows from investing activities	(63,904)	(56,239)	7,665	(12)% F
<ul style="list-style-type: none"> Cash payments for infrastructure, property, plant and equipment were less than budget by \$44.7M due to some projects being deferred or works are being carried out over multiple years. Also some large projects were removed from the budget such as \$8,500,000 Cudgegong District RFS HQ project was removed to be undertaken by Public Works, and \$6,300,000 Dixons Long Point Bridge project was cancelled due to shortfall in grant funding. Cash payments for investing were higher than budget by \$33.9M due to lower than expected cash outflows and grant received in advance. The original budget anticipated that property development at Saleyards Lane would be completed and property assets sold totalling \$4,000,000. The development project is continuing and no land sales were made during the year. 				
Cash flows from financing activities	7,828	(1,994)	(9,822)	(125)% U
Councils original budget forecasted new borrowings of \$9.67M. No loans were required as:				
<ul style="list-style-type: none"> \$4M Solar Farm construction has been delayed to 23/24 \$3.27M Tip expansion, majority of the project was delayed to 23/24 \$2.4M Mudgee Valley Park, the full amount of the loan was drawn down in prior year 21/22 rather than split over multiple years. 				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2023 \$ '000	2022 \$ '000
Cash assets		
Cash on hand and at bank	9	260
Cash equivalent assets		
– Deposits at call	4,642	5,083
Total cash and cash equivalents	4,651	5,343

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	4,651	5,343
Balance as per the Statement of Cash Flows	4,651	5,343

Accounting policy

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

C1-2 Financial investments

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Financial assets at fair value through the profit or loss				
Managed funds	10,690	–	10,013	–
Total	10,690	–	10,013	–
Debt securities at amortised cost				
Long term deposits	91,000	36,000	73,414	39,000
Total	91,000	36,000	73,414	39,000
Total financial investments	101,690	36,000	83,427	39,000
Total cash assets, cash equivalents and investments	106,341	36,000	88,770	39,000

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

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

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

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

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income 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 Managed Funds.

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

	2023 \$ '000	2022 \$ '000
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	142,341	127,770
Less: Externally restricted cash, cash equivalents and investments	(88,348)	(69,251)
Cash, cash equivalents and investments not subject to external restrictions	53,993	58,519

External restrictions

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

Trust deposits	651	713
Specific purpose unexpended grants – general fund	21,801	12,379
Developer contributions – general	10,911	9,802
Developer contributions – water fund	9,612	8,096
Developer contributions – sewer fund	5,163	4,369
Specific purpose unexpended grants – general fund	693	646
Specific purpose unexpended grants – water fund	1	1
Water fund	11,280	10,321
Sewer fund	17,488	14,377
Domestic waste management	8,407	6,230
Bequest – Simpkins park	101	101
Community services	505	440
Community tenancy scheme	289	251
Family day care	137	176
Other contributions	184	224
Public Road Closure Compensation	1,080	1,080
Other	45	45
Total external restrictions	88,348	69,251

Cash, cash equivalents and investments subject to external restrictions are those which are only available for specific use by Council due to a restriction placed by legislation or third-party contractual agreement.

	2023 \$ '000	2022 \$ '000
(b) Internal allocations		
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Plant and vehicle replacement	8,152	9,502
Employees leave entitlement	3,297	3,195
Asset replacement	4,762	4,206
Capital program	6,108	6,074
Community plan	416	428
Council elections	190	110
Future fund	1,470	1,120
Land development	3,244	3,565
Saleyards	34	34
State roads warranty	388	388
Seal Extension Program	1,908	2,526
Financial Assistance Grant Received in Advance	8,313	5,616
Unspent loan	706	3,520
Total internal allocations	38,988	40,284

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

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

C1-4 Receivables

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Rates and annual charges	1,274	–	1,205	–
Interest and extra charges	227	–	196	–
User charges and fees	4,277	–	5,101	–
Accrued revenues				
– Interest on investments	1,504	–	399	–
Government grants and subsidies	–	–	218	–
Net GST receivable	853	–	627	–
Other debtors	246	–	224	–
Total	8,381	–	7,970	–
Less: provision for impairment				
Rates and annual charges	(32)	–	(28)	–
User charges and fees	(143)	–	(150)	–
Total	(175)	–	(178)	–
Net receivables	8,206	–	7,792	–

Accounting policy

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

Impairment

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

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

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

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

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

Council writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when proceedings for the recovery of the debt have been unsuccessful.

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

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

C1-5 Inventories

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
(i) Inventories at cost				
Stores and materials	998	–	907	–
Gravel stockpile	528	–	733	–
Total inventories at cost	1,526	–	1,640	–
Total inventories	1,526	–	1,640	–

Accounting policy

Raw materials and stores, work in progress and finished goods

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

C1-6 Contract assets and Contract cost assets

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Contract assets	7,889	–	3,819	–
Total contract assets and contract cost assets	7,889	–	3,819	–

Contract assets

Transport for NSW contract works	630	–	–	–
Grants and Contributions	7,259	–	3,819	–
Total contract assets	7,889	–	3,819	–

Significant changes in contract assets

Council has received payment for completed Glen Willow Stage 2 project where \$2.2 million was in progress at the end of the prior year.

As at 30 June 2023 the largest contract asset balances are for:

- Natural Disaster Essential Asset Restoration works carried out \$2.66 million;
- Fixing Local Roads projects work in progress \$1 million; and
- Other Roads projects that were in progress or completed and claims in progress \$1.2 million.

Accounting policy

Contract assets

Contract assets represent Council's 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.

C1-7 Non-current assets classified as held for sale

	2023 Assets 'held for sale' \$ '000	2022 Assets 'held for sale' \$ '000
Opening balance	—	653
Less: carrying value of assets/operations sold	—	(653)
Closing balance of held for sale non-current assets and operations	—	—

Accounting policy

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use and are measured at the lower of their carrying amount and fair value less costs to sell.

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

C1-8 Infrastructure, property, plant and equipment

	At 1 July 2022			Asset movements during the reporting period										At 30 June 2023		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment reversal / prior period revaluation decrements reversal (via P&L)	Impairment loss / revaluation decrements (recognised in equity)	Impairment reversal (recognised in equity)	WIP transfers	Adjustments and transfers ²	Revaluation increments (decrements)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
By aggregated asset class	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	16,522	2	16,524	4,630	15,105	(1,497)	–	–	–	–	(8,150)	(53)	–	26,559	–	26,559
Equipment, furniture and fittings	35,512	(16,038)	19,474	5,060	1,436	(421)	(3,300)	60	–	–	271	–	–	40,605	(18,025)	22,580
Land:																
– Operational land	49,633	–	49,633	–	845	(11)	–	–	–	–	–	–	21,892	72,359	–	72,359
– Community land	7,592	–	7,592	1	236	(3)	–	–	–	–	–	–	3,510	11,336	–	11,336
– Crown land	11,607	–	11,607	–	–	(119)	–	–	–	–	–	–	8,085	19,573	–	19,573
– Land under roads (post 30/6/08)	2,963	–	2,963	–	–	–	–	–	–	–	–	–	744	3,707	–	3,707
Land improvements	8,609	(364)	8,245	–	22	–	(121)	–	–	–	4	–	673	9,337	(514)	8,823
Infrastructure:																
– Buildings and other structures	120,580	(30,227)	90,353	814	5,484	(84)	(1,872)	–	–	16	2,878	–	8,933	150,464	(43,942)	106,522
– Roads, bridges and footpaths	511,052	(181,198)	329,854	7,517	3,678	(1,678)	(8,277)	–	(110)	20	2,727	(1,121)	26,284	561,122	(202,228)	358,894
– Other road assets (including bulk earthworks)	367,051	(15,173)	351,878	177	542	–	(502)	–	–	–	758	1,121	28,319	399,339	(17,046)	382,293
– Open space / recreational assets	37,120	(11,740)	25,380	944	369	(56)	(872)	–	–	–	290	–	2,009	41,590	(13,526)	28,064
– Stormwater drainage	37,765	(10,544)	27,221	6	2,769	(172)	(311)	–	–	–	60	44	6,304	49,396	(13,475)	35,921
– Water supply network	142,388	(62,954)	79,434	104	1,589	–	(2,648)	–	(60)	81	628	(44)	5,884	155,380	(70,412)	84,968
– Sewerage network	139,109	(55,088)	84,021	350	2,634	(96)	(2,552)	–	–	–	8	375	6,357	153,210	(62,113)	91,097
– Other infrastructure assets	25,734	(8,589)	17,145	42	1,295	(73)	(683)	–	–	–	472	(375)	1,355	28,939	(9,761)	19,178
Other assets:																
– Other	2,079	(881)	1,198	–	71	–	(140)	–	–	–	54	–	–	2,204	(1,021)	1,183
Tip and quarry assets	3,598	(2,544)	1,054	–	–	–	(220)	–	–	–	–	–	(44)	3,513	(2,723)	790
Total infrastructure, property, plant and equipment	1,518,914	(395,338)	1,123,576	19,645	36,075	(4,210)	(21,498)	60	(170)	117	–	(53)	120,305	1,728,633	(454,786)	1,273,847

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

(2) Adjustments and Transfers reflects changes between asset classes. -\$53,000 is Work in Progress transferred to Intangible Assets.

