

# ANNUAL FINANCIAL STATEMENTS



FOR THE YEAR ENDED 30 JUNE 2023

The background is a solid orange color with several abstract white shapes. A thin white line starts from the left edge and curves upwards and then downwards. There are also larger, rounded white shapes in the top right and bottom left corners.

***GENERAL PURPOSE  
FINANCIAL STATEMENTS***

FOR THE YEAR ENDED 30 JUNE

# Cessnock City Council

## General Purpose Financial Statements

for the year ended 30 June 2023

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### Overview

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

62 - 78 Vincent Street  
Cessnock NSW 2325

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.cessnock.nsw.gov.au](http://www.cessnock.nsw.gov.au).

# Cessnock City Council

## General Purpose Financial Statements

for the year ended 30 June 2023

### Understanding Council's Financial Statements

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#### 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.

## Cessnock City Council

### General Purpose Financial Statements

for the year ended 30 June 2023

### Statement by Councillors and Management

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

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

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

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

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

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

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



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Jay Suvaal  
Mayor  
19 December 2023



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Ken Liddell  
General Manager  
19 December 2023



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John Moores  
Councillor  
19 December 2023



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Matthew Plumridge  
Responsible Accounting Officer  
19 December 2023

## Cessnock City Council

### Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
<b>Income from continuing operations</b>				
61,216	Rates and annual charges	B2-1	<b>62,120</b>	59,210
9,782	User charges and fees	B2-2	<b>12,069</b>	21,684
2,133	Other revenues	B2-3	<b>2,755</b>	1,525
11,751	Grants and contributions provided for operating purposes	B2-4	<b>19,451</b>	16,895
38,871	Grants and contributions provided for capital purposes	B2-4	<b>56,187</b>	49,760
475	Interest and investment income	B2-5	<b>2,288</b>	656
-	Other income	B2-6	<b>534</b>	384
570	Net gain from the disposal of assets	B4-1	<b>-</b>	-
<u>124,798</u>	<b>Total income from continuing operations</b>		<u><b>155,404</b></u>	<u>150,114</u>
<b>Expenses from continuing operations</b>				
34,557	Employee benefits and on-costs	B3-1	<b>35,841</b>	33,271
21,814	Materials and services	B3-2	<b>46,653</b>	39,165
176	Borrowing costs	B3-3	<b>107</b>	188
15,599	Depreciation, amortisation and impairment of non-financial assets	B3-4	<b>18,902</b>	15,299
11,255	Other expenses	B3-5	<b>15,823</b>	9,739
2,500	Net loss from the disposal of assets	B4-1	<b>11,676</b>	2,074
<u>85,901</u>	<b>Total expenses from continuing operations</b>		<u><b>129,002</b></u>	<u>99,736</u>
<u>38,897</u>	<b>Operating result from continuing operations</b>		<u><b>26,402</b></u>	<u>50,378</u>
<u>38,897</u>	<b>Net operating result for the year attributable to Council</b>		<u><b>26,402</b></u>	<u>50,378</u>
<u>26</u>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<u><b>(29,785)</b></u>	<u>618</u>

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

## Cessnock City Council

### Statement of Comprehensive Income

for the year ended 30 June 2023

\$ '000	Notes	2023	2022
<b>Net operating result for the year – from Income Statement</b>		<b>26,402</b>	50,378
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain on revaluation of infrastructure, property, plant and equipment	C1-8	<u>80,596</u>	71,684
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>80,596</b>	71,684
<b>Total other comprehensive income for the year</b>		<b>80,596</b>	71,684
<b>Total comprehensive income for the year attributable to Council</b>		<b>106,998</b>	122,062

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

## Cessnock City Council

## Statement of Financial Position

as at 30 June 2023

\$ '000	Notes	2023	2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C1-1	21,236	8,777
Investments	C1-2	51,890	65,167
Receivables	C1-4	14,804	15,510
Inventories	C1-5	501	559
Non-current assets classified as 'held for sale'	C1-7	975	–
Other	C1-9	3,084	2,779
<b>Total current assets</b>		<b>92,490</b>	<b>92,792</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment (IPPE)	C1-8	1,277,112	1,149,322
Right of use assets	C2-1	5	6
<b>Total non-current assets</b>		<b>1,277,117</b>	<b>1,149,328</b>
<b>Total assets</b>		<b>1,369,607</b>	<b>1,242,120</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	C3-1	10,440	7,814
Contract liabilities	C3-2	8,877	10,869
Lease liabilities	C2-1	2	4
Borrowings	C3-3	1,192	1,192
Employee benefit provisions	C3-4	9,614	9,387
Provisions	C3-5	42	42
<b>Total current liabilities</b>		<b>30,167</b>	<b>29,308</b>
<b>Non-current liabilities</b>			
Payables	C3-1	4,130	3,611
Lease liabilities	C2-1	–	2
Borrowings	C3-3	7,109	3,938
Employee benefit provisions *	C3-4	350	292
Provisions	C3-5	33,899	18,015
<b>Total non-current liabilities</b>		<b>45,488</b>	<b>25,858</b>
<b>Total liabilities</b>		<b>75,655</b>	<b>55,166</b>
<b>Net assets</b>		<b>1,293,952</b>	<b>1,186,954</b>
<b>EQUITY</b>			
Accumulated surplus		621,430	594,472
IPPE revaluation reserve	C4-1	672,522	592,482
<b>Total equity</b>		<b>1,293,952</b>	<b>1,186,954</b>

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



## Cessnock City Council

### Statement of Changes in Equity

for the year ended 30 June 2023

\$ '000	Notes	2023			2022		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		594,472	592,482	1,186,954	544,094	520,798	1,064,892
<b>Opening balance</b>		<b>594,472</b>	<b>592,482</b>	<b>1,186,954</b>	<b>544,094</b>	<b>520,798</b>	<b>1,064,892</b>
Net operating result for the year		26,402	-	26,402	50,378	-	50,378
<b>Net operating result for the period</b>		<b>26,402</b>	<b>-</b>	<b>26,402</b>	<b>50,378</b>	<b>-</b>	<b>50,378</b>
<b>Other comprehensive income</b>							
Gain on revaluation of infrastructure, property, plant and equipment	C1-8	-	80,596	80,596	-	71,684	71,684
Other reserves movements		556	(556)	-	-	-	-
<b>Other comprehensive income</b>		<b>556</b>	<b>80,040</b>	<b>80,596</b>	<b>-</b>	<b>71,684</b>	<b>71,684</b>
<b>Total comprehensive income</b>		<b>26,958</b>	<b>80,040</b>	<b>106,998</b>	<b>50,378</b>	<b>71,684</b>	<b>122,062</b>
<b>Closing balance at 30 June</b>		<b>621,430</b>	<b>672,522</b>	<b>1,293,952</b>	<b>594,472</b>	<b>592,482</b>	<b>1,186,954</b>

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

## Cessnock City Council

## Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
61,287	Rates and annual charges		62,542	58,419
9,709	User charges and fees		13,895	18,635
476	Interest received		1,646	494
39,115	Grants and contributions		48,810	44,343
–	Bonds, deposits and retentions received		957	926
2,972	Other		6,149	1,909
<b>Payments:</b>				
(34,451)	Payments to employees		(36,173)	(34,679)
(21,923)	Payments for materials and services		(43,570)	(39,065)
(176)	Borrowing costs		(107)	(188)
(259)	Bonds, deposits and retentions refunded		(441)	(395)
(11,997)	Other		(2,072)	(6,547)
44,753	<b>Net cash flows from operating activities</b>	G1-1	<b>51,636</b>	<b>43,852</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investments		60,500	–
–	Redemption of term deposits		–	58,500
1,270	Sale of real estate assets		–	4,168
175	Proceeds from sale of IPPE		1,749	749
<b>Payments:</b>				
–	Purchase of investments		(60,547)	(4,090)
(18,200)	Acquisition of term deposits		13,500	(73,000)
(30,000)	Payments for IPPE		(57,546)	(27,591)
(46,755)	<b>Net cash flows from investing activities</b>		<b>(42,344)</b>	<b>(41,264)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
4,363	Proceeds from borrowings		4,363	–
<b>Payments:</b>				
(1,374)	Repayment of borrowings		(1,192)	(1,559)
–	Principal component of lease payments		(4)	(18)
2,989	<b>Net cash flows from financing activities</b>		<b>3,167</b>	<b>(1,577)</b>
987	<b>Net change in cash and cash equivalents</b>		<b>12,459</b>	<b>1,011</b>
5,162	Cash and cash equivalents at beginning of year		8,777	7,766
6,149	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>21,236</b>	<b>8,777</b>
63,000	plus: Investments on hand at end of year <sup>1</sup>	C1-2	51,890	65,167
69,149	<b>Total cash, cash equivalents and investments</b>		<b>73,126</b>	<b>73,944</b>

(1) Refer to Note G4-2 for details regarding restatement of prior year.

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

# Cessnock City Council

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## Cessnock City 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 18 December 2023.

Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the Office of Local Government (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 financial assets have been measured at fair value through the profit or loss.

#### **Significant accounting estimates and judgements**

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

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

#### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future.

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

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

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

#### **Significant judgements in applying the Council's accounting policies**

- 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 entities have been included as part of the Consolidated Fund:

- General purpose operations

## A1-1 Basis of preparation (continued)

- Section 355 Committees

### 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

Volunteer services are used throughout a variety of Council functions. These include Section 355 Committees for community halls and tidy towns projects, library services and performing arts centre services. The value to Council of these services has not been recognised in the income statement as they cannot be readily measured.

### 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 have been published 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.

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

#### **AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities**

This Standard modifies AASB 13 Fair Value Measurement for application by not-for-profit public sector entities such as Council.

It includes authoritative implementation guidance when fair valuing non-financial assets, not held primarily for their ability to generate cash inflows and also provides guidance and clarification when valuing assets that are restricted (in their use) at Council.

This includes guidance and clarification regarding the determination of an assets highest and best use, the development and use of internal assumptions for unobservable inputs and allows for greater use of internal judgements when applying the cost approach in the measurement and determination of fair values.

**Although Council is yet to fully determine the impact of this standard, the changes will be evaluated in the future assessment of all property and infrastructure assets measured at fair value.**

The standard applies prospectively to annual periods beginning on or after 1 January 2024, with earlier application permitted.

#### **AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates**

This Standard amends a number of standards as follows:

- AASB 7 to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;

## A1-1 Basis of preparation (continued)

- AASB 101 to require entities to disclose their material accounting policy information rather than their significant accounting policies;
- AASB 108 to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;
- AASB 134 to identify material accounting policy information as a component of a complete set of financial statements; and
- AASB Practice Statement 2 to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

**The standard may have significant impact on Council as it requires Council to consider the materiality of the accounting policy information to be included in the financial statements.**

*AASB 101 Presentation of Financial Statements* requires the disclosure of material accounting policy information rather than significant accounting policies.

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

Accounting policy information is likely to be considered material if that information relates to material transactions, other events or conditions and:

- the entity has changed accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements.
- the entity (or OLG) chose the accounting policy from one or more options permitted by Australian Accounting Standards.
- the accounting policy was developed in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* in the absence of an Australian Accounting Standard that specifically applies.
- the accounting policy relate to an area for which an entity is required to make significant judgements or assumptions in applying an accounting policy, and the entity discloses those judgements or assumptions in the financial statements
- the accounting required for them is complex and users of the entity's financial statements would otherwise not understand those material transactions, other events or conditions.

Further AASB 101 notes that '*Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed.*'

This standard has an effective date for the 30 June 2024 reporting period.

### **New accounting standards adopted during the year**

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2023.

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

## B Financial Performance

### B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<b>Functions or activities</b>										
Administration	10,328	10,731	18,874	34,336	(8,546)	(23,605)	8,856	9,931	166,713	163,494
Public order and safety	1,526	1,069	2,983	2,281	(1,457)	(1,212)	407	294	4,632	4,153
Health	859	843	1,006	746	(147)	97	121	92	254	255
Environment	20,794	28,336	29,291	16,815	(8,497)	11,521	1,141	8,647	125,080	115,575
Community services and education	70	83	928	495	(858)	(412)	70	83	8,003	7,640
Housing and community amenities	1,735	2,066	8,541	5,916	(6,806)	(3,850)	28	13	6,463	6,774
Recreation and culture	6,683	2,947	13,778	5,910	(7,095)	(2,963)	5,730	2,193	108,792	96,310
Mining, manufacturing and construction	1,336	1,578	1,892	1,390	(556)	188	100	–	210	232
Transport and communication	53,322	48,268	50,058	30,540	3,264	17,728	47,793	34,752	937,359	847,346
Economic affairs	945	630	1,651	1,307	(706)	(677)	635	557	357	341
General Purpose Income	57,806	53,563	–	–	57,806	53,563	10,757	10,093	–	–
Other	–	–	–	–	–	–	–	–	11,744	–
<b>Total functions and activities</b>	<b>155,404</b>	<b>150,114</b>	<b>129,002</b>	<b>99,736</b>	<b>26,402</b>	<b>50,378</b>	<b>75,638</b>	<b>66,655</b>	<b>1,369,607</b>	<b>1,242,120</b>



## B1-2 Components of functions or activities

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

### Governance

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

### Administration

Includes corporate support and other support services, engineering works, and any Council policy compliance.

### Public Order and Safety

Includes Council's fire protection, emergency services, enforcement of regulations and animal control.

### Health

Includes immunisation, food control, health centres etc.

### Environment

Includes noxious plants and insect/vermin control, other environmental protection, solid waste management, including domestic waste, other waste management, other sanitation, and garbage, street cleaning, drainage and stormwater management.

### Community Services and Education

Includes administration and education, social protection (welfare), Aboriginal and other community services and administration, youth services, aged and disabled persons services, and other family and children services.

### Housing and Community Amenities

Includes public cemeteries, public conveniences, street lighting, town planning, other community amenities.

### Recreation and Culture

Includes public libraries, museums, art galleries, community centres and halls, including public halls and performing arts venues, sporting grounds and venues, swimming pools, parks, gardens, and other sporting, recreational and cultural services.

### Mining, Manufacturing and Construction

Includes building control, quarries.

### Transport and Communication

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

### Economic Affairs

Includes tourism and area promotion, industrial development promotion, real estate development, and other business undertakings.

### General Purpose Income

Includes rates and fees and charges income which can be used for business undertaken by Council.

## B2 Sources of income

### B2-1 Rates and annual charges

\$ '000	2023	2022
<b>Ordinary rates</b>		
Residential	34,803	33,091
Farmland	2,674	2,595
Mining	1,473	1,437
Business	6,115	6,041
Less: pensioner rebates (mandatory)	(791)	(786)
Less: pensioner rebates (Council policy)	(97)	(94)
<b>Rates levied to ratepayers</b>	<b>44,177</b>	<b>42,284</b>
Pensioner rate subsidies received	446	420
<b>Total ordinary rates</b>	<b>44,623</b>	<b>42,704</b>
<b>Annual charges (pursuant to s496, 496A, 496B, 501 &amp; 611)</b>		
Domestic waste management services	16,133	15,219
Stormwater management services	591	554
Waste management services (non-domestic)	979	934
Section 611 charges	18	28
Other	7	–
Less: pensioner rebates (mandatory)	(401)	(399)
Less: pensioner rebates (Council policy)	(48)	(46)
<b>Annual charges levied</b>	<b>17,279</b>	<b>16,290</b>
Pensioner annual charges subsidies received:		
– Domestic waste management	218	216
<b>Total annual charges</b>	<b>17,497</b>	<b>16,506</b>
<b>Total rates and annual charges</b>	<b>62,120</b>	<b>59,210</b>

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

\$ '000	2023	2022
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s608)</b>		
Inspection services	281	264
Private works – section 67	1	2
Regulatory/ statutory fees	246	235
Section 10.7 certificates (EP&A Act)	269	281
Section 603 certificates	150	198
Town planning	2,119	2,505
Building permits and fees	683	846
<b>Total fees and charges – statutory/regulatory</b>	<b>3,749</b>	<b>4,331</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s608))</b>		
Aerodrome	63	143
Cemeteries	248	128
Transport for NSW works (state roads not controlled by Council)	5,077	12,827
Waste disposal tipping fees	1,578	2,782
Cessnock performing arts centre	477	273
Onsite sewerage management fees	520	547
Swimming pool fees	196	177
Other	161	476
<b>Total fees and charges – other</b>	<b>8,320</b>	<b>17,353</b>
<b>Total other user charges and fees</b>	<b>12,069</b>	<b>21,684</b>
<b>Total user charges and fees</b>	<b>12,069</b>	<b>21,684</b>
<b>Timing of revenue recognition for user charges and fees</b>		
User charges and fees recognised at a point in time	9,950	19,179
User charges and fees recognised over time	2,119	2,505
<b>Total user charges and fees</b>	<b>12,069</b>	<b>21,684</b>

### 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 the customer is required to pay on arrival or a deposit in advance. There is no material obligation for Council in relation to refunds or returns.

Where an upfront fee is charged the fee is recognised on a straight-line basis over the expected life of the membership.

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

## B2-3 Other revenues

\$ '000	2023	2022
Fines	882	532
Legal fees recovery – rates and charges (extra charges)	599	6
Legal fees recovery – other	5	–
Commissions and agency fees	33	33
Diesel rebate	39	39
Sales – general	547	321
Section 355 committees	153	239
Other	12	29
Metal Sales	485	326
<b>Total other revenue</b>	<b>2,755</b>	<b>1,525</b>
<b>Timing of revenue recognition for other revenue</b>		
Other revenue recognised at a point in time	2,755	1,525
<b>Total other revenue</b>	<b>2,755</b>	<b>1,525</b>

### Accounting policy for other revenue

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

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

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

## B2-4 Grants and contributions

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
<b>General purpose grants and non-developer contributions (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	1,526	2,961	–	–
Financial assistance – local roads component	515	1,017	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance – general component	6,487	4,546	–	–
Financial assistance – local roads component	2,230	1,568	–	–
<b>Amount recognised as income during current year</b>	<b>10,758</b>	<b>10,092</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>				
<b>Cash contributions</b>				
Bushfire and emergency services	477	405	181	–
Community centres	–	–	790	174
Economic development	299	325	228	12
Environmental programs	–	520	–	–
Heritage and cultural	–	–	1,611	143
Library – per capita	180	162	–	–
Library – special projects	79	86	–	–
LIRS subsidy	31	27	–	–
Noxious weeds	75	73	–	–
Recreation and culture	60	140	2,616	2,937
Drainage	25	65	233	14
Transport	–	74	–	71
Waste levy programs	–	94	233	–
Welfare services	58	70	–	–
Street lighting	113	111	–	–
Transport (roads to recovery)	1,065	1,065	–	–
Transport (flood works, other roads and bridges funding)	3,510	1,333	15,267	6,154
Airport Upgrades	–	–	3,626	3,038
Other	170	197	51	44
Transport for NSW contributions (regional roads, block grant)	1,723	1,418	614	316
General admin services	828	638	–	–
<b>Total special purpose grants and non-developer contributions – cash</b>	<b>8,693</b>	<b>6,803</b>	<b>25,450</b>	<b>12,903</b>
<b>Non-cash contributions</b>				
Dedications – subdivisions (other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA)	–	–	21,716	27,821
<b>Total other contributions – non-cash</b>	<b>–</b>	<b>–</b>	<b>21,716</b>	<b>27,821</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>	<b>8,693</b>	<b>6,803</b>	<b>47,166</b>	<b>40,724</b>
<b>Total grants and non-developer contributions</b>	<b>19,451</b>	<b>16,895</b>	<b>47,166</b>	<b>40,724</b>
<b>Comprising:</b>				
– Commonwealth funding	12,929	12,590	3,865	5,649
– State funding	5,186	2,857	21,215	7,053
– Other funding	1,336	1,448	22,086	28,022
	<b>19,451</b>	<b>16,895</b>	<b>47,166</b>	<b>40,724</b>

## B2-4 Grants and contributions (continued)

### Developer contributions

\$ '000	Notes	Operating 2023	Operating 2022	Capital 2023	Capital 2022
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.4 – contributions using planning agreements	G4	–	–	2,103	1,526
S 7.11 – contributions towards amenities/services		–	–	5,355	7,341
S 7.12 – fixed development consent levies		–	–	330	169
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>7,788</b>	<b>9,036</b>
<b>Non-cash contributions</b>					
S 7.11 – contributions towards amenities/services		–	–	1,233	–
<b>Total developer contributions non-cash</b>		<b>–</b>	<b>–</b>	<b>1,233</b>	<b>–</b>
<b>Total developer contributions</b>		<b>–</b>	<b>–</b>	<b>9,021</b>	<b>9,036</b>
<b>Total contributions</b>		<b>–</b>	<b>–</b>	<b>9,021</b>	<b>9,036</b>
<b>Total grants and contributions</b>		<b>19,451</b>	<b>16,895</b>	<b>56,187</b>	<b>49,760</b>
<b>Timing of revenue recognition for grants and contributions</b>					
Grants and contributions recognised over time		–	10,092	25,080	12,378
Grants and contributions recognised at a point in time		19,451	6,803	31,107	37,382
<b>Total grants and contributions</b>		<b>19,451</b>	<b>16,895</b>	<b>56,187</b>	<b>49,760</b>

### Unspent grants and contributions

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

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
<b>Unspent grants and contributions</b>				
Unspent funds at 1 July	2,436	1,429	9,869	6,733
<b>Add:</b> Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	2,758	1,886	–	–
<b>Add:</b> Funds received and not recognised as revenue in the current year	–	–	6,163	7,018
<b>Less:</b> Funds recognised as revenue in previous years that have been spent during the reporting year	(1,299)	(879)	–	–
<b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year	–	–	(7,758)	(3,882)
<b>Unspent funds at 30 June</b>	<b>3,895</b>	<b>2,436</b>	<b>8,274</b>	<b>9,869</b>
<b>Contributions</b>				
Unspent funds at 1 July	27,057	20,996	–	–
<b>Add:</b> contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	7,928	9,145	–	–
	<b>(3,183)</b>	<b>(3,084)</b>	<b>–</b>	<b>–</b>

## B2-4 Grants and contributions (continued)

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
<b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year	(3,183)	(3,084)	-	-
<b>Unspent contributions at 30 June</b>	<b>31,802</b>	<b>27,057</b>	<b>-</b>	<b>-</b>

### Accounting policy

#### Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

#### Capital grants

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

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

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

#### Non-cash contributions

Dedications in the form of tangible assets found or received by Council, mostly from developers, are recognised as capital income measured by the fair value at the time of dedication, less any accumulated depreciation. The level of dedications correlates strongly with development activities and includes such assets as bridges, roads, stormwater pits and pipes, and kerb and gutter.

#### 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**

<b>\$ '000</b>	<b>2023</b>	2022
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	<b>229</b>	213
– Cash and investments	<b>2,012</b>	353
<b>Dividend income from investments at fair value through profit or loss</b>		
- Distributions from managed funds	<b>47</b>	90
<b>Total interest and investment income</b>	<b>2,288</b>	<b>656</b>

**Accounting policy**

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



## B2-6 Other income

\$ '000	Notes	2023	2022
<b>Rental income</b>			
<b>Other lease income</b>			
Community Facilities	C2-2	358	384
<b>Total other lease income</b>		<b>358</b>	<b>384</b>
<b>Total rental income</b>	C2-2	<b>358</b>	<b>384</b>
<b>Fair value increment on investments</b>			
Fair value increment on investments through profit and loss		176	–
<b>Total Fair value increment on investments</b>		<b>176</b>	<b>–</b>
<b>Total other income</b>		<b>534</b>	<b>384</b>

## B3 Costs of providing services

### B3-1 Employee benefits and on-costs

\$ '000	2023	2022
Salaries and wages	30,103	28,176
Employee leave entitlements (ELE)	6,764	5,253
Superannuation	4,141	3,677
Workers' compensation insurance	1,597	1,268
Fringe benefit tax (FBT)	201	228
Other	34	35
<b>Total employee costs</b>	<b>42,840</b>	<b>38,637</b>
Less: capitalised costs	(6,999)	(5,366)
<b>Total employee costs expensed</b>	<b>35,841</b>	<b>33,271</b>

#### Accounting policy

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

#### Retirement benefit obligations

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

#### Superannuation plans

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

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

## B3-2 Materials and services

\$ '000	Notes	2023	2022
Raw materials and consumables		28,140	28,626
Contractor costs		4,601	3,956
Audit Fees	F2-1	106	58
Infringement notice contract costs (SEINS)		97	82
Councillor and Mayoral fees and associated expenses	F1-2	485	424
Advertising		105	121
Bank charges		159	29
Election expenses		–	400
Electricity and heating		518	408
Insurance		1,725	1,461
Street lighting LED upgrade		242	28
Street lighting		1,135	861
Telephone and communications		324	213
Valuation fees		256	214
Other expenses		1,134	960
Rate collection agency expenses		33	61
RSPCA contribution		244	279
Section 355 committees		123	116
Subsidies		34	36
<b>Legal expenses:</b>			
– Legal expenses: planning and development		(56)	578
– Legal expenses: debt recovery		584	–
– Legal expenses: legal settlement		6,641	215
Expenses from leases of low value assets		23	39
<b>Total materials and services</b>		<b>46,653</b>	<b>39,165</b>
<b>Total materials and services</b>		<b>46,653</b>	<b>39,165</b>

### Accounting policy

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

### B3-3 Borrowing costs

\$ '000	Notes	2023	2022
<b>(i) Interest bearing liability costs</b>			
Interest on leases		-	-
Interest on loans		107	176
<b>Total interest bearing liability costs</b>		<b>107</b>	<b>176</b>
<b>Total interest bearing liability costs expensed</b>		<b>107</b>	<b>176</b>
<b>(ii) Other borrowing costs</b>			
Remediation liabilities	C3-5	-	12
<b>Total borrowing costs expensed</b>		<b>107</b>	<b>188</b>

#### Accounting policy

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

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

\$ '000	Notes	2023	2022
<b>Depreciation and amortisation</b>			
Plant and equipment		2,312	2,080
Office equipment		385	316
Furniture and fittings		22	22
Library books		196	181
<b>Infrastructure:</b>	C1-8		
– Buildings		2,357	2,334
– Roads		7,837	7,215
– Bridges		672	619
– Footpaths		324	271
– Stormwater drainage		1,192	1,121
– Swimming pools		64	60
– Other open space/recreational assets		1,408	1,269
– Other infrastructure		45	29
Right of use assets	C2-1	1	23
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	C3-5,C1-8	2,087	(241)
<b>Total gross depreciation and amortisation costs</b>		<b>18,902</b>	<b>15,299</b>
<b>Total depreciation and amortisation costs</b>		<b>18,902</b>	<b>15,299</b>
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>18,902</b>	<b>15,299</b>

#### Accounting policy

##### Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-8 for IPPE assets and Note C2-1a for right of use assets.

##### Impairment of non-financial assets

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

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**

<b>\$ '000</b>	Notes	<b>2023</b>	2022
<b>Impairment of receivables</b>			
Other		<b>(85)</b>	314
<b>Total impairment of receivables</b>	C1-4	<b>(85)</b>	<b>314</b>
<b>Fair value decrement on investments</b>			
Fair value decrement on investments through profit and loss		–	423
<b>Total Fair value decrement on investments</b>	C1-2	<b>–</b>	<b>423</b>
<b>Impairment of investments</b>			
Investments other than at fair value through other comprehensive income	D1-1	–	383
<b>Impairment of investments</b>		<b>–</b>	<b>383</b>
<b>Other</b>			
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		<b>164</b>	88
– NSW fire brigade levy		<b>424</b>	372
– NSW rural fire service levy		<b>804</b>	603
– Waste levy		<b>4,361</b>	5,268
Donations, contributions and assistance to other organisations (Section 356)		<b>(109)</b>	78
Adjustment for remediation provision estimates		<b>10,264</b>	2,210
<b>Total other</b>		<b>15,908</b>	<b>8,619</b>
<b>Total other expenses</b>		<b>15,823</b>	<b>9,739</b>

**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

\$ '000	Notes	2023	2022
<b>Gain (or loss) on disposal of property (excl. investment property)</b>			
Proceeds from disposal – property		608	–
Less: carrying amount of property assets sold/written off		(626)	–
<b>Gain (or loss) on disposal</b>		<b>(18)</b>	<b>–</b>
<b>Gain (or loss) on disposal of plant and equipment</b>			
	C1-8		
Proceeds from disposal – plant and equipment		1,141	749
Less: carrying amount of plant and equipment assets sold/written off		(825)	(689)
<b>Gain (or loss) on disposal</b>		<b>316</b>	<b>60</b>
<b>Gain (or loss) on disposal of infrastructure</b>			
	C1-8		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(11,974)	(5,032)
<b>Gain (or loss) on disposal</b>		<b>(11,974)</b>	<b>(5,032)</b>
<b>Gain (or loss) on disposal of real estate assets held for sale</b>			
	C1-5		
Proceeds from disposal – real estate assets		–	4,168
Less: carrying amount of real estate assets sold/written off		–	(1,270)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>2,898</b>
<b>Gain (or loss) on disposal of investments</b>			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		60,500	58,500
Less: carrying amount of investments sold/redeemed/matured		(60,500)	(58,500)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Net gain (or loss) from disposal of assets</b>		<b>(11,676)</b>	<b>(2,074)</b>