C1-8 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period									At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers ²	Revaluation decrements to equity (ARR)/Impairment Loss ³	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	\$ '000
Capital work in progress	19,900	—	19,900	5,705	6,367	—	—	—	(15,385)	(65)	—	—	16,522	2	16,524
Equipment, furniture and fittings	34,607	(14,527)	20,080	2,282	732	(803)	(2,954)	(60)	205	(8)	—	—	35,512	(16,038)	19,474
Land:															
– Operational land	45,440	—	45,440	—	—	—	—	—	2	(35)	—	4,226	49,633	—	49,633
– Community land	6,747	—	6,747	—	—	—	—	—	—	(1)	—	846	7,592	—	7,592
– Crown land	10,355	—	10,355	—	—	(52)	—	—	—	—	—	1,304	11,607	—	11,607
– Land under roads (post 30/6/08)	2,655	—	2,655	—	—	—	—	—	—	—	—	308	2,963	—	2,963
Land improvements	2,691	(312)	2,379	—	2,023	—	(30)	—	3,760	(21)	—	134	8,609	(364)	8,245
Infrastructure:															
– Buildings Council as Lessor	6,357	(2,428)	3,929	15	—	—	(96)	—	—	(4,327)	—	479	—	—	—
– Buildings and other structures	97,921	(26,257)	71,664	565	3,049	—	(1,434)	—	2,711	4,366	(16)	9,448	120,580	(30,227)	90,353
– Roads, bridges and footpaths	480,223	(175,718)	304,505	8,062	1,808	(1,391)	(8,425)	—	1,083	1	—	24,211	511,052	(181,198)	329,854
– Other road assets (including bulk earthworks)	338,885	(14,714)	324,171	1,444	372	(192)	(461)	—	623	3	—	25,918	367,051	(15,173)	351,878
– Stormwater drainage	33,698	(9,451)	24,247	543	147	(38)	(278)	—	314	470	—	1,816	37,765	(10,544)	27,221
– Water supply network	122,004	(47,000)	75,004	435	353	(50)	(1,523)	—	801	(472)	(81)	4,967	142,388	(62,954)	79,434
– Sewerage network	119,601	(32,179)	87,422	311	267	(131)	(1,206)	—	1,109	74	(3,825)	—	139,109	(55,088)	84,021
– Open space / recreational assets	32,508	(10,997)	21,511	95	1,310	—	(767)	—	2,054	25	—	1,152	37,120	(11,740)	25,380
– Other infrastructure	20,491	(8,006)	12,485	258	1,573	(2)	(567)	—	2,708	(35)	—	725	25,734	(8,589)	17,145
– Other	2,006	(838)	1,168	—	57	—	(131)	—	15	89	—	—	2,079	(881)	1,198
Tip and quarry assets	5,848	(3,207)	2,641	18	—	(23)	(226)	—	—	—	(1,356)	—	3,598	(2,544)	1,054
Total infrastructure, property, plant and equipment	1,381,937	(345,634)	1,036,303	19,733	18,058	(2,682)	(18,098)	(60)	—	64	(5,278)	75,534	1,518,914	(395,338)	1,123,576

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

(2) Adjustments and Transfers mostly reflect changes in the asset class of assets. The total does not net off to zero due to previously unrecognised assets being brought on during the revaluation process \$75,000, Work in Progress transferred to Operating Expenses -\$10,000.

(3) Impairment Loss totalled -\$368,000 and related to water & sewer and building assets

C1-8 Infrastructure, property, plant and equipment

Accounting policy

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

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

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

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

Useful lives of IPPE

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

Asset Class	Years	Asset Class	Years
Equipment, furniture and fittings		Buildings	18 to 280
Office equipment	5 to 20		
Office furniture	5 to 20	Stormwater assets	
Computer equipment	5 to 10	Drains	120
Vehicles	3 to 10	Culverts	120
Heavy plant/road making equipment	8 to 12		
Other plant and equipment	5 to 15		
Water network assets		Wastewater network assets	
Dams and reservoirs	20 to 200	Pump stations	10 to 70
Bores	10 to 50	Reticulation mains	40 to 300
Reticulation pipes and mains delivery	80	Rising mains	40 to 300
Treatment plants	5 to 100	Treatment plants	5 to 100
Pumps and telemetry	20 to 80		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	10 to 25	Bulk earthworks	infinite
Sealed roads: structure	60 to 250	Open space/recreational assets	7 to 100
Unsealed roads	9 to 25		
Bridge: concrete	80 to 100	Other assets	4 to 150
Bridge: other	80 to 100		
Kerb, gutter and footpaths	30 to 75		

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

Revaluation model

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

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

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

C1-8 Infrastructure, property, plant and equipment

Capitalisation thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the relevant threshold shown below, provided that the estimated useful life is longer than one year. An exception to this is where an item forms part of a larger asset.

Equipment, furniture and fittings		Land	
Office equipment	\$5,000	Council land and land under road	\$1
Office furniture	\$5,000		
Computer equipment	\$5,000	Buildings	
Other plant and equipment	\$2,000	Construction	\$5,000
		Renovations	\$5,000
Water and wastewater network assets	\$10,000		
		Other infrastructure assets	
Transportation assets	\$10,000	Open space/recreational assets	\$5,000
		Other	\$5,000
Stormwater assets	\$10,000		

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 to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

Crown reserves

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

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

Rural Fire Service assets

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

Council has assessed during 2022/23 that it does not have control over Rural Fire Service fleet assets, and as such we have not recognised them in the financial statements.

Council does have a level of control over Rural Fire Service land and buildings and continues to recognise these in the financial statements.

C1-9 Investment properties

	2023 \$ '000	2022 \$ '000
Owned investment property		
Investment Property - Building	4,047	4,042
Investment Property - Land	5,070	4,667
Total owned investment property	9,117	8,709
At fair value		
Opening balance at 1 July	8,709	7,934
– Net gain/(loss) from fair value adjustments	408	775
Closing balance at 30 June	9,117	8,709

Accounting policy

Investment property recognised is principally comprising commercial and residential property that is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as part of other income.

C1-10 Intangible assets

	2023 \$ '000	2022 \$ '000
Software		
Opening values at 1 July		
Gross book value	1,135	1,077
Accumulated amortisation	(896)	(764)
Net book value – opening balance	239	313
Movements for the year		
Purchases	107	60
Amortisation charges	(93)	(132)
Other movements	1	(2)
Closing values at 30 June		
Gross book value	1,242	1,135
Accumulated amortisation	(988)	(896)
Total software – net book value	254	239
Water Access Licences		
Opening values at 1 July		
Gross book value	100	100
Net book value – opening balance	100	100
Movements for the year		
Other movements	100	–
Closing values at 30 June		
Gross book value	100	100
Total Water Access Licences – net book value	100	100
Total intangible assets – net book value	354	339

Accounting policy

Intangible assets are measured initially at cost.

IT development and software

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.

Water Access Licences

Water access licences were purchased with 2020/21 property acquisitions. Water access licences entitle licence holders to obtain water from a water source (for example, a river or bore).

C1-11 Other

Other assets

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Prepayments	488	–	184	–
Interest in insurance mutual – CivicRisk Mutual Ltd ¹	309	–	107	–
Total other assets	797	–	291	–

(1) Council is member of CivicRisk Mutual Ltd (CRM Ltd) which is a company limited by guarantee owned and operated by its member Councils in NSW. CRM Ltd provides members protection which includes mutual self-insurance, group insurance arrangements and risk management support for general insurance lines of cover (excluding workers compensation). The member designed Constitution and Membership Rules ensures members are provided with a right to the surplus or deficit in protection years in which they were members. The interest in CRM is accounted for as a financial asset in accordance with AASB 9 and held at fair value. Council's interest in its share of the surplus is calculated by CRM Ltd's Actuary, and changes in fair value recognised as an increase or decrease through its income statement at each reporting period. Fair value is calculated using the income approach whereby expected future cash flows are discounted to present value. Expected cash flows include investment income.

C2 Leasing activities

C2-1 Council as a lessee

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

Buildings

Council leases buildings for some of their corporate offices and other buildings; the leases are generally between 1 and 3 years and some of them include a renewal option to allow Council to renew for the non-cancellable lease term at their discretion.

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

Office and IT equipment

Leases for office and IT equipment are generally for low value assets. The leases are for between 1 and 3 years with no renewal option, the payments are fixed.

Extension options

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

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

(a) Right of use assets

	Land & Buildings \$ '000	Total \$ '000
2023		
Opening balance at 1 July	476	476
Adjustments due to re-measurement of lease liability	12	12
Depreciation charge	(79)	(79)
Balance at 30 June	409	409
2022		
Opening balance at 1 July	594	594
Adjustments due to re-measurement of lease liability	(28)	(28)
Depreciation charge	(90)	(90)
Balance at 30 June	476	476

(b) Lease liabilities

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Lease liabilities	78	382	74	430
Total lease liabilities	78	382	74	430

C2-1 Council as a lessee

(c) (i) The maturity analysis

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	< 1 year \$ '000	1 – 5 years \$ '000	> 5 years \$ '000	Total \$ '000	Total per Statement of Financial Position \$ '000
2023					
Cash flows	94	353	44	491	460
2022					
Cash flows	50	371	85	506	504

(d) Income Statement

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

	2023 \$ '000	2022 \$ '000
Interest on lease liabilities	20	24
Depreciation of right of use assets	79	90
Expenses relating to low-value leases	324	313
	423	427

(e) Statement of Cash Flows

Total cash outflow for leases	423	427
	423	427

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

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

- visitor centre
- preschools
- community centres
- recreational reserves & facilities

The leases are generally between 1 and 5 years and require payments of a maximum amount of \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

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

Accounting policy

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

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

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

C2-1 Council as a lessee

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C2-2 Council as a lessor

Operating leases

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

- investment property – where the asset is held predominantly for rental or capital growth purposes (refer note C1-9)
- property, plant and equipment – where the rental is incidental, or the asset is held to meet Councils service delivery objective (refer note C1-8).

	2023 \$ '000	2022 \$ '000
--	-----------------	-----------------

(i) Assets held as investment property

Investment property operating leases relate predominantly to the lease of retail commercial premises and includes one residential house.

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

Lease income (excluding variable lease payments not dependent on an index or rate)	499	535
Total income relating to operating leases for investment property assets	499	535

Operating lease expenses

Investment properties

Direct operating expenses that did not generate rental income	52	5
Total expenses relating to operating leases for investment property assets	52	5

(ii) Assets held as property, plant and equipment

Council provides operating leases on Council buildings for the purpose of childcare, community housing, caravan park operations and private use of plant and equipment. The table below relates to operating leases on assets disclosed in C1-8.

Lease income (excluding variable lease payments not dependent on an index or rate)	575	518
Total income relating to operating leases for Council assets	575	518

Amount of IPPE leased out by Council under operating leases

Buildings	4,086	4
Total amount of IPPE leased out by Council under operating leases	4,086	4

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

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

< 1 year	354	690
1–2 years	351	446
2–3 years	351	158
3–4 years	349	139
4–5 years	304	85
> 5 years	574	174
Total undiscounted lease payments to be received	2,283	1,692

C2-2 Council as a lessor

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Goods and services – operating expenditure	3,655	–	2,547	–
Goods and services – capital expenditure	3,032	–	2,640	–
Accrued expenses:				
– Borrowings	47	–	60	–
– Salaries and wages	1,119	–	1,135	–
Prepaid rates	1,774	–	1,613	–
Security bonds, deposits and retentions	651	–	964	–
Other	6	–	3	–
Total payables	10,284	–	8,962	–

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

	Notes	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	22,554	–	11,117	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	847	–	1,262	–
Total grants received in advance		23,401	–	12,379	–
User fees and charges received in advance:					
Other	(iii)	170	–	447	–
Total user fees and charges received in advance		170	–	447	–
Total contract liabilities		23,571	–	12,826	–

Notes

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

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

(iii) Upfront facility hire fees do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue over the expected average membership life.