#### 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 29 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 -----		
<b>Revenues</b>					
<b>Rates and annual charges</b>	61,216	62,120	904	1%	<b>F</b>
<b>User charges and fees</b>	9,782	12,069	2,287	23%	<b>F</b>
Additional income from Transport for NSW was received due to contracted work on State roads not controlled by Council being higher than expected. Related costs are recognised in the Materials and Services expenditure.					
<b>Other revenues</b>	2,133	2,755	622	29%	<b>F</b>
Recovery of legal fees has increased due to the re-commencement of enforcement activity after a hold during the COVID-19 pandemic.					
<b>Operating grants and contributions</b>	11,751	19,451	7,700	66%	<b>F</b>
Favourable variance due to Council's success in achieving additional grants under the Natural Disaster (floods) and other Roads repair programs as well as the prepayment in full of the Federal Assistance Grant for 2023-24 to Council in 2023					
<b>Capital grants and contributions</b>	38,871	56,187	17,316	45%	<b>F</b>
The original budget only includes confirmed grants known at the time the budget was set and during the year further specific grants were received including Local Roads & Community Infrastructure Program, grants for improvements to the Performing Arts Centre and Recreation & Culture.					
<b>Interest and investment revenue</b>	475	2,288	1,813	382%	<b>F</b>
Council's Term Deposits returned higher interests due to an increase in cash rates.					
<b>Net gains from disposal of assets</b>	570	-	(570)	(100)%	<b>U</b>
Any net gain on disposal of assets has been offset in the net losses on disposal					
<b>Other income</b>	-	534	534	∞	<b>F</b>
Other income for lease rental on Community Facilities was included in the budget under Other Revenues. The income statement and Notes B2-3 Other Revenues and B2-6 Other Income correctly records the current and prior year actuals under Other Income.					
<b>Expenses</b>					
<b>Employee benefits and on-costs</b>	34,557	35,841	(1,284)	(4)%	<b>U</b>
<b>Materials and services</b>	21,814	46,653	(24,839)	(114)%	<b>U</b>
Unfavourable variance due to expenses relating directly to natural disasters and increased spend on roads maintenance programs. Additional expense for Transport for NSW State Road works offset by additional income.					



**B5-1 Material budget variations (continued)**

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
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The variance also includes the review and recognition of operational costs that were originally budgeted in the capital works program.

<b>Borrowing costs</b>	176	107	69	39%	F
<b>Depreciation, amortisation and impairment of non-financial assets</b>	15,599	18,902	(3,303)	(21)%	U

Depreciation has increased as a result of revaluation of assets from previous years reflecting depreciation cost over their effective life. Assets are required to be carried at their fair value primarily increasing in line with CPI or other appropriate factor. At the time of preparing the budget the forecast inflation rate was below the final value at 30 June 2023. Once fair values had been adjusted in line with the CPI this has had an additional effect on the depreciation of those assets.

<b>Other expenses</b>	11,255	15,823	(4,568)	(41)%	U
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The primary unfavourable variance in Other expenses are increases to the provision for remediation related to landfill sites.

<b>Net losses from disposal of assets</b>	2,500	11,676	(9,176)	(367)%	U
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Losses on disposal occurred due to infrastructure renewed prior to the end of its effective life. Budget differences arise due to work completed on existing assets has been to a more significant level to the point that they are now considered new assets. This requires the existing assets to have their uncharged depreciation written off as a loss on disposal.

Over 60% of these additional disposals was as a result of grant funded and developer contribution capital projects that have led to complete asset renewal particularly at Cessnock Airport and roadworks. Airport and roadwork projects saw significant renews leading to a loss on disposal amounting to 85% of the total loss on disposal. This includes amounts relating to natural disaster renewals from the flood events of 2022.

**Statement of cash flows**

<b>Cash flows from operating activities</b>	44,753	51,636	6,883	15%	F
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An additional \$20.4m in operating income was received over the financial year compared to budget, with the major increases coming in User Charges and Fees, Interest received and Grants and Contributions. This was offset by an increase of \$13.6m in operating expenditure primarily in materials and services.

Additional interest received as come from an increase in rates received on investments due to the continuing rise in interest rates over the year where rates had increased with each official interest rate rise over the year.

User Charges and Fees are addition activities for other council services including contracted roadworks on state roads and additional revenue from fines.

Grants and contributions are from an additional prepayment of the Financial Assistance Grant as well as other grants received for Natural Disaster remediation due the 2022 flood events.

The increase in the Materials and services includes an amount paid on a legal settlement that was unbudgeted and other increased costs to deliver increased capital works programs.

<b>Cash flows from investing activities</b>	(46,755)	(42,344)	4,411	(9)%	F
<b>Cash flows from financing activities</b>	2,989	3,167	178	6%	F

## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

\$ '000	2023	2022
<b>Cash assets</b>		
Cash on hand and at bank	20,634	5,228
Deposits at call	602	3,549
<b>Total cash and cash equivalents</b>	<b>21,236</b>	<b>8,777</b>

#### Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	21,236	8,777
<b>Balance as per the Statement of Cash Flows</b>	<b>21,236</b>	<b>8,777</b>

#### 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

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
<b>Financial assets at fair value through the profit and loss</b>				
Managed funds	3,890	-	3,667	-
<b>Total</b>	<b>3,890</b>	<b>-</b>	<b>3,667</b>	<b>-</b>
<b>Debt securities at amortised cost</b>				
Term deposits	48,000	-	61,500	-
<b>Total</b>	<b>48,000</b>	<b>-</b>	<b>61,500</b>	<b>-</b>
<b>Total financial investments</b>	<b>51,890</b>	<b>-</b>	<b>65,167</b>	<b>-</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>73,126</b>	<b>-</b>	<b>73,944</b>	<b>-</b>

#### 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)

## C1-2 Financial investments (continued)

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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 as described above are measured at fair value through profit or loss.

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

Council's financial assets measured at fair value through profit or loss comprise investments in Treasury Corporation's TCorpIM Medium Term Growth Fund in the Statement of Financial Position.

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

\$ '000	2023	2022
(a) Externally restricted cash, cash equivalents and investments		
<b>Total cash, cash equivalents and investments</b>	<b>73,126</b>	73,944
Less: Externally restricted cash, cash equivalents and investments	<u>(38,985)</u>	<u>(35,642)</u>
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>34,141</b>	38,302
<b>External restrictions</b>		
<b>External restrictions – included in liabilities</b>		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants – general fund	<u>5,647</u>	<u>7,332</u>
<b>External restrictions – included in liabilities</b>	<b>5,647</b>	7,332
<b>External restrictions – other</b>		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	31,800	26,431
Transport for NSW contributions	182	624
Stormwater management	926	825
Domestic waste management	<u>430</u>	<u>430</u>
<b>External restrictions – other</b>	<b>33,338</b>	28,310
<b>Total external restrictions</b>	<b>38,985</b>	35,642

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

\$ '000	2023	2022
(b) Internal allocations		
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>34,141</b>	38,302
Less: Internally restricted cash, cash equivalents and investments	<u>(30,331)</u>	<u>(36,581)</u>
<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>3,810</b>	1,721
<b>Internal allocations</b>		
At 30 June, Council has internally allocated funds to the following:		
Plant and vehicle replacement	2,794	3,714
Employees leave entitlement	2,519	2,446
Carry over works	385	2,267
Deposits, retentions and bonds	4,144	3,551
Bridge replacement	346	455
Energy efficiency	95	–
Financial assistance grant in advance	–	6,115
Insurance provisions	761	1,282
Miscellaneous and property	816	920
Operations and programs	473	318
Property investment fund	3,112	3,199
Civil Works	95	1,515
Waste depot and rehabilitation	12,448	9,454
Unexpended Loan Funds	2,129	–

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

<b>\$ '000</b>	<b>2023</b>	2022
Committed Projects (SRV)	<b>214</b>	1,345
<b>Total internal allocations</b>	<b>30,331</b>	<b>36,581</b>

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

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Rates and annual charges	4,485	–	4,666	–
User charges and fees	22	–	24	–
Accrued revenues				
Interest on investments	887	–	245	–
Competitive building fees	181	–	139	–
Garbage tipping fees	21	–	36	–
Government grants and subsidies	6,627	–	4,823	–
Kerb and gutter	4	–	6	–
Net GST receivable	1,361	–	1,177	–
Premises inspections	108	–	97	–
Rental charges	38	–	31	–
Restoration charges	8	–	6	–
Transport for NSW	277	–	4,184	–
Other debtors	1,516	–	892	–
<b>Total</b>	<b>15,535</b>	<b>–</b>	<b>16,326</b>	<b>–</b>
<b>Less: provision for impairment</b>				
Rates and annual charges	(379)	–	(361)	–
Other debtors	(352)	–	(455)	–
<b>Total provision for impairment – receivables</b>	<b>(731)</b>	<b>–</b>	<b>(816)</b>	<b>–</b>
<b>Total net receivables</b>	<b>14,804</b>	<b>–</b>	<b>15,510</b>	<b>–</b>

### 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 the receivables are over 120 days past due, whichever occurs first.

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

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
<b>(i) Inventories at cost</b>				
Stores and materials	484	-	548	-
Hunter Valley Visitor Information Centre stock on hand	17	-	11	-
<b>Total inventories at cost</b>	<b>501</b>	<b>-</b>	<b>559</b>	<b>-</b>
<b>Total inventories</b>	<b>501</b>	<b>-</b>	<b>559</b>	<b>-</b>

### (ii) Other disclosures

#### 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.

Hunter Valley Visitor Information Centre consignment stock has been excluded from stock on hand.

## C1-6 Contract assets and Contract cost assets

#### Accounting policy

##### Contract assets

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

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

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

Council does not have any contract assets or contract cost assets at 30 June 2023.

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

<b>\$ '000</b>	<b>2023 Current</b>	<b>2023 Non-current</b>	2022 Current	2022 Non-current
Land and Buildings	<b>975</b>	-	-	-
<b>Total non-current assets held for sale</b>	<b>975</b>	-	-	-
<b>Total non-current assets classified as held for sale</b>	<b>975</b>	-	-	-

Surplus Operational Land parcels classified as held for sale as its carrying amount will be recovered through a sale transaction, rather than continuing use. This land was sold in the first quarter of financial year 2024.

**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

By aggregated asset class	Asset movements during the reporting period													
	At 1 July 2022					At 30 June 2023								
\$ '000	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers renewals	WIP transfers new assets	Tfns from/(to) 'held for sale' category	Revaluation increments/(decrements)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	16,540	-	16,540	8,188	15,325	(430)	-	(5,113)	(3,150)	-	-	31,360	-	31,360
Plant and equipment	26,074	(19,274)	6,800	-	3,693	(825)	(2,312)	-	395	-	-	28,386	(20,635)	7,751
Office equipment	5,566	(4,315)	1,251	-	182	-	(385)	-	7	-	-	5,755	(4,700)	1,055
Furniture and fittings	1,496	(1,377)	119	-	-	-	(22)	-	-	-	-	1,496	(1,398)	98
<b>Land:</b>														
- Operational land	42,879	-	42,879	-	-	-	-	-	531	(1,586)	1,016	42,841	-	42,841
- Community land	41,146	-	41,146	-	1,391	-	-	-	(531)	-	11,743	53,749	-	53,749
- Land under roads (post 30/6/08)	1,101	-	1,101	-	422	-	-	-	-	-	516	2,039	-	2,039
<b>Infrastructure:</b>														
- Buildings	144,913	(77,679)	67,234	845	700	(475)	(2,357)	145	22	-	11,250	148,660	(71,297)	77,363
- Roads	882,596	(149,037)	733,559	6,788	22,568	(6,147)	(7,837)	1,141	400	-	41,805	953,518	(161,252)	792,266
- Bridges	69,497	(6,937)	62,560	530	1,012	(376)	(672)	-	610	-	3,591	75,079	(7,822)	67,257
- Footpaths	25,657	(3,705)	21,952	7	3,742	(253)	(324)	-	63	-	1,278	30,616	(4,149)	26,467
- Stormwater drainage	134,177	(21,102)	113,075	18	1,797	(110)	(1,192)	-	-	-	6,325	143,343	(23,430)	119,913
- Swimming pools	5,901	(2,821)	3,080	8	-	(5)	(64)	-	-	-	122	6,152	(3,012)	3,140
- Other open space/recreational assets	44,999	(14,915)	30,084	635	3,678	(590)	(1,408)	55	1,186	-	1,610	51,960	(16,710)	35,250
- Other infrastructure	6,960	(1,091)	5,869	-	3,442	(4,017)	(45)	3,772	467	-	1,340	10,895	(67)	10,828
<b>Other assets:</b>														
- Library books	6,440	(5,519)	921	-	146	-	(196)	-	-	-	-	6,586	(5,715)	871
<b>Reinstatement, rehabilitation and restoration assets (refer Note 11):</b>														
- Tip assets	9,936	(8,784)	1,152	-	5,800	-	(2,087)	-	-	-	-	15,735	(10,871)	4,864
<b>Total Infrastructure, property, plant and equipment</b>	<b>1,465,878</b>	<b>(316,556)</b>	<b>1,149,322</b>	<b>17,019</b>	<b>63,898</b>	<b>(13,228)</b>	<b>(18,901)</b>	<b>-</b>	<b>-</b>	<b>(1,586)</b>	<b>80,596</b>	<b>1,608,170</b>	<b>(331,058)</b>	<b>1,277,112</b>

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

### C1-8 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2021						Asset movements during the reporting period						At 30 June 2022	
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers renewals	WIP transfers new assets	Tfirs from/(to) 'held for sale' category	Revaluation increments/(decrements)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	12,543	-	12,543	7,273	5,122	(1,383)	-	(4,464)	(2,551)	-	-	16,540	-	16,540
Plant and equipment	25,741	(17,757)	7,984	-	1,584	(688)	(2,080)	-	-	-	-	26,074	(19,274)	6,800
Office equipment	4,802	(3,999)	803	-	734	-	(316)	-	30	-	-	5,566	(4,315)	1,251
Furniture and fittings	1,490	(1,354)	136	-	5	-	(22)	-	-	-	-	1,496	(1,377)	119
<b>Land:</b>														
- Operational land	31,151	-	31,151	-	-	-	-	-	1,409	10,319	-	42,879	-	42,879
- Community land	31,677	-	31,677	-	-	-	-	-	-	9,469	-	41,146	-	41,146
- Land under roads (post 30/6/08)	742	-	742	-	137	-	-	-	-	222	-	1,101	-	1,101
<b>Infrastructure:</b>														
- Buildings	135,932	(71,741)	64,191	320	116	(250)	(2,334)	296	49	-	4,846	144,913	(77,679)	67,234
- Roads	807,313	(135,870)	671,443	5,333	20,395	(3,865)	(7,215)	3,440	591	-	43,437	882,596	(149,037)	733,559
- Bridges	65,627	(6,293)	59,334	296	1,448	(491)	(619)	337	475	-	1,780	69,497	(6,937)	62,560
- Footpaths	22,026	(3,392)	18,634	169	2,606	(138)	(271)	115	316	-	521	25,657	(3,705)	21,952
- Stormwater drainage	123,346	(19,605)	103,741	-	7,968	(88)	(1,121)	113	261	-	2,201	134,177	(21,102)	113,075
- Swimming pools	5,679	(2,665)	3,014	32	-	(21)	(60)	-	-	-	115	5,901	(2,821)	3,080
- Other open space/recreational assets	40,660	(13,194)	27,466	56	1,525	(179)	(1,269)	163	829	-	1,493	44,999	(14,915)	30,084
- Other infrastructure	6,485	(993)	5,492	-	-	-	(29)	-	-	-	406	6,960	(1,091)	5,869
<b>Other assets:</b>														
- Library books	6,301	(5,338)	963	-	139	-	(181)	-	-	-	-	6,440	(5,519)	921
<b>Reinstatement, rehabilitation and restoration assets (refer Note 11):</b>														
- Tip assets	11,525	(9,025)	2,500	-	1,536	-	241	-	-	(3,125)	-	9,936	(8,784)	1,152
<b>Total infrastructure, property, plant and equipment</b>	<b>1,333,040</b>	<b>(291,226)</b>	<b>1,041,814</b>	<b>13,479</b>	<b>43,315</b>	<b>(7,103)</b>	<b>(15,276)</b>	<b>-</b>	<b>-</b>	<b>1,409</b>	<b>71,684</b>	<b>1,465,878</b>	<b>(316,556)</b>	<b>1,149,322</b>

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

## C1-8 Infrastructure, property, plant and equipment (continued)

### 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.

#### Capitalisation Threshold

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following:

##### Plant & Equipment

Office Equipment	>\$300
Furniture and Fittings	>\$300
Other Plant & Equipment	>\$3,000
Library books	100% Capitalised

##### Land

Operational land	100% Capitalised
Community land	100% Capitalised
Land under roads (purchases after 30/06/08)	100% Capitalised

##### Buildings

New construction or upgrade	100% Capitalised
Renewal	Capitalised where restoration costs \$2,000 or greater or a complete component replaced

##### Transportation Assets

Roads	Capitalise if pavement renewal to same standard, resurfacing with same standard, reconstruction is \$10,000 or greater and / or more than 20% of a segment area
Kerb & Gutter	\$3,000 or greater
Traffic Facilities	\$3,000 or greater
Bridges	Capitalise if reconstruction is \$10,000 or greater and / or more than 20% of a component
Footpaths	\$3,000 or greater

##### Stormwater Drainage

Culverts, Pipes & Pits	Capitalise if reconstruction is \$5,000 or greater and / or more than 20% of asset
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##### Other Infrastructure Assets

Swimming Pools	Capitalise if complete component is replaced or \$2,000 or greater
Other Open Space / Recreational Assets	Capitalise if complete component is replaced or \$2,000 or greater
Runways and Taxiways	Capitalise if pavement renewal to same standard, resurfacing with same standard, reconstruction is \$10,000 or greater and / or more than 20% of segment area

## C1-8 Infrastructure, property, plant and equipment (continued)

### Useful Life

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:

<b>Plant and equipment</b>	Years	<b>Other equipment</b>	Years
Office equipment	4 to 10	Playground equipment	23
Office furniture	4 to 10	Benches, seats etc.	10 to 20
Computer equipment	2 to 5		
Vehicles	6.5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	4 to 8	Sub-structure	30 to 110
Other plant and equipment	4 to 15	Superstructure	35 to 110
		Roof Frame	150
<b>Stormwater Drainage assets</b>		Roof	20 to 110
Culverts	120	Electrical	45
Stormwater Pipes	120	Hydraulic	20 to 40
Stormwater Pits	120	Mechanical	22
		Fit-Out Fittings	35
<b>Transportation assets</b>		Fit-outs Floor Coverings	25
Sealed roads: surface	24 to 34		
Sealed roads: formation and sub base	80 to 1000	<b>Other infrastructure assets</b>	
Unsealed roads: surface and base	25 to 80	Swimming pools	94
Bridge: concrete: structure	120	Other open space/recreational assets	11 to 120
Bridge: concrete: other	50 to 60	Playgrounds	23
Bridge: timber - structure	120	Runways and Taxiways: surface	20
Bridge: timber - other	50 to 60	Runways and Taxiways: structure	80 to 1000
Kerb, gutter and footpaths	120		

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 5 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.

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.

### Land under roads

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

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

### Crown reserves

Crown reserves under Council's care and control are recognised as assets of the council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Where the Crown reserves are under a lease arrangement, they are accounted for under AASB 16 Leases, refer to Note C2-1.

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

### Rural Fire Service assets

Based on a review of relevant accounting standards, legislation, service agreements, current finance management agreements and the manner the RFS plant and equipment is purchased, managed and utilised, Council does not have control over RFS plant and equipment and consequently does not recognise these assets as Council assets.

## C1-9 Other

### Other assets

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Prepayments	3,084	-	2,779	-
<b>Total other assets</b>	<b>3,084</b>	<b>-</b>	<b>2,779</b>	<b>-</b>

## C2 Leasing activities

### C2-1 Council as a lessee

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

#### Terms and conditions of leases

##### Equipment

Leases for Fitness equipment are for low value assets - 48 month fixed payment lease.

Leases for IT Equipment are for Servers and finalise in 2024.

#### (a) Right of use assets

\$ '000	Plant & Equipment	Total
<b>2023</b>		
Opening balance at 1 July	6	6
Depreciation charge	(1)	(1)
<b>Balance at 30 June</b>	<b>5</b>	<b>5</b>
<b>2022</b>		
Opening balance at 1 July	29	29
Depreciation charge	(23)	(23)
<b>Balance at 30 June</b>	<b>6</b>	<b>6</b>

#### (b) Lease liabilities

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Lease liabilities	2	-	4	2
<b>Total lease liabilities</b>	<b>2</b>	<b>-</b>	<b>4</b>	<b>2</b>

#### (c) Income Statement

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

\$ '000	2023	2022
Depreciation of right of use assets	1	23
Expenses relating to low-value leases	23	39
	<b>24</b>	<b>62</b>

#### (d) Statement of Cash Flows

Total cash outflow for leases	2	5
	<b>2</b>	<b>5</b>

#### 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?

## C2-1 Council as a lessee (continued)

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

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

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

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

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

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

### **Exceptions to lease accounting**

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

### **Leases at significantly below market value / Concessionary leases**

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

## C2-2 Council as a lessor

### Operating leases

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

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

\$ '000	2023	2022
<b>(i) Assets held as property, plant and equipment</b>		
Council provides operating leases on Council buildings for the purpose of supporting the commercial community, 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)	358	384
<b>Total income relating to operating leases for Council assets</b>	<b>358</b>	<b>384</b>
<b>Other leased assets expenses</b>		
Other	107	76
<b>Total expenses relating to other leases assets</b>	<b>107</b>	<b>76</b>

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

< 1 year	174	163
1–2 years	237	146
2–3 years	100	68
3–4 years	72	48
4–5 years	41	45
> 5 years	58	169
<b>Total undiscounted lease payments to be received</b>	<b>682</b>	<b>639</b>

### Accounting policy

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

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

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

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



## C3 Liabilities of Council

### C3-1 Payables

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Goods and services – operating expenditure	6,442	–	3,417	–
Prepaid rates	2,402	–	2,179	–
Accrued expenses:				
- Salaries and wages	792	–	1,409	–
- Other expenditure accruals	11	–	13	–
Security bonds, deposits and retentions	793	4,130	796	3,611
<b>Total payables</b>	<b>10,440</b>	<b>4,130</b>	<b>7,814</b>	<b>3,611</b>

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

\$ '000	2023	2022
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	414	480
Payables - trust Fund Deposits	48	48
<b>Total payables</b>	<b>462</b>	<b>528</b>

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

## C3-2 Contract Liabilities

\$ '000	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
<b>Grants and contributions received in advance:</b>					
Unexpended capital grants (to construct Council controlled assets)	(i)	8,260	–	10,335	–
<b>Total grants received in advance</b>		<b>8,260</b>	<b>–</b>	<b>10,335</b>	<b>–</b>
<b>User fees and charges received in advance:</b>					
Upfront fees facilities		50	–	38	–
Development Application fees	(iii)	567	–	496	–
<b>Total user fees and charges received in advance</b>		<b>617</b>	<b>–</b>	<b>534</b>	<b>–</b>
<b>Total contract liabilities</b>		<b>8,877</b>	<b>–</b>	<b>10,869</b>	<b>–</b>

### Notes

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

(iii) Development application fees are recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided. The undetermined DA fees do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability at end of the year.

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

\$ '000	2023	2022
<b>Grants and contributions received in advance:</b>		
Capital grants (to construct Council controlled assets)	7,549	3,876
<b>Total revenue recognised that was included in the contract liability balance at the beginning of the period</b>	<b>7,549</b>	<b>3,876</b>

### Significant changes in contract liabilities

The decrease in contract liabilities is due to the completion of grant funded projects during the year.

### 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

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
Loans – secured <sup>1</sup>	1,192	7,109	1,192	3,938
<b>Total borrowings</b>	<b>1,192</b>	<b>7,109</b>	<b>1,192</b>	<b>3,938</b>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note E1 and E2.

#### (a) Changes in liabilities arising from financing activities

\$ '000	2022		Non-cash movements				2023
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	5,130	(526)	–	–	–	3,697	8,301
Lease liability (Note C2-1b)	6	(4)	–	–	–	–	2
<b>Total liabilities from financing activities</b>	<b>5,136</b>	<b>(530)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,697</b>	<b>8,303</b>

\$ '000	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	6,689	(1,559)	–	–	–	–	5,130
Lease liability (Note C2-1b)	24	(18)	–	–	–	–	6
<b>Total liabilities from financing activities</b>	<b>6,713</b>	<b>(1,577)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5,136</b>

#### (b) Financing arrangements

\$ '000	2023	2022
<b>Total facilities</b>		
Bank overdraft facilities <sup>1</sup>	1,000	1,000
Credit cards/purchase cards	100	100
<b>Total financing arrangements</b>	<b>1,100</b>	<b>1,100</b>
<b>Undrawn facilities</b>		
– Bank overdraft facilities	1,000	1,000
– Credit cards/purchase cards	100	100
<b>Total undrawn financing arrangements</b>	<b>1,100</b>	<b>1,100</b>

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

#### Accounting policy

##### Breaches and defaults

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

##### Security over loans

Loans are secured over future cash flows.

##### Bank overdrafts

The bank overdraft of Cessnock City Council is secured over future cash flows.

### C3-3 Borrowings (continued)

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**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

\$ '000	2023		2022	2022
	Current	Non-current	Current	Non-current
Annual leave	3,329	–	3,131	–
Sick leave	340	–	380	–
Long service leave	5,945	350	5,876	292
<b>Total employee benefit provisions</b>	<b>9,614</b>	<b>350</b>	<b>9,387</b>	<b>292</b>

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

\$ '000	2023	2022
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	5,668	5,662
	<b>5,668</b>	<b>5,662</b>

#### 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 and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

## C3-5 Provisions

\$ '000	2023	2023	2022	2022
	Current	Non-Current	Current	Non-Current
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	42	33,899	42	18,015
<b>Sub-total – asset remediation/restoration</b>	<b>42</b>	<b>33,899</b>	<b>42</b>	<b>18,015</b>
<b>Total provisions</b>	<b>42</b>	<b>33,899</b>	<b>42</b>	<b>18,015</b>

### Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
<b>2023</b>		
At beginning of year	18,057	18,057
Other	15,884	15,884
Total other provisions at end of year	33,941	33,941
<b>2022</b>		
At beginning of year	14,344	14,344
Other	3,713	3,713
Total other provisions at end of year	18,057	18,057

### 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.

Council uses the Cessnock Waste Management Centre at 1967 Old Maitland Road, Cessnock for current disposal of waste. Council or its past entities, has previously used the following sites for waste disposal:

1. Dunlop Drive, Paxton – former sanitary depot
2. Old Maitland Road, Cessnock – former landfill
3. Albury Street, Abermain – former landfill
4. Off Mitchell Avenue, Kurri Kurri – former sanitary depot adjacent to Hunter Expressway
5. Hollingshed Road, Greta – former landfill
6. Stanford Road, Heddon Greta – former landfill adjacent to Hunter Expressway

Due to the location or access complications, it is unlikely that Council will remediate the following two sites out of the six former sites:

1. Kurri Kurri, former sanitary depot
2. Heddon Greta, former landfill

Council engaged experts to provide cost estimates for remediating the current and former waste sites. Australian Government Bond rates (ranging from 3.95% to 4.34%) were used to discount the future cash flows for the current waste site. As the timing of the future cash flows cannot be reliably estimated for the four previous waste sites, future cash flows are not discounted.

## C3-5 Provisions (continued)

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The after-care costs estimated for the current waste site is \$882,000 as at 30 June 2023, noting that this does not include the cost of capping and closure of the site.

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.

Where movements in provisions relate to change in estimates or discount rates for former landfill sites, adjustments will be made directly to the operating statement. Estimates will continue to be updated as Council continues to investigate its obligations for remediation of contaminated sites, particularly former orphan sites.

## C4 Reserves

### C4-1 Nature and purpose of reserves

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#### **IPPE Revaluation reserve**

The infrastructure, property, plant and equipment revaluation reserve is used to record increments / decrements of non-current asset values due to their revaluation.

## D Council structure

### D1 Interests in other entities

#### D1-1 Interests in joint arrangements

##### Joint operations

Principal activity	Place of business	Interest in ownership		Interest in voting		
		2023	2022	2023	2022	
<b>(a) Council is involved in the following joint operations (JO's)</b>						
<b>Name of joint operation:</b>						
Arrow Collaborative Services Ltd	Local Government Services	Thornton	0%	0%	0%	0%

Council has an interest in Arrow Collaborative Services Ltd, along with other member Councils. The activities of this organisation are not controlled by any one Council. Arrow Collaborative Services Ltd has been established to improve the quality and efficiency of local government service throughout the Hunter Region.