Accounting policy

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

C3-3 Borrowings

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Loans – secured ¹	1,730	12,605	1,940	14,333
Total borrowings	1,730	12,605	1,940	14,333

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

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

(a) Changes in liabilities arising from financing activities

	2022 Opening Balance \$ '000	Cash flows \$ '000	2023 Closing balance \$ '000
Loans – secured	16,273	(1,938)	14,335
Lease liability (Note C2-1b)	504	(44)	460
Total liabilities from financing activities	16,777	(1,982)	14,795

	2021	Non-cash movements		2022
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Other non-cash movement \$ '000
Loans – secured	10,441	5,832	–	–
Lease liability (Note C2-1b)	601	(93)	(28)	24
Total liabilities from financing activities	11,042	5,739	(28)	24

(b) Financing arrangements

	2023 \$ '000	2022 \$ '000
Total facilities		
Bank overdraft facilities ¹	700	700
Credit cards/purchase cards	200	200
Total financing arrangements	900	900
Drawn facilities		
– Credit cards/purchase cards	60	66
Total drawn financing arrangements	60	66
Undrawn facilities		
– Bank overdraft facilities	700	700
– Credit cards/purchase cards	140	134
Total undrawn financing arrangements	840	834

Additional financing arrangements information

Breaches and defaults

Council's loan agreement with NSW Treasury Corporation includes investment undertakings whereby Council is required to comply with conditions of investment of surplus funds. During the year due to inconsistency between Council's investment policy and NSW TCorp's investment undertaking requirements the loan condition was breached. This was acknowledged and rectified by Council and TCorp agreed to waive the breach.

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

C3-3 Borrowings

Accounting policy

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

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

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

C3-4 Employee benefit provisions

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Annual leave	2,107	–	2,118	–
Sick leave	897	–	1,086	–
Long service leave	4,429	604	4,155	565
Other leave (LIL)	67	–	68	–
Total employee benefit provisions	7,500	604	7,427	565

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

	2023 \$ '000	2022 \$ '000
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	4,384	4,684
	4,384	4,684

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

	2023 Current \$ '000	2023 Non-Current \$ '000	2022 Current \$ '000	2022 Non-Current \$ '000
Asset remediation/restoration (future works)	525	2,988	2,467	1,130
Total provisions	525	2,988	2,467	1,130

Movements in provisions

	Other provisions	
	Asset remediation \$ '000	Total \$ '000
At beginning of year	3,597	3,597
Changes to provision:		
– Revised discount rate	(145)	(145)
Unwinding of discount	156	156
Other	(95)	(95)
Total	3,513	3,513

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 tip and quarry as a result of past operations.

Accounting policy

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

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

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

Asset remediation – tips and quarries

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

	General 2023 \$ '000	Water 2023 \$ '000	Sewer 2023 \$ '000
Income from continuing operations			
Rates and annual charges	35,833	1,793	7,442
User charges and fees	19,418	6,445	795
Interest and investment revenue	2,160	608	646
Other revenues	2,105	–	42
Grants and contributions provided for operating purposes	22,287	8	146
Grants and contributions provided for capital purposes	29,091	2,989	3,562
Other income	2,420	–	–
Total income from continuing operations	113,314	11,843	12,633
Expenses from continuing operations			
Employee benefits and on-costs	27,552	2,010	1,608
Materials and services	31,715	4,137	3,163
Borrowing costs	559	43	181
Depreciation, amortisation and impairment of non-financial assets	16,488	2,638	2,544
Other expenses	2,058	–	–
Net losses from the disposal of assets	3,524	–	99
Total expenses from continuing operations	81,896	8,828	7,595
Operating result from continuing operations	31,418	3,015	5,038
Net operating result for the year	31,418	3,015	5,038
Net operating result attributable to each council fund	31,418	3,015	5,038
Net operating result for the year before grants and contributions provided for capital purposes	2,327	26	1,476

D1-2 Statement of Financial Position by fund

	General 2023 \$ '000	Water 2023 \$ '000	Sewer 2023 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	3,109	729	813
Investments	70,670	14,892	16,128
Receivables	6,146	1,790	270
Inventories	1,320	172	34
Contract assets and contract cost assets	7,844	44	1
Other	745	26	26
Total current assets	89,834	17,653	17,272
Non-current assets			
Investments	25,018	5,272	5,710
Infrastructure, property, plant and equipment	1,085,752	92,416	95,679
Investment property	9,117	–	–
Intangible assets	354	–	–
Right of use assets	409	–	–
Total non-current assets	1,120,650	97,688	101,389
Total assets	1,210,484	115,341	118,661
LIABILITIES			
Current liabilities			
Payables	9,375	567	342
Contract liabilities	23,556	–	15
Lease liabilities	78	–	–
Borrowings	714	380	636
Employee benefit provision	7,500	–	–
Provisions	525	–	–
Total current liabilities	41,748	947	993
Non-current liabilities			
Lease liabilities	382	–	–
Borrowings	6,774	74	5,757
Employee benefit provision	604	–	–
Provisions	2,988	–	–
Total non-current liabilities	10,748	74	5,757
Total liabilities	52,496	1,021	6,750
Net assets	1,157,988	114,320	111,911
EQUITY			
Accumulated surplus	457,397	67,753	63,204
Revaluation reserves	700,591	46,567	48,707
Council equity interest	1,157,988	114,320	111,911
Total equity	1,157,988	114,320	111,911

D2 Interests in other entities

D2-1 Interests in joint arrangements

Summarised financial information for individually immaterial joint ventures

Mid-Western Regional Council has an interest in the Orana Water Utilities Alliance, which is considered individually immaterial. The table below summarises the financial information of this immaterial joint venture.

	2023 \$ '000	2022 \$ '000
Individually immaterial joint ventures		
Aggregate amounts of Council's share of individually immaterial:		
Profit/(loss) from continuing operations	(2)	—
Total comprehensive income – individually immaterial joint ventures	(2)	—

Unrecognised share of losses

The unrecognised share of losses of joint ventures due to council's interest being reduced to zero under the equity methods are \$0 for the reporting period, and \$0 on a cumulative basis.

Accounting policy

Council has determined that it has only joint ventures.

Joint ventures

Interests in joint ventures are accounted for using the equity method where the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

If Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, Council discontinues recognising its share of further losses.

Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

E Risks and accounting uncertainties

E1 E1-1 Risks relating to financial instruments held

(a) Market risk – interest rate and price risk

	2023 \$ '000	2022 \$ '000
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	1,270	1,146
Impact of a 10% movement in price of investments		
– Equity / Income Statement	1,069	1,001

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

	Not yet overdue \$ '000	overdue rates and annual charges < 5 years \$ '000	≥ 5 years \$ '000	Total \$ '000
2023				
Gross carrying amount	–	1,272	2	1,274
2022				
Gross carrying amount	2	1,193	10	1,205

E1 E1-1 Risks relating to financial instruments held

Receivables - non-rates and annual charges and contract assets

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

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

	Not yet overdue \$ '000	0 - 30 days \$ '000	Overdue debts 31 - 60 days \$ '000	61 - 90 days \$ '000	> 91 days \$ '000	Total \$ '000
2023						
Gross carrying amount (\$'000)	13,594	328	364	155	555	14,996
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	29.70%	1.10%
ECL provision (\$'000)	–	–	–	–	165	165
2022						
Gross carrying amount (\$'000)	8,737	1,054	73	216	504	10,584
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	29.70%	1.41%
ECL provision (\$'000)	–	–	–	–	150	150

(c) Liquidity risk

Payables and borrowings are both subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

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

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

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

	Weighted average interest rate %	Subject to no maturity \$ '000	Due within 1 year \$ '000	Due between 1 & 5 years \$ '000	Due after 5 years \$ '000	Total contractu al cash flows \$ '000	Carrying values \$ '000
2023							
Payables	0.00%	651	9,633	–	–	10,284	10,284
Borrowings	4.44%	–	2,268	7,538	6,535	16,341	14,335
Total financial liabilities		651	11,901	7,538	6,535	26,625	24,619
2022							
Payables	0.00%	964	7,997	–	–	8,961	8,962
Borrowings	4.62%	–	2,556	7,940	8,233	18,729	16,273
Total financial liabilities		964	10,553	7,940	8,233	27,690	25,235

E2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets and liabilities

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes. AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

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

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

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

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

		Fair value measurement hierarchy					
\$ '000	Notes	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022	2023	2022	2023	2022
Recurring fair value measurements							
Financial assets							
Investments – ‘Held for trading’		10,690	10,013	–	–	10,690	10,013
Total financial assets		10,690	10,013	–	–	10,690	10,013
Investment property	C1-9						
Buildings		4,047	4,026	–	–	4,047	4,026
Land		5,070	4,667	–	–	5,070	4,667
Total investment property		9,117	8,693	–	–	9,117	8,693
Infrastructure, property, plant and equipment	C1-8						
Work in progress		–	–	26,559	16,522	26,559	16,522
Plant, equipment, furniture and fittings		–	–	22,580	19,474	22,580	19,474
Operational land		72,359	49,633	–	–	72,359	49,633
Community land (including crown land)		–	–	30,909	19,199	30,909	19,199
Land under roads		–	–	3,707	2,963	3,707	2,963
Land improvements		–	–	8,823	8,245	8,823	8,245
Buildings and other structures		–	–	106,522	90,353	106,522	90,353
Roads, bridges and footpaths		–	–	358,894	329,854	358,894	329,854
Other Road Assets		–	–	382,293	351,878	382,293	351,878
Open space and recreational assets		–	–	28,064	25,380	28,064	25,380
Stormwater drainage		–	–	35,921	27,221	35,921	27,221
Water and Sewage networks		–	–	176,065	163,455	176,065	163,455
Other infrastructure		–	–	19,178	17,145	19,178	17,145
Other assets		–	–	1,183	1,198	1,183	1,198
Tip and quarry assets		–	–	790	1,054	790	1,054
Total infrastructure, property, plant and equipment		72,359	49,633	1,201,488	1,073,941	1,273,847	1,123,574

E2-1 Fair value measurement

Valuation techniques

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

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

Financial assets

Managed Funds – Fair value through profit and loss (FVTPL)

Valuation technique: The unit price of each fund is equal to the total fair value of the net assets held by the fund divided by the total number of units on issue for that fund. Unit prices are calculated and published daily.

Inputs Used (Level 2): Prices are observable, however, no active market exists for these funds as they are only accessible to government agencies.

Investment property

Investment Property Land – Level 2

Valuation Techniques - Market Value. This method involves the analysis of sales evidence of other properties within the region and adjustment for differences between key attributes of the properties.

APV Valuers and Asset Management revalued investment properties in 2023.

Observable inputs - Sales evidence of price per square metre of land.

Investment Property Buildings – Level 2

Valuation Techniques - Market Value. This method involves the analysis of sales evidence and comparison with the subject taking into account matters such as method of construction, size, condition, age, land area and location.

APV Valuers and Asset Management revalued investment properties in 2023.

Unobservable inputs - current replacement cost of modern equivalent asset using componentisation, asset condition, remaining life and residual value.

Infrastructure, property, plant and equipment (IPPE)

Equipment, furniture and fittings – Level 3

Valuation Techniques - Cost approach. The nature and value of equipment, furniture and fittings recognises that depreciated historic cost is a representation of fair value.

Unobservable inputs - Current replacement cost of modern equivalent asset, asset condition, useful life and residual value.

Community land and land under roads – Level 3

Valuation Techniques - Market approach. Land values obtained from NSW Valuer General.

Council completed a comprehensive valuation of these assets at 30 June 2023 based on the latest Valuer General NSW valuation report as at 30 June 2022.

Operational land – Level 2

Valuation Techniques - Market approach.

This method involves the analysis of sales evidence of other properties within the region and adjustment for differences between key attributes of the properties.

APV Valuers and Asset Management revalued operational land at 30 June 2023.

Unobservable inputs - price per square metre.

Land improvements - Level 3

Valuation Techniques - Cost approach.

Council completed a comprehensive valuation of these assets in 2021.

Buildings market value/income approach – Level 2

Valuation Techniques - Market approach. This method involves the analysis of sales evidence and comparison with the subject, taking into account matters such as method of construction, size, condition, age, land area and location.

APV Valuers and Asset Management revalued investment property buildings at 30 June 2023.

Buildings replacement costs – Level 3

Valuation Techniques - Cost approach.

Due to the specialised nature of Local Government Assets, observable market inputs are often unavailable. The cost approach has been adopted for those buildings and deemed level 3.

APV Valuers and Asset Management revalued buildings at 30 June 2023.

E2-1 Fair value measurement

Unobservable inputs - Current replacement cost of modern equivalent asset using componentisation, asset condition, remaining useful lives and residual value.

Other structures, open space/recreational assets – Level 3

Valuation Techniques - Cost approach.

Due to the specialised nature of Local Government Assets observable market inputs are often unavailable. The cost approach has been adopted for other structures and deemed level 3.

Council completed a comprehensive valuation of these assets at 30 June 2021.

Unobservable inputs - Current replacement cost of modern equivalent asset, asset condition, remaining useful lives and residual value.

Roads, bridges, footpaths, bulk earthworks, stormwater – Level 3

Valuation Techniques - Depreciated replacement cost approach.

Due to the specialised nature of Local Government Assets observable market inputs are often unavailable. The cost approach has been adopted for these assets and deemed level 3.

Council completed a comprehensive valuation of these assets at 30 June 2020.

Unobservable inputs - Asset condition, remaining useful lives using componentisation.

Water supply network and sewage network – Level 3

Valuation Techniques - Cost approach.

Due to the specialised nature of Local Government Assets observable market inputs are often unavailable. This involved Council engaging APV Valuers and Asset Management to revalue water & sewer assets in 2022.

Unobservable inputs - Asset condition, remaining useful lives using componentisation.

Other assets – Level 3

Valuation Techniques - Cost approach.

Council completed a comprehensive valuation of these assets at 30 June 2021.

Unobservable inputs - Asset condition, remaining useful lives using componentisation.

Tip and quarry assets – reinstatement, rehabilitation and restoration

Valuation Techniques - Cost approach.

Unobservable inputs - Environmental legislation, timing of expected cash outflows, asset condition.

Fair value measurements using significant unobservable inputs (level 3)

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

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Plant, equipment, furniture and fittings	Cost approach	Current replacement cost of modern equivalent asset, asset condition, useful life and residual value
Community land	Market approach - Land values obtained from the NSW Valuer General	Land value, land area, level of restriction
Land under roads	Market approach - Land values obtained from the NSW Valuer General	Extent and impact of use, market cost of land per square metre, restrictions. The market value of land varies significantly depending on the location of the land and current market conditions.
Land improvements – non depreciable	Cost approach	Asset condition
Land improvements – depreciable	Cost approach	Asset condition and remaining lives using componentisation
Buildings – replacement cost	Cost approach	Current replacement cost of modern equivalent asset using componentisation, asset condition, remaining lives, residual value
Other structures	Cost approach	Current replacement cost of modern equivalent asset, asset condition, remaining lives, residual value

E2-1 Fair value measurement

	Valuation technique/s	Unobservable inputs
Roads, bridges and footpaths	Cost approach	Asset condition, remaining lives using componentisation. Unit rates per m2.
Bulk earthworks	Cost approach	Asset condition. Unit rates per m2.
Stormwater drainage	Cost approach	Asset condition, remaining lives. Unit rates per m2 or length.
Water and sewage networks	Cost approach	Asset condition, remaining lives using componentisation. Unit rates per length.
Open space/recreational assets	Cost approach	Asset condition and remaining lives using componentisation
Other assets	Cost approach	Current replacement cost of modern equivalent asset, asset condition, remaining lives, residual value
Tip and quarry reinstatement assets	Cost approach	Environmental legislation, timing of expected cash outflows, asset condition

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

	Total	
	2023 \$ '000	2022 \$ '000
Balance at 1 July	1,073,941	990,863
Total gains or losses for the period		
Recognised in other comprehensive income – revaluation surplus	98,413	66,398
Other movements		
Other movements	(53)	97
Purchases (GBV)	54,875	37,791
Disposals (WDV)	(4,199)	(2,682)
Depreciation and impairment	(21,491)	(18,526)
Other movement (rounding)	2	–
Balance at 30 June	1,201,488	1,073,941

Highest and best use

All assets valued at fair value are being utilised for their highest and best use.

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

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

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

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

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

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

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

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

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

Description of any agreed allocation of a deficit or surplus on:

E3-1 Contingencies

(i) wind-up of the plan

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

(ii) the entity's withdrawal from the plan

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2023 was \$132,430.55. The last valuation of the Scheme was performed by Richard Boyfield on 30 June 2022.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2023 is:

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

* excluding other accumulation accounts and reserves in both assets and liabilities.

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

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	6.0% for FY 22/23 2.5% per annum thereafter

* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed by December 2023.

(ii) CivicRisk Mutual Limited

Council is a member of CivicRisk Mutual Ltd, a mutual self-insurance scheme providing general insurance to local government.

CivicRisk Mutual Ltd membership includes the potential to share in either the net surplus or deficit of protection years depending on its past performance. Council's share of the net surplus or deficit reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

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

(ii) 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.

(iii) Other guarantees

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

E3-1 Contingencies

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.

ASSETS NOT RECOGNISED

Bank Guarantees

Council holds a number of bank guarantees to the value of \$5,052,343. Some of these guarantees are provided by various developers across the Mid-Western Region to secure performance of conditions of consent in relation to approved Developer Applications.

The guarantees will be returned once the associated conditions of consent have been satisfied.

Other guarantees relate to work performed for Council by contractors, such as construction works. The guarantees will be returned once the conditions of the contract have been satisfied.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

	2023 \$ '000	2022 \$ '000
Compensation:		
Short-term benefits	1,733	1,556
Other long-term benefits	26	20
Termination benefits	–	212
Total	1,759	1,788

Other transactions with KMP and their related parties

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

F1-2 Councillor and Mayoral fees and associated expenses

	2023 \$ '000	2022 \$ '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	46	45
Councillors' fees	190	186
Other Councillors' expenses (including Mayor)	135	92
Total	371	323

F2 Other relationships

F2-1 Audit fees

	2023 \$ '000	2022 \$ '000
Auditors of the Council - NSW Auditor-General:		
Audit of financial statements	76	72
Other assurance services	–	5
Total fees paid or payable to the Auditor-General	76	77

G Other matters

G1-1 Statement of Cash Flows information

(a) Reconciliation of net operating result to cash provided from operating activities

	2023 \$ '000	2022 \$ '000
Operating result	39,471	31,090
Add / (less) non-cash items:		
Depreciation and amortisation	21,670	18,320
(Gain) / loss on disposal of assets	3,623	290
Non-cash capital grants and contributions	(13,002)	(634)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
Investments classified as 'at fair value' or 'held for trading'	(878)	461
Investment property	(408)	(775)
Revaluation decrements / impairments of IPP&E direct to P&L	–	60
Other movements in reverses - IPPE adjustment and transfer	238	(273)
Unwinding of discount rates on reinstatement provisions	11	(367)
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(411)	(231)
Increase / (decrease) in provision for impairment of receivables	(3)	95
(Increase) / decrease of inventories	114	277
(Increase) / decrease of other current assets	(506)	(197)
(Increase) / decrease of contract asset	(4,070)	4,462
Increase / (decrease) in payables	1,108	(2)
Increase / (decrease) in accrued interest payable	(13)	(49)
Increase / (decrease) in other accrued expenses payable	(16)	1,128
Increase / (decrease) in other liabilities	(149)	364
Increase / (decrease) in contract liabilities	10,745	(15)
Increase / (decrease) in employee benefit provision	112	(917)
Increase / (decrease) in other provisions	(95)	(950)
Net cash flows from operating activities	57,541	52,137

(b) Non-cash investing and financing activities

Other dedications	12,965	550
Total non-cash investing and financing activities	12,965	550

G2-1 Commitments

Capital commitments (exclusive of GST)

	2023 \$ '000	2022 \$ '000
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	9,716	3,848
Plant and equipment	2,884	5,055
Drainage	–	121
Other assets	824	439
Recreational facilities	17	51
Roads and transport	1,457	2,503
Sewerage network	97	46
Water supply network	838	178
Total	15,833	12,241

Details of capital commitments

Capital commitments include:

- Plant & Heavy Equipment are items ordered but not yet delivered;
- Council has committed to construct the Glen Willow Training Camp building, with the remaining contract commitment of \$8.1m
- Council has committed to construct the Country University Centre building, with the remaining contract commitment of \$928,500
- Other construction works (drainage, roads, buildings and other structures); and
- Water supply works, including to design and construct a river pump station.