##### Accounting policy

Council previously determined that it has joint operation with Arrow Collaborative Services Ltd. During the 2022 financial year, all member Councils received advice that as ownership and voting rights are below 20% the arrangement does not apply as an associate or joint venture, however should be recognised at fair value through profit or loss as a financial investment.

##### Joint operations:

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

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



## E Risks and accounting uncertainties

### E1-1 Risks relating to financial instruments held

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

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

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

Financial risk management is carried out by the finance team under policies approved by the Councillors.

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

The risks associated with the financial instruments held are:

- interest rate risk – the risk that movements in interest rates could affect returns.
- liquidity risk – the risk that Council will not be able to pay its debts as and when they fall due.
- credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument, resulting in a financial loss to the Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from independent advisers before placing any cash and investments.

#### (a) Market risk – interest rate and price risk

\$ '000	2023	2022
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	714	735
Impact of a 10% movement in price of investments		
– Equity / Income Statement	7,135	7,353

#### (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. Council also encourages ratepayers to pay their rates by the due date through incentives.

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

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

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

### Credit risk profile

#### Receivables – rates and annual charges

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

\$ '000	Not yet overdue rates and annual charges			Total
	Not yet overdue	< 5 years	≥ 5 years	
<b>2023</b>				
Gross carrying amount	–	4,485	–	4,485
2022				
Gross carrying amount	–	4,666	–	4,666

#### 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.

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
<b>2023</b>						
Gross carrying amount	10,229	92	23	36	670	11,050
Expected loss rate (%)	0.00%	8.90%	18.90%	33.90%	48.90%	3.19%
ECL provision <sup>1</sup>	–	8	4	12	328	352
2022						
Gross carrying amount	8,932	1,330	340	265	793	11,660
Expected loss rate (%)	3.90%	8.90%	18.90%	33.90%	48.90%	8.65%
ECL provision <sup>1</sup>	15	35	75	135	195	455

(1) The provision excludes government grants and government agency payments

### (c) Liquidity risk

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

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2023</b>							
Payables	0.00%	4,923	9,976	–	–	14,899	14,570
Borrowings	3.67%	–	1,186	3,898	3,217	8,301	8,301
<b>Total financial liabilities</b>		<b>4,923</b>	<b>11,162</b>	<b>3,898</b>	<b>3,217</b>	<b>23,200</b>	<b>22,871</b>
<b>2022</b>							
Payables	0.00%	4,407	7,334	–	–	11,741	11,425
Borrowings	2.67%	–	1,192	2,695	1,244	5,131	5,130
<b>Total financial liabilities</b>		<b>4,407</b>	<b>8,526</b>	<b>2,695</b>	<b>1,244</b>	<b>16,872</b>	<b>16,555</b>

## E2-1 Fair value measurement

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

- Financial assets and liabilities
- Infrastructure, property plant and equipment (excluding work in progress)

### Fair value hierarchy

All assets and liabilities measured at fair value are 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:

### Recurring fair value measurements

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022	2023	2022	2023	2022
<b>Recurring fair value measurements</b>							
<b>Financial assets</b>							
Managed Funds	C1-2	–	3,667	–	–	–	3,667
<b>Total financial assets</b>		<b>–</b>	<b>3,667</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,667</b>
<b>Infrastructure, property, plant and equipment</b>							
	C1-8						
Plant and Equipment		–	–	7,751	6,800	7,751	6,800
Office Equipment		–	–	1,054	1,251	1,054	1,251
Furniture and Fittings		–	–	98	119	98	119
Operational Land		42,841	–	–	42,879	42,841	42,879
Community Land		–	–	53,748	41,146	53,748	41,146
Land Under Roads (post 30/6/08)		–	–	2,039	1,101	2,039	1,101
Buildings		77,363	–	–	67,234	77,363	67,234
Roads		–	–	792,266	733,559	792,266	733,559
Bridges		–	–	67,257	62,560	67,257	62,560
Footpaths		–	–	26,467	21,952	26,467	21,952
Stormwater Drainage		–	–	119,913	113,075	119,913	113,075
Swimming Pools		–	–	3,140	3,080	3,140	3,080
Other Open Space / Recreational Assets		–	–	35,250	30,084	35,250	30,084
Other Infrastructure		–	–	10,828	5,869	10,828	5,869
Library Books		–	–	871	921	871	921
Landfill Rehabilitation		–	–	4,864	1,152	4,864	1,152
<b>Total infrastructure, property, plant and equipment</b>		<b>120,204</b>	<b>–</b>	<b>1,125,546</b>	<b>1,132,782</b>	<b>1,245,750</b>	<b>1,132,782</b>
<b>Non-current assets classified as held for sale</b>							
	C1-7						
Land and Buildings		975	–	–	1,409	975	1,409
<b>Total NCA's classified as held for sale</b>		<b>975</b>	<b>–</b>	<b>–</b>	<b>1,409</b>	<b>975</b>	<b>1,409</b>

### Transfers between level 1 and level 2 fair value hierarchies

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

## E2-1 Fair value measurement (continued)

### Valuation techniques

Where Council is unable to derive fair valuations using quoted market prices of identical assets (ie. level 1 inputs) Council instead 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

Council holds units in the TCorpIM Medium Term Growth Fund. Prices are observable, however, no active market exists for these funds as they are only accessible to government agencies. 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.

#### Infrastructure, property, plant and equipment (IPPE)

##### Operational Land

Council engaged a registered property valuer to undertake a comprehensive review of Council's operational land.

The values have been determined based on sales of land in the locality and standard valuation principles have been adopted whereby the direct comparison method for each individual parcel has been utilised. Due regard has been given to zoning, size, shape, location topography and exposure characteristics for each lot; as well as overall market conditions as at the date of valuation.

It should be noted that there was often a lack of appropriate comparable sales evidence in certain geographic locations and for properties of certain specific comparable land use and/or area classification. In such cases, regard was given to the closest comparable sales and the subject properties characteristics in relation to those sales

Level 2 inputs were used to value land held in freehold title and those with special use, which are restricted under the zoning objectives. Sale prices of comparable land parcels in close proximity were adjusted for differences in key attributes such as size and configuration. The most significant inputs into this valuation approach are price per square metre.

##### Non-specialised buildings

Non-specialised buildings are assessed at market value by qualified property valuers. Valuation techniques adopted include:

##### Capitalisation of Market Income

The capitalisation method is based on the concept that for income producing assets the price a prospective purchaser will be prepared to pay will be based on (amongst other things) the level of income and the return required for the investment of capital. The capitalisation method is most commonly used as the primary valuation method to determine the Market Value of income producing assets (ie including investment properties whether leased properties, owner occupied properties, or vacant properties intended to be held as an investment)

##### Comparable Transactions Method/Direct Comparison

The comparable transactions method utilises information on transactions involving properties that are the same or similar to the subject property. The comparable transaction method can use a variety of comparable evidence and units of comparison which form the basis of the comparison. A common unit of comparison for real property is price per square metre. In analysing the units of comparison, the Valuer may make necessary adjustments to the key valuation metrics to reflect differences (such as the date of sale in comparison to the date of valuation, or differences in property characteristics) between the comparable sales and the valuation of the subject property.

##### Other Infrastructure, property, plant and equipment

Refer below sections.

### Fair value measurements using significant unobservable inputs (level 3)

#### The valuation process for level 3 fair value measurements

##### Plant, equipment, office equipment, furniture, fittings and library books

These assets are reported at depreciated historical cost. In light of the nature and value of council plant and equipment, the fair value of these assets is not materially different from depreciated historical cost. None of these assets have suffered impairment losses. There has been no change to the valuation process during the reporting period.

##### Community Land

Community land was valued during the financial year 2020-21. Council staff carried out the valuation. Council staff determined the average unit value of land within the Cessnock local government area using the Valuer General's valuation. Community

## E2-1 Fair value measurement (continued)

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land is subject to restrictions which the Valuer General has taken into account when applying discounts to the market price based on sales of similar assets. In the years when a comprehensive valuation is not due indexation has been applied per the average increase in Valuer General's valuation. There has been no change to the valuation process during the reporting period.

### **Land Under Roads**

Land under roads that came into Council's control post 01/07/2008 was last valued in 2019. Council staff determined the average unit value of land within the Cessnock local government area using the Valuer General's valuation at 30 June 2019. A 90% discount was applied to the average unit value to reflect restrictions placed on land under roads. In the years when a comprehensive valuation is not due indexation has been applied per the average increase in Valuer General's valuation. There has been no change to the valuation process during the reporting period.

### **Infrastructure Assets**

Fair value has been determined by calculating the current replacement cost under the Revaluation Approach and the net carrying amount based on the unobservable inputs noted in the table below.

Comprehensive revaluations are carried out every five years or sooner if there is any indication that the current carrying amount of assets is materially different from their fair value. In the years when a comprehensive valuation is not due indexation has been applied per Rawlinson Construction Handbook.

### **Specialised Buildings**

During 2022-23 a comprehensive valuation on specialised Buildings was undertaken by Council's asset management staff. Current replacement cost was calculated using Rawlinsons Construction Handbook to determine unit rates applicable to the various components of each asset. Unit rates were tested against recently completed projects to ensure accuracy. Council's asset management staff reviewed and adjusted condition, useful life and the valuation matrix where appropriate. There has been no change to the valuation techniques during the reporting period.

### **Landfill Rehabilitation**

Council recognises a provision that reflects the estimated future costs to rehabilitate its landfill site at the time the work is needed. A discount rate is applied to reflect the present value of the provision for the current waste site. Council management does not consider a time where there would be a future cashflow for the previous waste sites, and hence the future cash flows are not discounted. the Council reviews the carrying amount of the provision at each reporting date to determine whether it continues to reflect management's best estimate of the costs to be incurred.

There has been no change to the valuation techniques during the reporting period and estimates will continue to be updated as Council continues to investigate its obligations for remediation of contaminated sites, particularly former sites.

## E2-1 Fair value measurement (continued)

The following table shows when the last comprehensive revaluation was done and the consultant that was involved:

Asset Class	Unit Rates		Condition	
	Comprehensive Revaluation	Consultant	Comprehensive Revaluation	Consultant
Roads (includes kerb & gutter and street furniture)	2020	G7 Asset Management	2020	Pavement Management Services (PMS)
Bridges	2020	G7 Asset Management	2021	Bridge Knowledge Pty Ltd and Council's asset management staff
Footpaths	2020	G7 Asset Management	2021	Pavement Management Services (PMS)
Stormwater Drainage	2020	G7 Asset Management	2021	Total Drainage Cleaning (TDC)
Swimming Pools	2021	Council's asset management staff	2021	Council's asset management staff
Other Open Space / Recreational Assets	2021	Council's asset management staff	2021	Council's asset management staff
Other Infrastructure (Runways and Taxiways)	2016	Jeff Roorda & Associates Pty Ltd	2016	Pavement Management Services (PMS)
Specialised Buildings	2023	Council's Asset Management Staff	2023	Council's Asset Management Staff
Non-specialised Buildings	2023	Opteon Property Group Pty Limited & Property Valuations NSW Pty Ltd	2023	Opteon Property Group Pty Limited & Property Valuations NSW Pty Ltd
Operational Land	2023	PP&E Valuations Pty Ltd		

### Roads, Bridges, Footpaths, Stormwater Drainage

The 2020 comprehensive valuation was undertaken by an external, independent, qualified valuer G7 Asset Management. G7 Asset Management worked with Council on the review and update of Councils methodologies and their application in determining appropriate unit rates, the useful lives (and remaining useful lives) of Council assets and the impact this has on Council asset values and depreciation. Unit rates have primarily been calculated on a first principles basis using Rawlinsons Construction Handbook Sydney Index at 30/06/20. Unit rate using Rawlinsons and Regional Rate applied. Council's asset management and finance staff have tested the unit rates against recently completed projects to ensure completeness, reliability and accuracy.

Asset condition assessments and their application in determining fair value are consistent with the recommended approach in the Integrated Planning and Reporting Manual.

Condition Assessments:

**Roads** - The condition of the entire network of Sealed and Unsealed Roads was evaluated utilising both technology (laser with software evaluation) and video with expert evaluation. This data was utilised to provide condition assessment for both the road surface and pavement base.

**Kerb & Gutter and Street Furniture** - Evaluated utilising video capture and expert assessment.

**Bridges** - Bridges were inspected in accordance with the RMS Bridge Procedure Inspection Manual 2007. Timber bridges – condition assessment carried out by Council's asset management staff. Concrete bridges, Major Culverts and Footbridges – condition assessment carried out by external consultant.

**Footpaths** - Evaluated utilising video capture and expert assessment.

## E2-1 Fair value measurement (continued)

**Stormwater drainage** - Council's Stormwater Assets were evaluated based on a statistically significant sample of assets. The sample was selected as representative with a higher weighting provided for current assets that had poorer condition ratings.

Council's Asset Management and Finance staff have comprehensively reviewed and discussed both condition and valuation results arising from the 2020 and 2021 revaluation with the independent experts noted above. This has been to recognise that Council is ultimately responsible for the outcome of the revaluation process. This review has been undertaken to ensure the completeness, reliability and accuracy of the data. Council staff have also undertaken their own independent analysis to assess outcomes and conclusions reached.

### Swimming Pools and Other Open Space / Recreational Assets

The 2021 comprehensive revaluation was carried out by Council's asset management and finance staff. Unit rates have been sourced primarily from actual cost on recent projects. Where internal rates are lacking, unit rates have been calculated on a first principles basis using Rawlinsons Construction Handbook Sydney Index at 30/06/21. A provision for preliminaries of 8% and the Singleton regional index of 8% has been applied. Council's asset management and finance staff have assessed the unit rates to ensure completeness, reliability and accuracy.

Asset condition assessments were carried out by Council's asset management staff via visual assessment. Condition assessments and their application in determining fair value are consistent with the recommended approach in the Integrated Planning and Reporting Manual. Council's asset management and finance staff have analysed the condition assessments to ensure completeness, reliability and accuracy.

### Other Infrastructure (Runways and Taxiways)

Comprehensive revaluation has not been completed since 2016 and was due for the 2021 financial year but has been postponed due to major renewal and upgrades in progress since the 2021 financial year. Council officers have undertaken an indexation exercise using the cost basis of the renewal works to assess fair value. A comprehensive revaluation will be completed in the 2024 financial year.

Asset condition assessments were carried out by Council's asset management staff via visual assessment. Condition assessments and their application in determining fair value are consistent with the recommended approach in the Integrated Planning and Reporting Manual. Council's asset management and finance staff have analysed the condition assessments to ensure completeness, reliability and accuracy.

Indexation:

Council used Sydney Building Price Index from Rawlinson Construction Handbook for indexation, and the rate used is 5.58% for 2022-23.