G3-1 Events occurring after the reporting date

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

G4 Statement of developer contributions as at 30 June 2023

G4-1 Summary of developer contributions

	Opening balance at 1 July 2022 \$ '000	Contributions received during the year			Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2023 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000					
Drainage	194	20	—	—	5	—	—	219	—
Open space	2,160	181	—	—	52	(78)	—	2,315	—
Community facilities	784	48	—	—	12	(334)	—	510	—
Transport facilities	1,287	264	—	—	33	(113)	—	1,471	—
Car parking	261	—	—	—	6	—	—	267	—
Administration	494	71	—	—	12	(51)	—	526	—
Civic improvements	21	1	—	—	1	—	—	23	—
S7.11 contributions – under a plan	5,201	585	—	—	121	(576)	—	5,331	—
S7.12 levies – under a plan	421	46	—	—	11	—	—	478	—
Total S7.11 and S7.12 revenue under plans	5,622	631	—	—	132	(576)	—	5,809	—
S7.4 planning agreements	4,180	1,169	—	—	106	(354)	—	5,101	—
S64 contributions	12,465	2,108	—	—	314	(111)	—	14,776	—
Total contributions	22,267	3,908	—	—	552	(1,041)	—	25,686	—

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas. It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

G4-2 Developer contributions by plan

	Opening balance at 1 July 2022 \$ '000	Contributions received during the year			Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2023 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000					
CONTRIBUTION PLAN: MID-WESTERN REGIONAL 2005 - 2021									
Drainage	194	20	—	—	5	—	—	219	—
Open space	2,160	181	—	—	52	(78)	—	2,315	—
Community facilities	784	48	—	—	12	(334)	—	510	—
Transport management	1,287	264	—	—	33	(113)	—	1,471	—
Car parking	261	—	—	—	6	—	—	267	—
Administration	494	71	—	—	12	(51)	—	526	—
Civic improvements	21	1	—	—	1	—	—	23	—
Total	5,201	585	—	—	121	(576)	—	5,331	—

S7.12 Levies – under a plan

CONTRIBUTION PLAN: MID-WESTERN REGIONAL 2005 - 2021

94A	421	46	—	—	11	—	—	478	—
Total	421	46	—	—	11	—	—	478	—

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2023	Indicator 2023	Indicator 2022	Benchmark
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	6,183	6.13%	10.19%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	100,862			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	78,421	57.45%	62.49%	> 60.00%
Total continuing operating revenue inclusive of all grants and contributions ¹	136,504			
3. Unrestricted current ratio				
Current assets less all external restrictions	63,839	4.59x	5.98x	> 1.50x
Current liabilities less specific purpose liabilities	13,894			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	28,636	10.31x	12.56x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,777			
5. Rates and annual charges outstanding percentage				
Rates and annual charges outstanding	1,469	3.15%	2.96%	< 10.00%
Rates and annual charges collectable	46,709			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus term deposits	131,651	19.36 months	22.06 months	> 3.00 months
Payments from cash flow of operating and financing activities	6,801			

(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, impairment losses on receivables, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

G5-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2023	2022	2023	2022	2023	2022	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	5.63%	9.37%	0.29%	2.33%	16.37%	24.73%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	54.14%	57.71%	74.69%	81.33%	70.65%	90.62%	> 60.00%
Total continuing operating revenue inclusive of all grants and contributions ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	4.59x	5.98x	18.59x	13.14x	17.39x	16.22x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	13.77x	22.04x	6.78x	4.41x	5.26x	4.45x	> 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	3.03%	2.89%	3.90%	3.25%	3.51%	3.22%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus term deposits	15.78	17.87	36.22	51.69	43.97	48.95	> 3.00
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	months

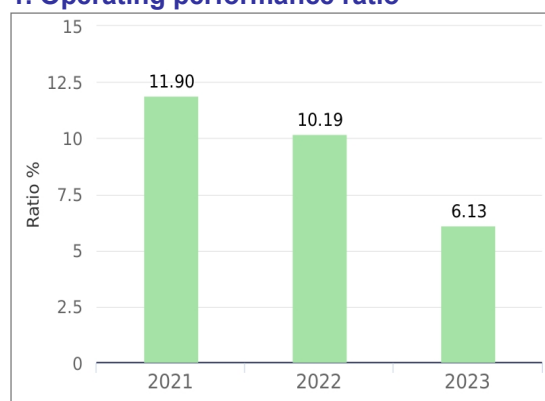
(1)Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(2)Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, impairment losses on receivables, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

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

End of the audited financial statements

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2022/23 result

2022/23 ratio 6.13%

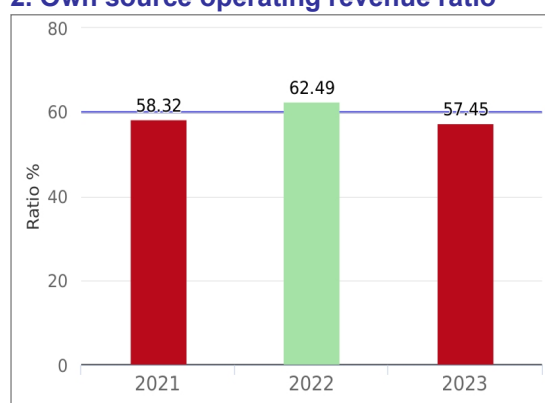
Benchmark: — > 0.00%

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 2022/23 result

2022/23 ratio 57.45%

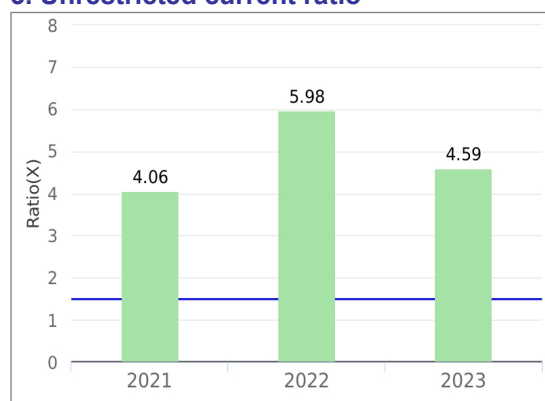
Benchmark: — > 60.00%

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 2022/23 result

2022/23 ratio 4.59x

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting

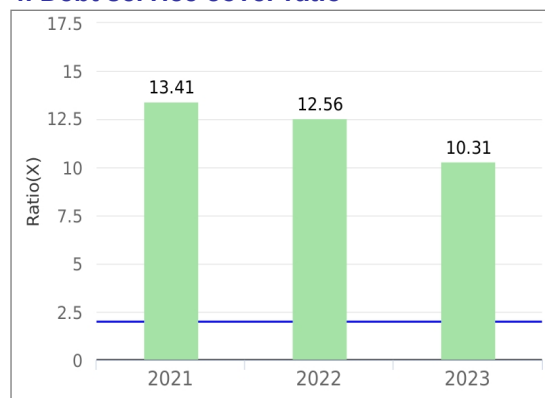
Ratio achieves benchmark

Ratio is outside benchmark

H Additional Council disclosures (unaudited)

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

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 2022/23 result

2022/23 ratio 10.31x

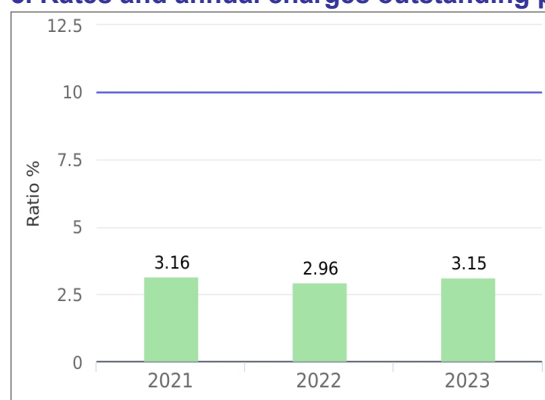
Benchmark: — > 2.00x

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 2022/23 result

2022/23 ratio 3.15%

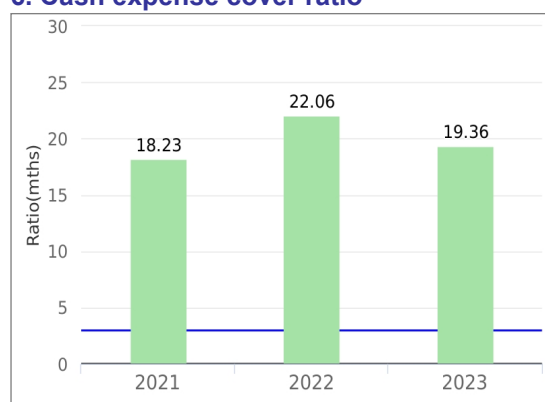
Benchmark: — < 10.00%

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 2022/23 result

2022/23 ratio 19.36 months

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Financial review (unaudited)

Key financial figures of Council over the past 5 years

	2023 \$ '000	2022 \$ '000	2021 \$ '000	2020 \$ '000	2019 \$ '000
Inflows:					
Rates and annual charges revenue	45,068	44,707	43,720	39,281	31,043
User charges revenue	26,658	16,599	19,108	16,919	15,018
Interest and investment revenue (losses)	3,414	836	974	1,650	2,373
Grants income – operating and capital	54,175	35,254	44,341	37,253	19,937
Total income from continuing operations	137,790	106,235	115,662	102,168	84,178
Sale proceeds from IPPE	587	3,045	3,087	543	2,054
New loan borrowings and advances	–	7,400	–	1,000	–
Outflows:					
Employee benefits and on-cost expenses	31,170	29,479	26,524	25,321	23,759
Borrowing costs	783	533	691	832	926
Materials and contracts expenses	39,015	24,083	22,945	23,221	12,723
Total expenses from continuing operations	98,319	75,145	74,251	77,207	65,199
Total cash purchases of IPPE	42,333	36,289	49,529	36,392	24,768
Total loan repayments (incl. finance leases)	2,017	1,637	1,535	2,093	1,689
Operating surplus/(deficit) (excl. capital income)	3,829	8,178	8,041	5,328	1,143
Financial position figures					
Current assets	124,759	102,312	97,120	92,587	82,914
Current liabilities	43,688	33,696	31,149	24,844	16,234
Net current assets	81,071	68,616	65,971	67,743	66,680
Available working capital (Unrestricted net current assets)	14,865	18,146	12,400	11,463	12,883
Cash and investments – unrestricted	15,005	18,235	13,177	14,344	9,565
Cash and investments – internal restrictions	38,988	40,284	28,056	20,426	16,628
Cash and investments – total	142,341	127,770	103,633	86,979	77,848
Total borrowings outstanding (loans, advances and finance leases)	14,335	16,273	10,441	11,923	12,980
Total value of IPPE (excl. land and earthworks)	1,641,231	1,458,726	1,327,095	1,283,824	954,016
Total accumulated depreciation	454,786	395,338	345,634	334,411	340,353
Indicative remaining useful life (as a % of GBV)	72%	73%	74%	74%	64%