### 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
Plant, equipment, office equipment, furniture, fittings and library books	Cost approach	Current replacement cost of modern equivalent asset, asset condition, useful life and residual value.
Community land	Land values obtained from the NSW Valuer-General	Land value, land area, level of restriction
Land under roads	Land values obtained from the NSW Valuer-General discounted 90%	Land value, extent and impact of use, discount percentage.
Infrastructure assets	Cost approach	Asset condition, remaining lives using componentisation
Landfill rehabilitation	Discounted cash flow	Environmental legislation, timing of expected cash outflows required to settle the obligation, discount percentage, rehabilitation cost estimates.



## E2-1 Fair value measurement (continued)

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

\$ '000	Plant and equipment		Land		Buildings		Infrastructure	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>Opening balance</b>	<b>9,091</b>	9,885	<b>85,126</b>	63,570	<b>67,234</b>	64,191	<b>970,179</b>	889,125
<b>Total gains or losses for the period</b>								
Recognised in profit or loss – realised (refer to Note B4-1)	-	-	-	-	-	-	-	-
Recognised in other comprehensive income – revaluation surplus	-	-	<b>12,259</b>	20,010	-	4,846	<b>56,062</b>	49,952
<b>Other movements</b>								
Transfers from/(to) level 2 FV hierarchy	-	-	<b>(42,879)</b>	-	<b>(67,234)</b>	-	-	-
Purchases (GBV)	<b>4,021</b>	2,463	<b>1,813</b>	137	-	436	<b>44,227</b>	39,828
Disposals (WDV)	<b>(825)</b>	(688)	-	-	-	(250)	<b>(11,498)</b>	(4,782)
Depreciation and impairment	<b>(2,915)</b>	(2,599)	-	-	-	(2,334)	<b>(11,544)</b>	(10,584)
Transfer from WIP	<b>402</b>	30	<b>(531)</b>	-	-	345	<b>7,694</b>	6,640
Adjustments and transfers	-	-	-	1,409	-	-	-	-
<b>Closing balance</b>	<b>9,774</b>	9,091	<b>55,788</b>	85,126	<b>-</b>	67,234	<b>1,055,120</b>	970,179

\$ '000	Rehabilitation Assets		Total	
	2023	2022	2023	2022
<b>Opening balance</b>	<b>1,151</b>	2,500	<b>1,132,781</b>	<b>1,029,271</b>
Recognised in profit or loss – realised (refer to Note B4-1)	-	-	-	-
Recognised in other comprehensive income – revaluation surplus	-	(3,125)	<b>68,321</b>	<b>71,683</b>
Transfers from/(to) level 2 FV hierarchy	-	-	<b>(110,113)</b>	-
Purchases (GBV)	<b>5,800</b>	1,536	<b>55,861</b>	<b>44,400</b>
Disposals (WDV)	-	-	<b>(12,323)</b>	<b>(5,720)</b>
Depreciation and impairment	<b>(2,087)</b>	241	<b>(16,546)</b>	<b>(15,276)</b>
Transfer from WIP	-	-	<b>7,565</b>	<b>7,015</b>
Adjustments and transfers	-	-	-	<b>1,409</b>
<b>Closing balance</b>	<b>4,864</b>	1,152	<b>1,125,546</b>	<b>1,132,782</b>

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

There were no transfers in to or out of the Level 3 valuation hierarchy.

### Highest and best use

All assets valued at fair value in this note are being used for their highest and best use.

## E3-1 Contingencies

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

### LIABILITIES NOT RECOGNISED

#### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

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

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

The standard 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 7.5% 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 \$20.0m per annum for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2022. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

Council's expected contribution to the plan for the next annual reporting period is \$393,808.

## E3-1 Contingencies (continued)

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

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

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

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

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

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end year of review will be completed by December 2023.

### (ii) Statewide Mutual Limited

Council is a member of Statewide Mutual Limited, Australia's largest member owned Local Government self-insurance pool, working with Councils to reduce their exposure to risk.

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

The future realisation and finalisation of claims incurred but not reported to 30 June 2023 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

### (iii) StateCover Mutual Limited

Council is a member of the StateCover Mutual Limited which provides workplace compensation insurance.

StateCover Mutual Limited provides support and advice to Council on developing return to work programs, incident and claims management and assistance with meeting legislative compliance.

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

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

### (iv) Other guarantees

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

## 2. Other liabilities

### (i) Third party claims

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

Council believes that it is appropriately covered for all claims through its insurance coverage and at 30 June 2023 and does not expect any material liabilities to eventuate.

## E3-1 Contingencies (continued)

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Council had the following pending legal matters:

- An appeal against a previous judgement not in the favour of Council; and
- Various actions in appeal against Council planning decisions.

The potential costs of the claims are unlikely to be significant and amounts of any claims are unable to be quantified at 30 June 2023.

### (ii) Rehabilitation Works

Council may own properties that may be subject to rehabilitation works due to possible contamination. This may result in future liabilities but it is not presently known the extent or value of this liability.

Council may also be responsible for rehabilitation works on former two sites used by Council due to possible contamination. The below two sites were considered a contingent liability due to the unlikely nature of the rehabilitation occurring due to location or access complications:

1. Kurri Kurri, former sanitary depot
2. Heddon Greta, former landfill

Council management have assessed the above sites and have determined that council does not have an existing legal obligation to rehabilitate these sites and consequently have not provided for any future rehabilitation as at 30 June 2023. Any confirmation that Council does have a legal obligation will require Council to provide for the sites and face future liabilities to rehabilitate.

## ASSETS NOT RECOGNISED

### (i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30 June 2008.

### (ii) Infringement notices/fines

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

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

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

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

## F People and relationships

### F1 Related party disclosures

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

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

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

\$ '000	2023	2022
<b>Compensation:</b>		
Short-term benefits	1,342	1,427
Post-employment benefits	191	104
<b>Total</b>	<b>1,533</b>	<b>1,531</b>

#### Other transactions with KMP and their related parties

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

Nature of the transaction	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
<b>2023</b>					
Payments for recycling bin services <sup>1</sup>	2,063	-	14 day terms on invoices	-	-
Payments received for other services provided <sup>2</sup>	-	-	Nil	-	-
Payments made for services received <sup>3</sup>	174	-	14 day terms on invoices	-	-
<b>2022</b>					
Payments for recycling bin services <sup>1</sup>	1,918	-	14 day terms on invoices	-	-
Payments received for other services provided <sup>2</sup>	23	-	Nil	-	-
Payments made for services received <sup>3</sup>	115	3	14 day terms on invoices	-	-

(1) Relates to payments to Hunter Resources Recovery, a company in which Council has an interest, to provide recycling services. The contract was awarded through a competitive tender process based on market rates for these services. Amounts are payable on a monthly basis for the term of the contract. Hunter Resource Recovery details have not been consolidated into Council's financial statements as the amounts are not material to Council operations.

(2) Council receives a rebate from Arrow Collaborative Services Limited, a company in which Council has an ownership interest, for its share of Local Government Procurement Contracts and or various services provided.

continued on next page ...

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

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(3) Council uses Arrow Collaborative Services Limited, a company in which Council has an association with, for a variety of services including legal services, training and environment management.

## F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2023	2022
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	63	61
Councillors' fees	365	294
Other Councillors' expenses (including Mayor)	57	69
<b>Total</b>	<b>485</b>	<b>424</b>

## F2 Other relationships

### F2-1 Audit fees

\$ '000	2023	2022
<b>Auditors of the Council - NSW Auditor-General:</b>		
<b>Audit and other assurance services</b>		
Audit and review of financial statements	106	58
<b>Remuneration for audit and other assurance services</b>	<b>106</b>	<b>58</b>
<b>Total Auditor-General remuneration</b>	<b>106</b>	<b>58</b>
<b>Total audit fees</b>	<b>106</b>	<b>58</b>



## G Other matters

### G1-1 Statement of Cash Flows information

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

\$ '000	2023	2022
<b>Operating result</b>	<b>26,402</b>	50,378
<b>Add/(less) non-cash items:</b>		
Depreciation and amortisation	<b>18,902</b>	15,299
(Gain) / loss on disposal of assets	<b>11,676</b>	2,074
Non-cash capital grants and contributions	<b>(22,949)</b>	(27,821)
Impairment losses recognition – investments	–	383
Losses/(gains) recognised on fair value re-measurements through the P&L: – Investments classified as ‘at fair value’ or ‘held for trading’	<b>(176)</b>	423
<b>Movements in operating assets and liabilities and other cash items:</b>		
(Increase) / decrease of receivables	<b>791</b>	(2,415)
Increase / (decrease) in provision for impairment of receivables	<b>(85)</b>	308
(Increase) / decrease of inventories	<b>58</b>	(138)
(Increase) / decrease of other current assets	<b>(305)</b>	(1,773)
Increase / (decrease) in payables	<b>3,025</b>	(525)
Increase / (decrease) in other accrued expenses payable	<b>(619)</b>	220
Increase / (decrease) in other liabilities	<b>739</b>	863
Increase / (decrease) in contract liabilities	<b>(1,992)</b>	3,731
Increase / (decrease) in employee benefit provision	<b>285</b>	(868)
Increase / (decrease) in other provisions	<b>15,884</b>	3,713
<b>Net cash flows from operating activities</b>	<b>51,636</b>	43,852

#### (b) Non-cash investing and financing activities

Other dedications	<b>20,177</b>	27,821
<b>Total non-cash investing and financing activities</b>	<b>20,177</b>	27,821

## G2-1 Commitments

### Capital commitments (exclusive of GST)

\$ '000	2023	2022
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Office Equipment	107	32
Furniture & Fittings	-	5
Buildings	1,246	797
Roads	5,744	651
Bridges	2,328	-
Footpaths	1,518	293
Stormwater Drainage	280	600
Other Open Space / Recreational Assets	305	109
Other Infrastructure (Cessnock Airport Runway and Taxiways)	20	3,820
Library Books	6	11
Tip Asset	368	-
Plant and Equipment	770	478
<b>Total commitments</b>	<b>12,692</b>	<b>6,796</b>

#### Details of capital commitments

Major projects that Council has material commitments for at 30 June 2023 and anticipated to be spent during 2023-2024 include:

- Design and Construction of the replacement bridge at Kline St Weston
- Upgrade streetscape at Kurri Town Centre
- Construction of new RFS Station at Millfield
- Construction of new shared path at Greta (Railway St to High St)
- Purchase Truck – Road maintenance - Major Plant & Equipment
- Construction works on new BMX track at Carmichael Park
- Construction works to upgrade Bridges Hill Skatepark Cessnock
- Construction of new Shared Path - Bridges Hill to Wine Country Drive
- Landscaping works Cessnock Library laneway - Civic Precinct Revitalisation Program

### G3-1 Events occurring after the reporting date

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Council is aware of the following 'non-adjusting event' that merits disclosure:

On 15 September 2023, the High Court of Australia allowed Council special leave to appeal against a judgement from the Court of Appeal in the Supreme Court of NSW. The date of the hearing as not yet been set.

A successful appeal may see Council receive a refund of the legal settlement and legal expenses incurred as recognised in the 2023 Financial Statements. An unsuccessful appeal may lead to increase interest owing on the settlement and additional legal costs.

## G4 Statement of developer contributions as at 30 June 2023

### G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2022	Contributions received during the year		Non-cash Other	Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land						
Drainage	41	-	-	-	-	-	-	41	-
Roads	2,167	1,827	-	-	14	(344)	-	3,664	-
Parking	134	-	-	-	1	-	-	135	-
Open space	3,718	1,930	-	-	22	(119)	-	5,551	-
Community facilities	3,759	781	755	-	17	(1,017)	-	3,540	-
Other	474	108	-	-	2	(191)	-	393	-
Tourist facilities	613	4	-	-	3	-	-	620	-
Transport	3,559	705	-	478	19	-	-	4,283	-
<b>S7.11 contributions – under a plan</b>	14,465	5,355	755	478	78	(1,671)	-	18,227	-
<b>S7.12 levies – under a plan</b>	982	330	-	-	5	(61)	-	1,256	-
<b>Total S7.11 and S7.12 revenue under plans</b>	15,447	5,685	755	478	83	(1,732)	-	19,483	-
S7.4 planning agreements	10,984	2,103	-	-	56	(826)	-	12,317	-
<b>Total contributions</b>	26,431	7,788	755	478	139	(2,558)	-	31,800	-

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 S7.11 Contributions - under a plan

\$ '000	Opening balance at 1 July 2022	Contributions received during the year		Non-cash Other	Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land						
<b>CONTRIBUTION PLAN NUMBER 2 - TOURIST DEVELOPMENT</b>									
Tourist facilities	189	-	-	-	1	-	-	190	-
<b>Total</b>	189	-	-	-	1	-	-	190	-
<b>CONTRIBUTION PLAN NUMBER 4 - NULKABA FLOOD MITIGATION</b>									
Drainage	41	-	-	-	-	-	-	41	-
<b>Total</b>	41	-	-	-	-	-	-	41	-
<b>CONTRIBUTION PLAN NUMBER 5 - CARPARKING CESSNOCK CBD</b>									
Parking	134	-	-	-	1	-	-	135	-
<b>Total</b>	134	-	-	-	1	-	-	135	-

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G4-2 S7.11 Contributions - under a plan (continued)

\$ '000	Opening balance at 1 July 2022	Contributions received during the year		Non-cash Other	Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land						
<b>CONTRIBUTION PLAN NUMBER 6 - RESIDENTIAL CONTRIBUTIONS PLAN</b>									
Roads	39	349	-	-	1	(90)	-	299	-
Open space	196	247	-	-	1	(119)	-	325	-
Community facilities	1,473	201	-	-	5	(1,017)	-	662	-
Other	379	33	-	-	1	(219)	-	194	-
<b>Total</b>	<b>2,087</b>	<b>830</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>(1,445)</b>	<b>-</b>	<b>1,480</b>	<b>-</b>
<b>CONTRIBUTION PLAN NUMBER 7 - TOURISM CONTRIBUTIONS PLAN</b>									
Roads	234	3	-	-	1	(168)	-	70	-
Tourist facilities	424	4	-	-	2	-	-	430	-
Other	135	-	-	-	1	-	-	136	-
<b>Total</b>	<b>793</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>(168)</b>	<b>-</b>	<b>636</b>	<b>-</b>
<b>CONTRIBUTION PLAN NUMBER 8 - BLACKHILL QUARRY CONTRIBUTION PLAN</b>									
Roads	306	56	-	-	1	(86)	-	277	-
<b>Total</b>	<b>306</b>	<b>56</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>(86)</b>	<b>-</b>	<b>277</b>	<b>-</b>
<b>Site Specific Contributions Plan - Bellbird North</b>									
Open space	1,043	-	-	-	5	-	-	1,048	-
Community facilities	889	-	-	-	4	-	-	893	-
Transport	1,824	-	-	-	9	-	-	1,833	-
Other	(15)	-	-	-	-	(2)	-	(17)	-
<b>Total</b>	<b>3,741</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>(2)</b>	<b>-</b>	<b>3,757</b>	<b>-</b>
<b>Site Specific Contributions Plan - Nulkaba</b>									
Open space	177	-	-	-	1	-	-	178	-
Community facilities	223	-	-	-	1	-	-	224	-
Transport	409	-	-	-	2	-	-	411	-
Other	11	-	-	-	-	-	-	11	-
<b>Total</b>	<b>820</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>824</b>	<b>-</b>
<b>Site Specific Contributions Plan - Mount View Road Millfield</b>									
Open space	2	-	-	-	-	-	-	2	-
Community facilities	2	-	-	-	-	-	-	2	-
Transport	2	-	-	-	-	-	-	2	-
<b>Total</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>-</b>
<b>Site Specific Contributions Plan - Aveyry Village Heddon Greta</b>									
Open space	901	461	-	-	5	-	-	1,367	-
Community facilities	625	320	755	-	4	-	-	949	-
Transport	1,324	705	-	478	8	-	-	2,037	-
Other	23	29	-	-	-	(6)	-	46	-
<b>Total</b>	<b>2,873</b>	<b>1,515</b>	<b>755</b>	<b>478</b>	<b>17</b>	<b>(6)</b>	<b>-</b>	<b>4,399</b>	<b>-</b>

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## G4-2 S7.11 Contributions - under a plan (continued)

\$ '000	Opening balance at 1 July 2022	Contributions received during the year		Non-cash Other	Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land						
<b>City Wide Infrastructure Contributions Plan</b>									
Roads	1,588	1,419	-	-	11	-	-	3,018	-
Open space	1,399	1,222	-	-	10	-	-	2,631	-
Community facilities	547	260	-	-	3	-	-	810	-
Other	(59)	46	-	-	-	-	-	23	-
Commercial Precincts	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3,475</b>	<b>2,947</b>	<b>-</b>	<b>-</b>	<b>24</b>	<b>36</b>	<b>-</b>	<b>6,482</b>	<b>-</b>

(\*) Bellbird North Plan correction to allocation of developer contribution from Other to Transport

## S7.12 Levies – under a plan

### Section 7.12 Contributions

Commercial Precincts	982	330	-	-	5	(61)	-	1,256	-
<b>Total</b>	<b>982</b>	<b>330</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>(61)</b>	<b>-</b>	<b>1,256</b>	<b>-</b>

## G4-3 S7.4 planning agreements

### S7.4 planning agreements

Drainage	3	-	-	-	-	-	-	3	-
Roads	2,716	-	-	-	11	(591)	-	2,136	-
Open space	2,274	461	-	-	12	(179)	-	2,568	-
Community facilities	5,546	1,641	-	-	30	(55)	-	7,162	-
Other	445	-	-	-	2	-	-	447	-
<b>Total</b>	<b>10,984</b>	<b>2,102</b>	<b>-</b>	<b>-</b>	<b>55</b>	<b>(825)</b>	<b>-</b>	<b>12,316</b>	<b>-</b>

## G5 Statement of performance measures

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

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022      2021		Benchmark
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>(18,370)</b>	<b>(18.55)%</b>	3.42%	(5.19)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions	<b>99,041</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>79,590</b>	<b>51.27%</b>	55.60%	54.75%	> 60.00%
Total continuing operating revenue	<b>155,228</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>53,505</b>	<b>2.98x</b>	3.74x	3.84x	> 1.50x
Current liabilities less specific purpose liabilities	<b>17,960</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation	<b>639</b>	<b>(0.21)x</b>	10.93x	5.45x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>(3,060)</b>				
<b>5. Rates and annual charges outstanding percentage</b>					
Rates and annual charges outstanding	<b>4,106</b>	<b>6.11%</b>	6.86%	5.63%	< 10.00%
Rates and annual charges collectable	<b>67,253</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>69,236</b>	<b>10.49</b>	10.23	8.18	> 3.00
Monthly payments from cash flow of operating and financing activities	<b>6,600</b>	<b>months</b>	months	months	months

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

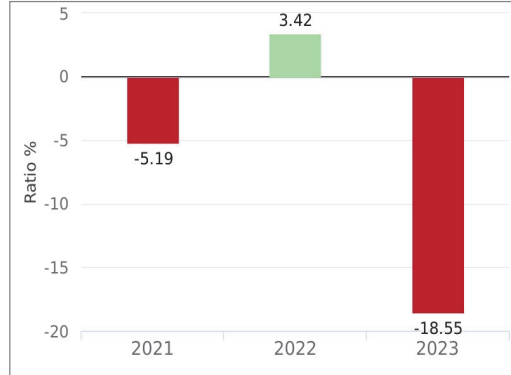
(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

End of the audited financial statements

## H Additional Council disclosures (unaudited)

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

#### 1. Operating performance ratio



#### Purpose of operating performance ratio

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

#### Commentary on 2022/23 result

2022/23 ratio (18.55)%

This ratio correlates with the operating result excluding capital income from grants and contributions which is a deficit for 2023.

Key factors attributed to this result in 2023 are the increase in the remediation provision estimates.

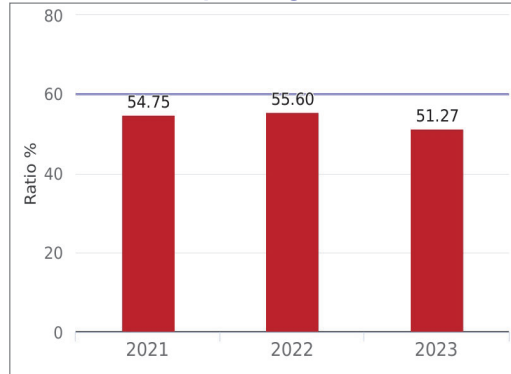
Benchmark: — > 0.00%

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 51.27%

Council has received 100% of the prepayment of Financial Assistance Grant for 2023-24, and also was successful in obtaining grant funds during the year with many being paid in advance prior to delivery of works, which if excluded, would show that Council's own source of operating revenues from ongoing activities would be above the benchmark.

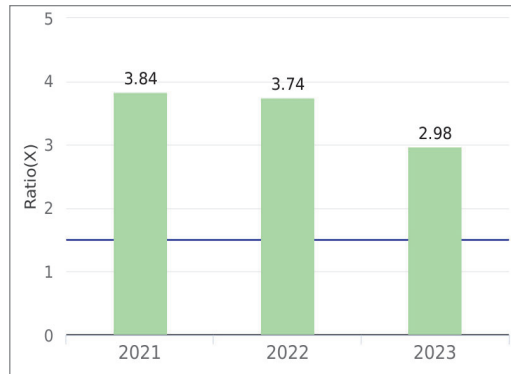
Benchmark: — > 60.00%

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 2.98x

This result higher than the benchmark demonstrates that Council has a satisfactory level of working capital to satisfy its financial obligations.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting

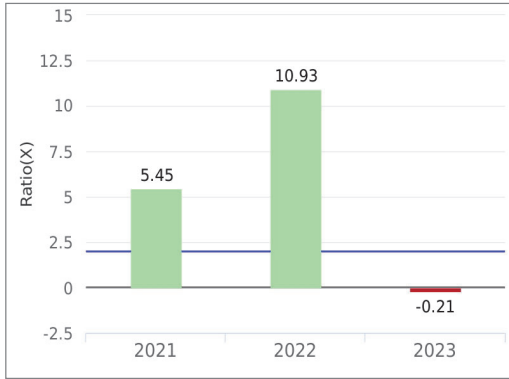
Ratio achieves benchmark

Ratio is outside benchmark



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

## 4. Debt service cover ratio



**Purpose of debt service cover ratio**

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

**Commentary on 2022/23 result**

**2022/23 ratio (0.21)x**

This ratio has declined due to the lower operating result from continuing operations in 2023, and the interest paid on legal settlement.

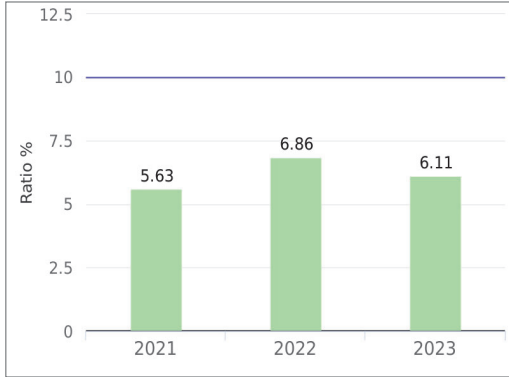
Benchmark: — > 2.00x

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 6.11%**

This ratio has improved in 2023 due to a slight decline in the outstanding rates and annual charges, and due to the increase in the rates and annual charges income.

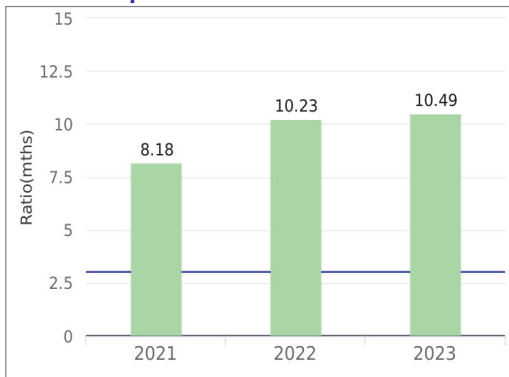
Benchmark: — < 10.00%

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 10.49 months**

The stable ratio shows Council can pay expenses without a demand on additional cash flows, demonstrating liquidity strength despite the current economic climate.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

## H1-2 Financial review

### Key financial figures of Council over the past 5 years

\$ '000	2023	2022	2021	2020	2019
<b>Inflows:</b>					
Rates and annual charges revenue	62,120	59,210	55,899	53,355	47,869
User charges revenue	12,069	21,684	14,128	7,973	13,340
Interest and investment revenue (losses)	2,288	656	445	836	978
Grants income – operating and capital	66,617	57,619	53,246	33,259	12,695
Total income from continuing operations	155,404	150,114	132,554	101,718	121,386
Sale proceeds from IPPE	1,749	4,917	3,367	1,312	1,498
New loan borrowings and advances	4,363	–	2,948	–	2,960
<b>Outflows:</b>					
Employee benefits and on-cost expenses	35,841	33,271	35,449	35,330	31,586
Borrowing costs	107	188	263	318	453
Materials and contracts expenses	46,653	39,165	33,121	21,951	23,157
Total expenses from continuing operations	129,002	99,736	95,910	78,324	82,023
Total cash purchases of IPPE	57,546	27,591	20,909	24,935	16,155
Total loan repayments (incl. finance leases)	1,196	1,577	1,667	1,569	1,306
Operating surplus/(deficit) (excl. capital income)	(29,785)	618	(9,950)	(203)	(5,374)
<b>Financial position figures</b>					
Current assets	92,490	92,792	72,275	56,097	43,147
Current liabilities	30,167	29,308	26,824	22,870	17,701
Net current assets	62,323	63,484	45,451	33,227	25,446
Available working capital (Unrestricted net current assets)	10,685	10,479	4,464	(682)	222
Cash and investments – unrestricted	3,810	1,721	1,713	614	1,451
Cash and investments – internal restrictions	30,331	36,581	29,903	25,365	22,095
Cash and investments – total	73,126	73,944	54,766	47,507	39,160
Total borrowings outstanding (loans, advances and finance leases)	8,301	5,136	6,689	5,349	8,252
Total value of IPPE (excl. land and earthworks)	1,509,541	1,380,752	1,269,470	1,185,012	954,806
Total accumulated depreciation	331,058	316,556	291,226	287,388	242,664
Indicative remaining useful life (as a % of GBV)	78%	77%	77%	76%	75%

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

## H1-3 Council information and contact details

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**Principal place of business:**

62 - 78 Vincent Street  
Cessnock NSW 2325

**Contact details**

**Mailing Address:**

PO Box 152  
Cessnock NSW 2325

**Telephone:** 02 49934100

**Facsimile:** 02 49932500

**Opening hours:**

9:00am - 5:00pm  
Monday to Friday

**Internet:** [www.cessnock.nsw.gov.au](http://www.cessnock.nsw.gov.au)

**Email:** [council@cessnock.nsw.gov.au](mailto:council@cessnock.nsw.gov.au)

**Officers**

**GENERAL MANAGER**

Mr Ken Liddell

**RESPONSIBLE ACCOUNTING OFFICER**

Mr Matthew Plumridge

**PUBLIC OFFICER**

Mr Robert Maginnity

**AUDITORS**

Audit Office of New South Wales  
Level 15, 1 Margaret Street  
Sydney NSW 2000

GPO Box 12 Sydney NSW 2001

**Elected members**

**MAYOR**

Councillor Jay Suvaal

**COUNCILLORS**

Councillor John Moores (Deputy Mayor)

Councillor Anthony Burke

Councillor Paul Dunn

Councillor Rosa Grine

Councillor James Hawkins

Councillor Mitchell Hill

Councillor Karen Jackson

Councillor Jessica Jurd

Councillor Ian Olsen

Councillor Paul Paynter

Councillor Anne Sander

Councillor Daniel Watton

**Other information**

**ABN:** 60 919 148 928



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial statements**  
**Cessnock City Council**

To the Councillors of Cessnock City Council

**Qualified Opinion**

I have audited the accompanying financial statements of Cessnock City 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 2 September 2009
- 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 procedures to confirm the completeness, accuracy, existence or condition of these assets. Nor has the Council performed 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'.

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 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 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](http://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  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

20 December 2023  
SYDNEY



Cr Jay Suvaal  
Mayor  
Cessnock City Council  
PO BOX 152  
CESSNOCK NSW 2324

Contact: Cassie Malone  
Phone no: 02 9275 7388  
Our ref: R008-16585809-49663

20 December 2023

Dear Mayor

## Report on the Conduct of the Audit for the year ended 30 June 2023 Cessnock City Council

I have audited the general purpose financial statements (GPFS) of the Cessnock City 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 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 2 September 2009
- 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 procedures to confirm the completeness, accuracy, existence or condition of these assets. Nor has the Council performed 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.

## High risk matters

The following high risk matters of governance interest were identified during my audit. High risk matters have high consequences and are likely to occur.