Source: published audited financial statements of Council (current year and prior year)

H1-3 Council information and contact details

Principal place of business:

86 Market Street
Mudgee NSW 2850

Contact details**Mailing Address:**

PO Box 156
Mudgee NSW 2850

Telephone: 02 6378 2850

Facsimile: 02 6378 2815

Opening hours:

8:00am - 4:30pm
Monday to Friday

Internet: www.midwestern.nsw.gov.au

Email: council@midwestern.nsw.gov.au

Officers**General Manager**

Brad Cam

Responsible Accounting Officer

Neil Bungate

Public Officer

Richard Cushway

Auditors

NSW Auditor General
Level 15, 1 Margaret Street
Sydney NSW 2000

Elected members**Mayor**

Des Kennedy

Councillors

Clr Paul Cavalier
Clr Katie Dicker
Clr Peter Shelley
Clr Percy Thompson
Clr Sam Paine
Clr Phil Stoddart
Clr Robbie Palmer
Clr Alex Karavas

Other information

ABN: 96 149 391 332



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Mid-Western Regional Council

To the Councillors of Mid-Western Regional Council

Qualified Opinion

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

In my opinion, except for the effects of the matter described in the 'Basis for Qualified Opinion' section of my report:

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

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

Basis for Qualified Opinion

Non recognition of rural fire-fighting equipment

As disclosed in Note C1-8 'Infrastructure, property, plant and equipment' to the financial statements, the Council has not recognised rural fire-fighting equipment as assets in the Statement of Financial Position at 30 June 2023. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

Australian Accounting Standards refer to control of an asset as being the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Rural fire-fighting equipment is controlled by the Council as:

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 1 July 2011
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

The Council has not undertaken sufficient procedures to confirm the completeness, accuracy, existence or condition of these assets. Nor has the Council performed sufficient procedures to identify the value of assets vested in it during the year. When these assets are vested, no financial consideration is required from the Council and as such the assets are provided to the Council free-of-charge.

This is a limitation on the scope of my audit as I was unable to obtain sufficient appropriate audit evidence to:

- support the carrying values of rural fire-fighting equipment assets that should be recorded in the Statement of Financial Position and related notes as at 30 June 2023
- determine the impact on the 'Accumulated surplus' in the Statement of Changes in Equity and Statement of Financial Position
- determine the amount of 'Grants and contributions provided for capital purposes' income from any rural fire-fighting equipment assets vested as an asset received free of charge during the year and/or 'Depreciation, amortisation and impairment of non-financial assets' expense that should be recognised in the Income Statement for the year ended 30 June 2023
- determine the impact on the 'Operating performance' and 'Own source operating revenue' ratios in Note G5-1 'Statement of performance measures – consolidated results' and Note G5-2 'Statement of performance measures by fund'.

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 qualified audit opinion.

Other Information

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



Cassie Malone
Delegate of the Auditor-General for New South Wales

31 October 2023
SYDNEY



Clr Des Kennedy
Mayor
Mid-Western Regional Council
PO BOX 156
MUDGEE NSW 2850

Contact: Cassie Malone
Phone no: 02 9275 7388
Our ref: R008-16585809-47005

31 October 2023

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2023 Mid-Western Regional Council

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

I expressed a modified opinion on the Council's GPFS.

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issues and observations during my audit of the Council's financial statements. These issues and observations were addressed as part of my audit.

Modification to the opinion in the Independent Auditor's Report

Non-recognition of rural fire-fighting equipment

The Council has not recognised rural fire-fighting equipment as assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2023. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

Australian Accounting Standards refer to control of an asset as being the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Rural fire-fighting equipment is controlled by the Council as:

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting

equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 1 July 2011

- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

The Council has not undertaken sufficient procedures to confirm the completeness, accuracy, existence or condition of these assets. Nor has the Council performed sufficient procedures to identify the value of assets vested in it during the year. When these assets are vested, no financial consideration is required from the Council and as such the assets are provided to the Council free of charge.





Consequently, we were unable to determine the carrying values of rural firefighting equipment assets and related amounts that should be recorded and recognised in the council's 30 June 2023 financial statements.

This has resulted in the audit opinion on the Council's 30 June 2023 general purpose financial statements (GPFS) to be modified.

Refer to the Independent Auditor's Report on the GPFS.

INCOME STATEMENT

Operating result

	2023 \$m	2022 \$m	Variance %
Rates and annual charges revenue	45.1	44.7	 0.8
Grants and contributions revenue	58.1	39.5	 47.0
Operating result from continuing operations	39.5	31.1	 27.0
Net operating result before capital grants and contributions	3.8	8.2	 53.2

The Council's operating result from continuing operations of \$39.5 million (including depreciation and amortisation costs of \$21.7 million) was \$8.4 million higher than the 2021–22 result.

Total income from continuing operations in the current year increased by \$31.6 million to \$137.8 million, reflecting increases in grant revenue of \$18.6 million and user charges and fees of \$10.1 million.

Total expenditure in the current year increased by \$23.2 million to \$98.3 million, primarily due to increases in materials and services of \$14.9 million, depreciation and amortisation costs of \$3.3 million and losses on disposal of assets of \$3.3 million.

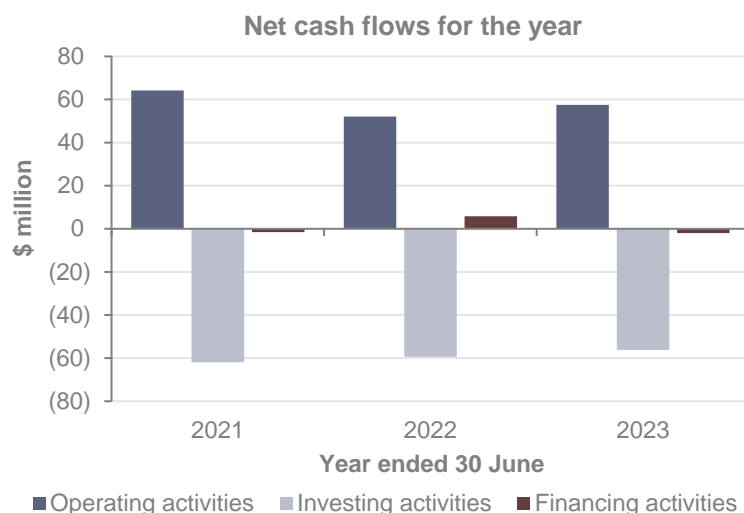
Rates and annual charges revenue increased by \$0.4 million in 2022–23, mainly due to the rate peg.

STATEMENT OF CASH FLOWS

Cash inflows from operating activities increased due to increase in user charges and fees received during the year as well as an increase in grants and contributions.

Cash outflows from investing activities did not change significantly compared to 2021–22.

Cash from financing activities decreased due to a reduction in proceeds from borrowings during the year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	142.3	127.8	External restrictions include unspent specific purpose grants, developer contributions, water funds, sewer funds and domestic waste management charges. The increase in external restrictions of \$19.1 million compared to 2021–22 is mainly due to increases in unspent specific purpose grants and sewer funds.
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	88.3	69.3	Balances are internally allocated due to Council policy or decisions for forward plans including the works program. The decrease in internal allocations mainly reflects less funds being set aside for plant and vehicle replacements.
• Internal allocations	39.0	40.3	

PERFORMANCE

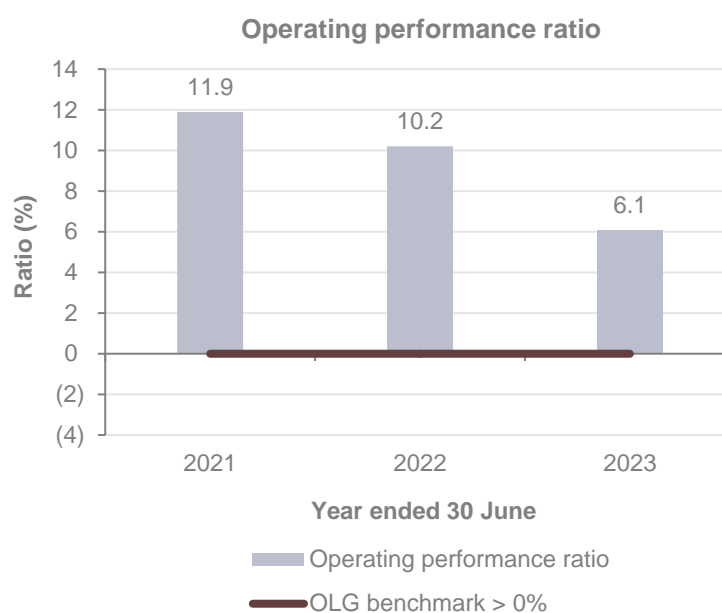
Performance measures

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 and Environment.

Operating performance ratio

The Council met the benchmark for the current reporting period.

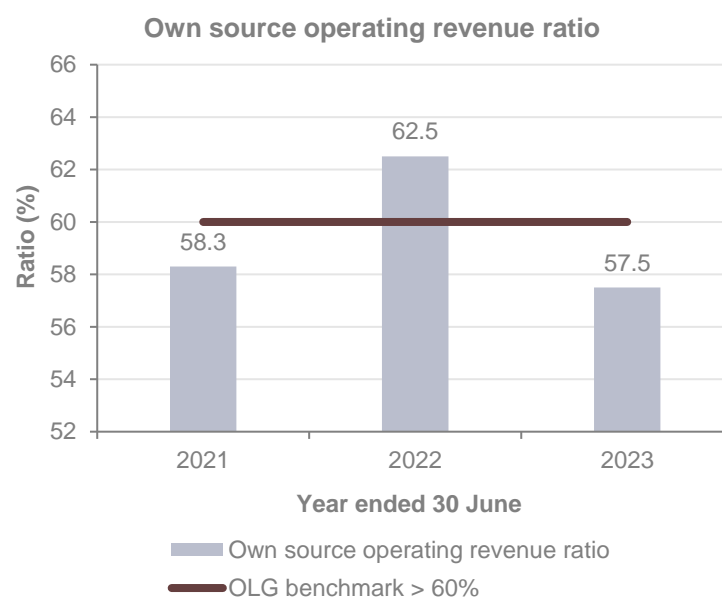
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

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

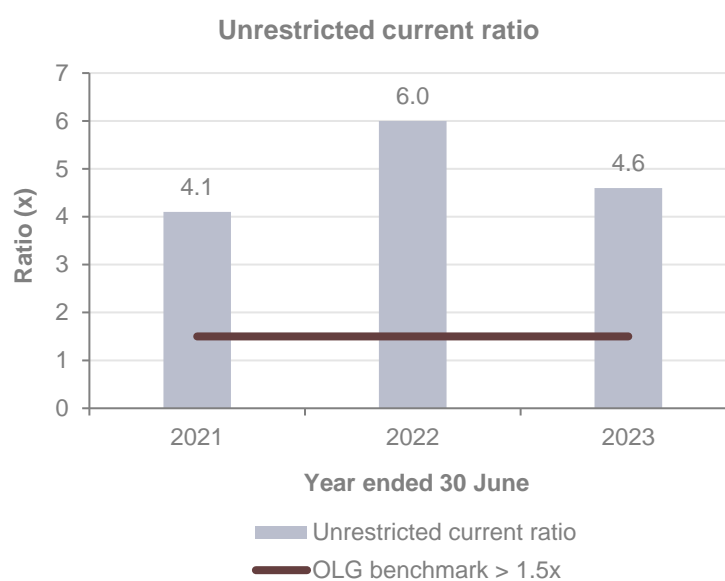
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

The Council met the benchmark for the current reporting period.

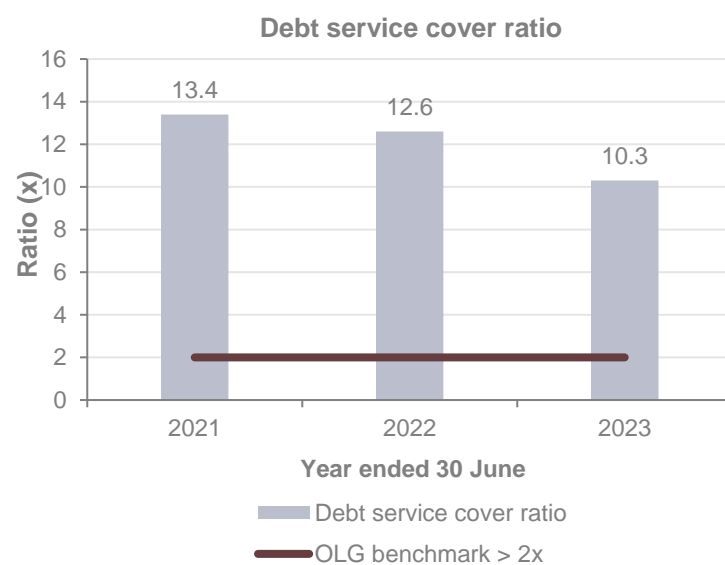
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

The Council met the benchmark for the current reporting period.

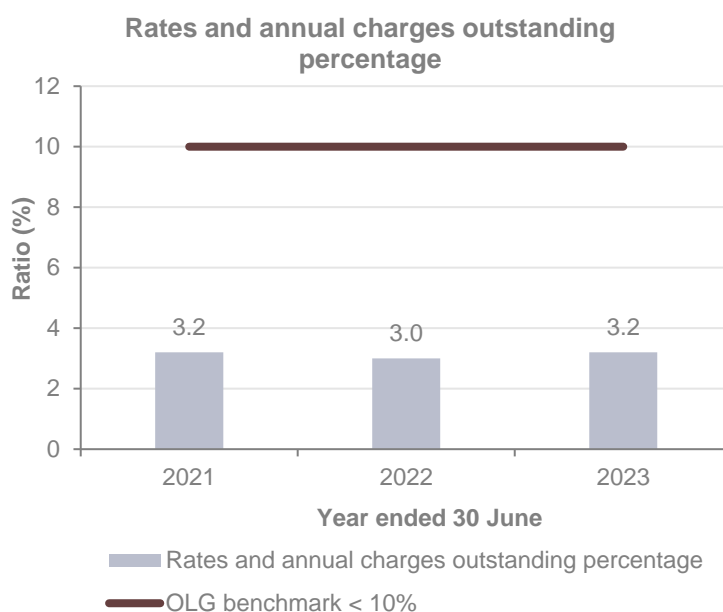
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

The Council met the benchmark for the current reporting period.

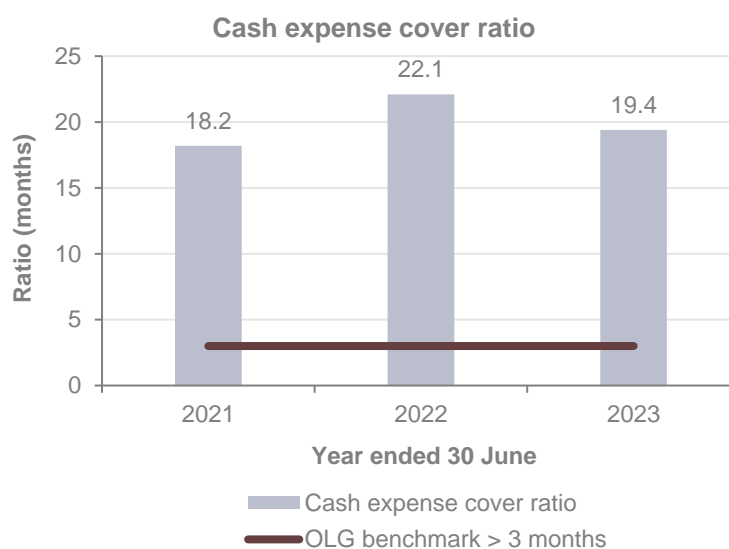
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

The Council met the benchmark for the current reporting period.

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



Infrastructure, property, plant and equipment renewals

Council renewed \$19.7 million of infrastructure, property, plant and equipment during the 2022-23 financial year. This was mainly spent on roads, bridges and footpaths, and equipment, furniture and fittings. A further \$36.1 million was spent on new assets across most asset classes.

OTHER MATTERS

Legislative compliance

My audit procedures identified a material deficiency in the Council's financial statements due to the non-recognition of rural fire-fighting equipment which will be reported in the Management Letter.

Except for the matter outlined above, the Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the GPFS
- staff provided all accounting records and information relevant to the audit.



Cassie Malone
Delegate of the Auditor-General for New South Wales

Mid-Western Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

*A prosperous and progressive community we proudly call
home.*



Mid-Western Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2023

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Background

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

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

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

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

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

Mid-Western Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2023

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 20 September 2023.



Des Kennedy

Mayor

27 September 2023



Sam Paine

Deputy Mayor

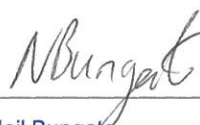
27 September 2023



Brad Cam

General Manager

27 September 2023



Neil Bungate

Chief Financial Officer

27 September 2023

Mid-Western Regional Council

Income Statement of water supply business activity

for the year ended 30 June 2023

	2023 \$ '000	2022 \$ '000
Access charges	1,793	1,707
User charges	6,445	5,691
Interest and investment income	608	96
Grants and contributions provided for operating purposes	8	19
Other income	–	(1)
Total income from continuing operations	8,854	7,512
Employee benefits and on-costs	2,010	1,957
Borrowing costs	43	64
Materials and services	4,137	3,685
Depreciation, amortisation and impairment	2,638	1,515
Net loss from the disposal of assets	–	50
Other expenses	–	116
Total expenses from continuing operations	8,828	7,387
Surplus (deficit) from continuing operations before capital amounts	26	125
Grants and contributions provided for capital purposes	2,989	1,701
Surplus (deficit) from continuing operations after capital amounts	3,015	1,826
Surplus (deficit) from all operations before tax	3,015	1,826
Less: corporate taxation equivalent (25%) [based on result before capital]	(7)	(31)
Surplus (deficit) after tax	3,008	1,795
Plus accumulated surplus	64,741	62,941
Plus/less: prior period error	(3)	(40)
Plus/less: Transfer to retained earnings for asset disposals	–	14
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	7	31
Return on capital %	0.1%	0.2%
Subsidy from Council	3,646	2,966
Calculation of dividend payable:		
Surplus (deficit) after tax	3,009	1,795
Less: capital grants and contributions (excluding developer contributions)	(2,989)	(1,701)
Surplus for dividend calculation purposes	20	94
Potential dividend calculated from surplus	10	47

Mid-Western Regional Council

Income Statement of sewerage business activity

for the year ended 30 June 2023

	2023 \$ '000	2022 \$ '000
Access charges	7,442	7,031
User charges	795	615
Interest and investment income	646	94
Grants and contributions provided for operating purposes	146	(26)
Other income	42	114
Total income from continuing operations	9,071	7,828
Employee benefits and on-costs	1,608	1,484
Borrowing costs	181	292
Materials and services	3,163	2,886
Depreciation, amortisation and impairment	2,544	1,206
Net loss from the disposal of assets	99	131
Other expenses	–	24
Total expenses from continuing operations	7,595	6,023
Surplus (deficit) from continuing operations before capital amounts	1,476	1,805
Grants and contributions provided for capital purposes	3,562	839
Surplus (deficit) from continuing operations after capital amounts	5,038	2,644
Surplus (deficit) from all operations before tax	5,038	2,644
Less: corporate taxation equivalent (25%) [based on result before capital]	(369)	(451)
Surplus (deficit) after tax	4,669	2,193
Plus accumulated surplus	58,058	55,329
Plus/less: Transfer to retained earnings for asset disposals	108	85
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	369	451
Return on capital %	1.7%	2.4%
Subsidy from Council	2,189	1,115
Calculation of dividend payable:		
Surplus (deficit) after tax	4,669	2,193
Less: capital grants and contributions (excluding developer contributions)	(3,562)	(839)
Surplus for dividend calculation purposes	1,107	1,354
Potential dividend calculated from surplus	554	677

Mid-Western Regional Council

Statement of Financial Position of water supply business activity

as at 30 June 2023

	2023 \$ '000	2022 \$ '000
ASSETS		
Current assets		
Contract assets and contract cost assets	44	38
Cash and cash equivalents	729	1,254
Investments	14,892	11,696
Receivables	1,790	1,220
Inventories	172	200
Other	26	—
Total current assets	17,653	14,408
Non-current assets		
Investments	5,272	5,468
Infrastructure, property, plant and equipment	92,416	86,202
Total non-current assets	97,688	91,670
Total assets	115,341	106,078
LIABILITIES		
Current liabilities		
Payables	567	738
Borrowings	380	356
Total current liabilities	947	1,094
Non-current liabilities		
Borrowings	74	453
Total non-current liabilities	74	453
Total liabilities	1,021	1,547
Net assets	114,320	104,531
EQUITY		
Accumulated surplus	67,753	64,741
Revaluation reserves	46,567	39,790
Total equity	114,320	104,531

Mid-Western Regional Council

Statement of Financial Position of sewerage business activity

as at 30 June 2023

	2023 \$ '000	2022 \$ '000
ASSETS		
Current assets		
Contract assets and contract cost assets	1	10
Cash and cash equivalents	813	746
Investments	16,128	12,266
Receivables	270	438
Inventories	34	32
Other	26	—
Total current assets	17,272	13,492
Non-current assets		
Investments	5,710	5,734
Infrastructure, property, plant and equipment	95,679	87,767
Total non-current assets	101,389	93,501
Total assets	118,661	106,993
LIABILITIES		
Current liabilities		
Contract liabilities	15	—
Payables	342	211
Borrowings	636	620
Total current liabilities	993	831
Non-current liabilities		
Borrowings	5,757	6,393
Total non-current liabilities	5,757	6,393
Total liabilities	6,750	7,224
Net assets	111,911	99,769
EQUITY		
Accumulated surplus	63,204	58,058
Revaluation reserves	48,707	41,711
Total equity	111,911	99,769

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

a. Mid-Western Regional Council Water Supply

Comprising the activities and net assets of the water supply operations servicing the towns of Mudgee, Gulgong, Rylstone, and Kandos.

b. Mid-Western Regional Council Waste Water Services

Comprising the activities and net assets of the sewerage reticulation and treatment operations servicing the towns of Mudgee, Gulgong, Rylstone, and Kandos.

Taxation equivalent charges

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

Notional rate applied (%)

Corporate income tax rate – **25%** (21/22 25%)

Note – Significant Accounting Policies

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

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

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

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

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

Income tax

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

Note – Significant Accounting Policies

(iii) Dividends

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

A local government water supply and sewerage business is permitted to pay annual dividends from their water supply or sewerage business surpluses. Each dividend must be calculated and approved in accordance with section 4 of DPE – Water's regulatory and assurance framework and must not exceed 50% of the relevant surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2023 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with section 4 of DPE – Water'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 DPE – Water.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Mid-Western Regional Council

To the Councillors of Mid-Western Regional Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply 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 2023, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2022–23 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2023 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. 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 Significant accounting policies note to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Cassie Malone
Delegate of the Auditor-General for New South Wales

31 October 2023
SYDNEY

Mid-Western Regional Council

SPECIAL SCHEDULES
for the year ended 30 June 2023

*A prosperous and progressive community we proudly call
home.*



Mid-Western Regional Council

Special Schedules

for the year ended 30 June 2023

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Mid-Western Regional Council

Permissible income for general rates

	Notes	Calculation 2022/23 \$ '000	Calculation 2023/24 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	30,265	29,741
Plus or minus adjustments ²	b	219	158
Notional general income	c = a + b	30,484	29,899
Permissible income calculation			
Or rate peg percentage	e	0.70%	4.00%
Or plus rate peg amount	i = e x (c + g)	213	1,196
Sub-total	k = (c + g + h + i + j)	30,697	31,095
Plus (or minus) last year's carry forward total	l	—	27
Less valuation objections claimed in the previous year	m	(935)	(6)
Sub-total	n = (l + m)	(935)	21
Total permissible income	o = k + n	29,762	31,116
Less notional general income yield	p	29,741	31,116
Catch-up or (excess) result	q = o – p	21	—
Plus income lost due to valuation objections claimed ⁴	r	6	—
Carry forward to next year ⁶	t = q + r + s	27	—

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)*.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (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

Mid-Western Regional Council

To the Councillors of Mid-Western Regional Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Mid-Western Regional Council (the Council) for the year ending 30 June 2024.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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.



Cassie Malone
Delegate of the Auditor-General for New South Wales

31 October 2023
SYDNEY

Mid-Western Regional Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2022/23 Required maintenance ^a	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings and other structures	Buildings and other structures	1,512	1,512	2,929	2,688	106,522	150,464	18.0%	2.1%	76.7%	3.1%	0.1%
	Sub-total	1,512	1,512	2,929	2,688	106,522	150,464	18.0%	2.1%	76.7%	3.1%	0.1%
Roads	Roads	9,126	9,126	6,310	6,636	276,160	412,140	24.4%	48.6%	16.4%	8.0%	2.6%
	Bridges	5,125	5,125	170	19	72,184	132,105	8.8%	35.2%	41.2%	8.3%	6.5%
	Footpaths and Cycleways	168	168	64	41	10,550	16,877	41.0%	36.2%	18.5%	3.0%	1.3%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Other road assets (incl. earthworks)	15,299	15,299	40	28	382,293	399,339	9.3%	37.5%	38.9%	7.5%	6.8%
	Sub-total	29,718	29,718	6,584	6,724	741,187	960,461	16.3%	41.9%	29.2%	7.7%	4.9%
Water supply network	Other	10,145	10,145	2,751	2,846	84,968	155,380	20.6%	25.8%	36.4%	10.3%	6.9%
	Sub-total	10,145	10,145	2,751	2,846	84,968	155,380	20.6%	25.8%	36.4%	10.3%	6.9%
Sewerage network	Sewerage network	18,854	18,854	2,181	2,074	91,097	153,210	28.3%	30.6%	8.5%	20.3%	12.3%
	Sub-total	18,854	18,854	2,181	2,074	91,097	153,210	28.3%	30.6%	8.5%	20.3%	12.3%
Stormwater drainage	Stormwater drainage	617	617	2,066	1,877	35,921	49,396	27.5%	5.3%	63.3%	3.4%	0.5%
	Sub-total	617	617	2,066	1,877	35,921	49,396	27.5%	5.3%	63.3%	3.4%	0.5%
Open space / recreational assets	Swimming pools	32	32	1,274	1,400	6,326	12,333	30.1%	22.9%	46.3%	0.6%	0.1%
	Other Recreational/Open Space	598	598	3,770	3,762	21,738	29,257	55.2%	22.9%	15.5%	6.4%	0.0%
	Sub-total	630	630	5,044	5,162	28,064	41,590	47.8%	22.9%	24.6%	4.7%	0.0%
Other infrastructure assets	Other infrastructure assets	352	352	1,326	1,276	19,178	28,939	38.0%	28.2%	30.1%	2.4%	1.3%
	Sub-total	352	352	1,326	1,276	19,178	28,939	38.0%	28.2%	30.1%	2.4%	1.3%
Total – all assets		61,828	61,828	22,881	22,647	1,106,937	1,539,440	19.7%	33.3%	33.5%	8.5%	5.0%

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

Mid-Western Regional Council

Report on infrastructure assets as at 30 June 2023

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

Mid-Western Regional Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2023	Indicator 2023	Indicator 2022	Benchmark
Buildings and infrastructure renewals ratio				
Asset renewals ¹	13,854	77.45%	97.60%	> 100.00%
Depreciation, amortisation and impairment	17,887			
Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	61,828	5.45%	3.94%	< 2.00%
Net carrying amount of infrastructure assets	1,133,496			
Asset maintenance ratio				
Actual asset maintenance	22,647	98.98%	100.12%	> 100.00%
Required asset maintenance	22,881			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	61,828	4.02%	2.92%	
Gross replacement cost	1,539,440			

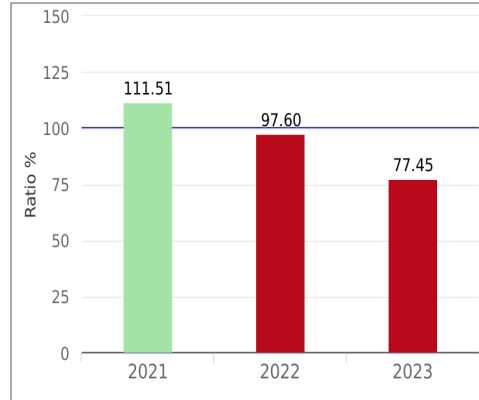
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Mid-Western Regional Council

Report on infrastructure assets as at 30 June 2023

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

22/23 ratio 77.45%

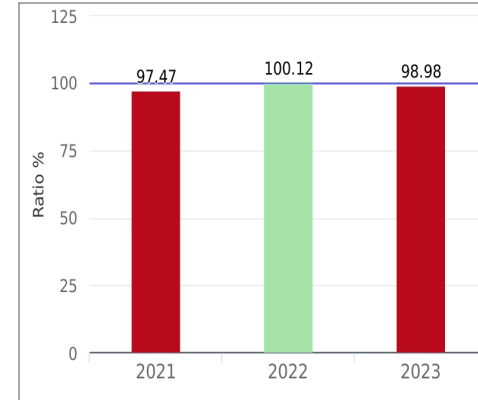
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

22/23 ratio 98.98%

Council's asset maintenance ratio still remains close to the 100% target.

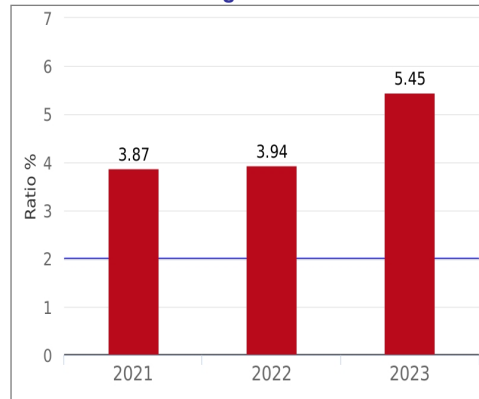
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

22/23 ratio 5.45%

Natural disaster damage and delays in maintenance of some assets reduced asset conditions, resulting in a higher cost to bring assets back to the agreed service level.

Benchmark: — < 2.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

22/23 ratio 4.02%

This ratio has remained low, as Council continues to renew most of its existing assets. Natural disaster damage and delays in maintenance of some assets reduced asset conditions, resulting in a higher cost to bring assets back to the agreed service level.

Mid-Western Regional Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2023	2022	2023	2022	2023	2022	
Buildings and infrastructure renewals ratio							
Asset renewals ¹	105.45%	113.54%	3.96%	28.56%	13.71%	25.79%	> 100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	3.44%	2.99%	11.81%	9.84%	20.32%	8.09%	< 2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	98.76%	100.34%	103.45%	95.21%	95.09%	105.72%	> 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	2.67%	2.33%	6.53%	5.49%	12.31%	4.89%	
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.