Risk assessment	Matter
 High	<p><b>Non-recognition of rural fire-fighting equipment (repeat)</b></p> <p>Similar to last year, the Council has not recognised rural fire-fighting equipment as assets in its financial statements. This resulted in a limitation on the scope of the audit as outlined above.</p>
 High	<p><b>Quality and timeliness of financial reporting (repeat)</b></p> <p>Similar to last year, the Council's financial statements and supporting evidence submitted for audit included deficiencies that indicate a need to improve quality review processes.</p> <p>This included inaccurate reconciliations and schedules, incorrect applications of accounting standards, insufficient oversight of infrastructure, property, plant and equipment (IPPE) fair valuation processes and delays in resolving key accounting issues.</p>
 High	<p><b>Non-compliance with the <i>Local Government Act 1993</i></b></p> <p>The statutory date for submission of audited financial statements under the <i>Local Government Act 1993</i> (LG Act) is 31 October 2023. The Office of Local Government granted the Council an extension to 30 November 2023.</p> <p>The Council did not submit audited financial statements by the approved extended deadline of 30 November 2023 as a significant accounting issue remained unresolved. The Council did not seek a further extension. As a result, the Council did not comply with the LG Act.</p>
 High	<p><b>Lack of sufficient evidence to support the useful lives applied to infrastructure assets</b></p> <p>The useful lives determined by the Council for infrastructure assets could not be supported by evidence. The useful lives of assets are key estimates used to determine the carrying values of the Council's IPPE, accumulated depreciation and</p>

depreciation expenditure (which is included in the calculation of the Council's 'operating performance ratio').

 High

**Valuation of Council's airport assets**





The Council's airport assets have not been comprehensively revalued since 30 June 2016.

The fair value assessment performed by the Council relied on an index rate not reflective of nature of the assets being assessed.

Sufficient documentation was not provided to support the assumptions made by the Council around the useful lives, unit rates or condition assessments of these assets.

**INCOME STATEMENT**

**Operating result**

	<b>2023</b>	<b>2022</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
Rates and annual charges revenue	62.1	59.2	 4.9
Grants and contributions revenue	75.6	66.7	 13.5
Operating result from continuing operations	26.4	50.4	 47.6
Net operating result before capital grants and contributions	(29.8)	0.6	 >100

The Council's operating result from continuing operations of \$26.4 million (including depreciation and amortisation costs of \$18.9 million) was \$24.0 million lower than the 2021–22 result.

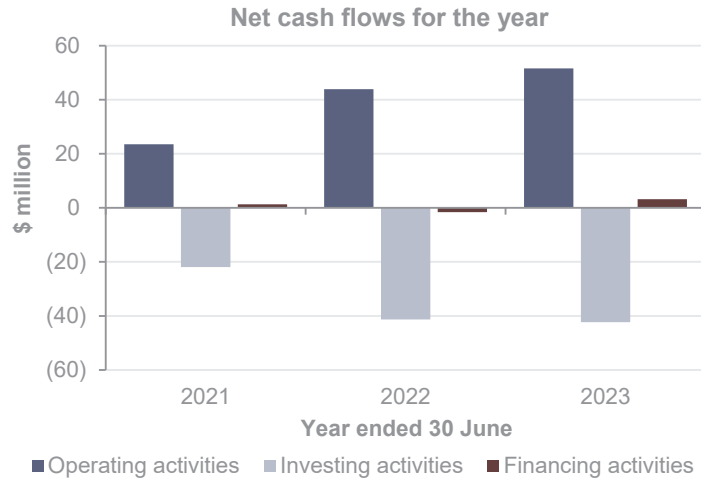
Total income from continuing operations in the current year increased by \$5.3 million to \$155.4 million, reflecting increases in operating grants and contributions revenue of \$2.6 million and interest and investment income of \$1.6 million.

Total expenditure in the current year increased by \$29.3 million to \$129.0 million, primarily due to increases in materials and services of \$7.5 million, loss on disposal of assets of \$9.6 million, depreciation and amortisation costs of \$3.6 million and other expenses of \$6.1 million.

## STATEMENT OF CASH FLOWS

Cash inflows from operating activities increased due to increases in grants and contributions.

Cash from financing activities increased due to an increase in proceeds from borrowings during the year.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
<b>Total cash, cash equivalents and investments</b>	<b>73.1</b>	<b>73.9</b>	Externally restricted balances comprise mainly of developer contributions.
Restricted and allocated cash, cash equivalents and investments:			Internal allocations are determined by council policies or decisions, which are subject to change.
• External restrictions	39.0	35.6	
• Internal allocations	30.3	36.6	

### Debt

At 30 June 2023, Council had:

- \$8.3 million in secured loans (\$5.1 million in 2021-22)
- \$1.0 million in approved overdraft facility, which remains unused at 30 June 2023
- \$0.1 million in credit card facility, which remains unused at 30 June 2023.

## PERFORMANCE

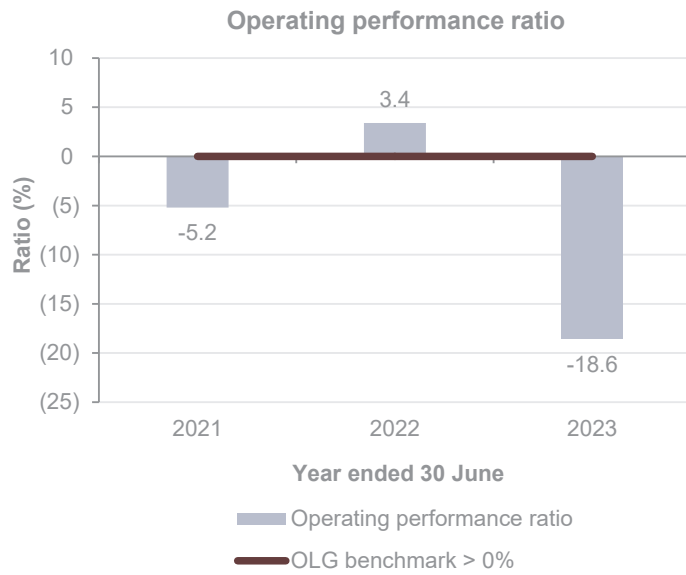
### Performance measures

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 did not meet 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.

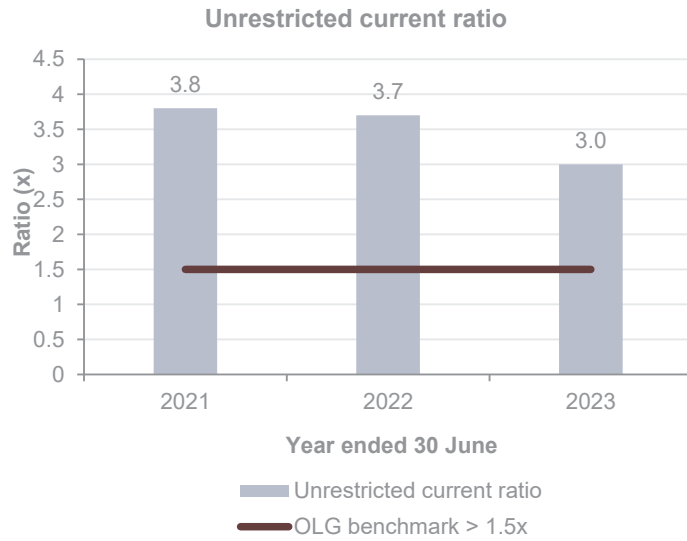
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



### Unrestricted current ratio

The Council met the benchmark for the current reporting period.

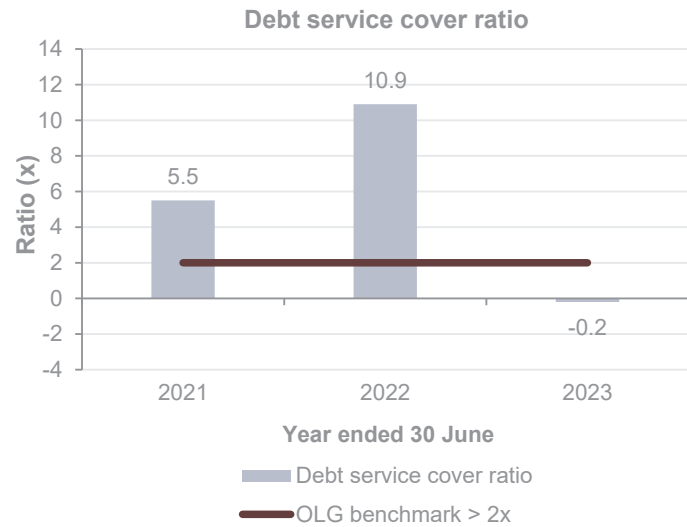
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



### Debt service cover ratio

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

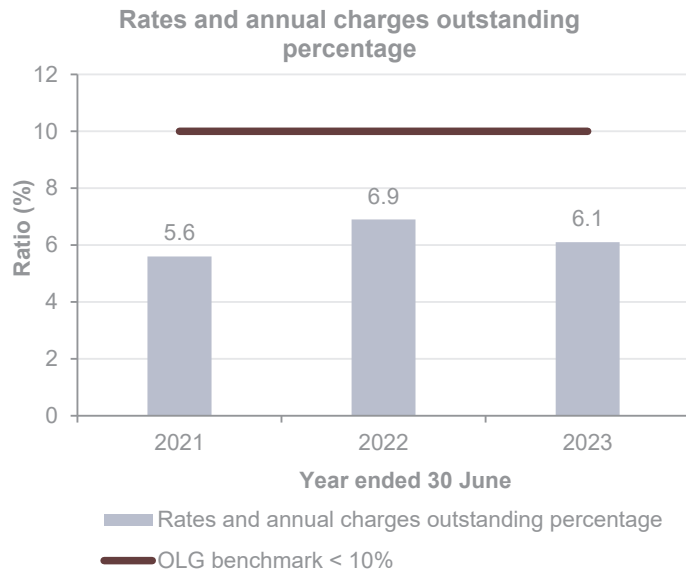
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



## Rates and annual charges outstanding percentage

The Council met the benchmark for the current reporting period.

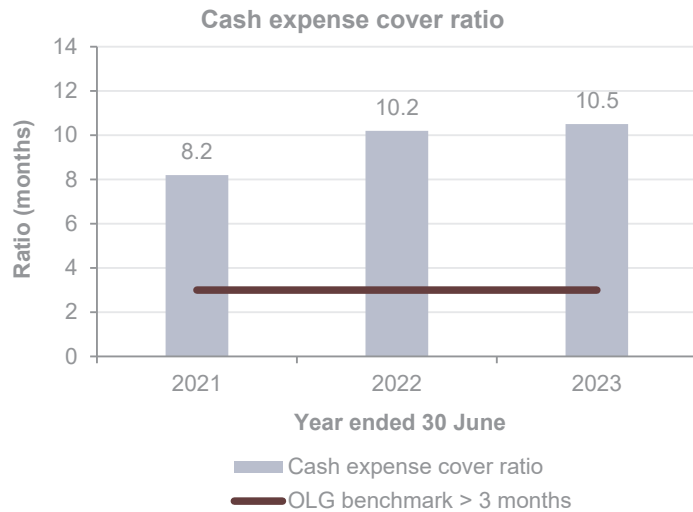
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



## 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 \$17.0 million of infrastructure, property, plant and equipment during the 2022-23 financial year. This was mainly spent on roads. A further \$63.9 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
- non-compliance with the *Local Government Act 1993* (LG Act). The statutory date for submission of audited financial statements under the LG Act is 31 October 2023. The Office of Local Government granted the Council an extension to 30 November 2023. The Council did not submit audited financial statements by the approved extended deadline of 30 November 2023 as a significant accounting issue remained unresolved. The Council did not seek a further extension. As a result, the Council did not comply with the LG Act. This will be reported in the Management Letter.

Except for the matters 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.

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  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

The background is a solid orange color. It features several white geometric shapes: a large, rounded, arrow-like shape pointing right in the upper left; a smaller, rounded shape in the upper right; and a large, rounded shape in the lower left. The text is centered in the middle of the page.

# ***SPECIAL SCHEDULES***

FOR THE YEAR ENDED 30 JUNE



Cessnock City Council

Special Schedules

for the year ended 30 June 2023

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Contents	Page
<b>Special Schedules:</b>	
Permissible income for general rates	2
Report on infrastructure assets as at 30 June 2023	5

# Cessnock City Council

## Permissible income for general rates

\$ '000	Notes	Calculation 2022/23	Calculation 2023/24
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	43,139	45,470
Plus or minus adjustments <sup>2</sup>	b	1,230	686
<b>Notional general income</b>	c = a + b	<b>44,369</b>	<b>46,156</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>3</sup>	d	2.50%	0.00%
Or rate peg percentage	e	0.00%	3.85%
Plus special variation amount	h = d x (c + g)	1,109	-
Or plus rate peg amount	i = e x (c + g)	-	1,777
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>45,478</b>	<b>47,933</b>
Plus (or minus) last year's carry forward total	l	17	25
<b>Sub-total</b>	n = (l + m)	<b>17</b>	<b>25</b>
<b>Total permissible income</b>	o = k + n	<b>45,495</b>	<b>47,958</b>
Less notional general income yield	p	45,470	47,943
<b>Catch-up or (excess) result</b>	q = o - p	<b>25</b>	<b>15</b>
<b>Carry forward to next year <sup>3</sup></b>	t = q + r + s	<b>25</b>	<b>15</b>

### Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW)*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable, the Crown land adjustment.
- (3) 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 Local Government Act 1993. 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

#### Cessnock City Council

To the Councillors of Cessnock City Council

### Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Cessnock City 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 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.

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](http://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  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

20 December 2023  
SYDNEY

# Cessnock City Council

## Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost			2022/23 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	to agreed level of service set by Council \$ '000	2022/23 Required maintenance <sup>a</sup> \$ '000				1	2	3	4	5
<b>Buildings</b>	Buildings	10,883	103,414	3,101	3,629	77,363	148,660	11.1%	10.6%	45.3%	28.2%	4.8%
	<b>Sub-total</b>	<b>10,883</b>	<b>103,414</b>	<b>3,101</b>	<b>3,629</b>	<b>77,363</b>	<b>148,660</b>	<b>11.1%</b>	<b>10.6%</b>	<b>45.3%</b>	<b>28.2%</b>	<b>4.8%</b>
<b>Roads</b>	Sealed roads	18,889	105,413	6,596	7,718	599,971	727,884	71.1%	9.6%	11.5%	5.9%	2.0%
	Unsealed roads	2,384	17,908	2,032	2,378	97,147	116,928	79.4%	4.4%	12.2%	2.7%	1.3%
	Bridges	48	411	227	266	67,257	75,079	72.3%	25.0%	2.4%	0.2%	0.0%
	Footpaths	92	1,553	153	179	26,467	30,616	61.1%	32.7%	5.9%	0.3%	0.0%
	Other road assets	481	5,762	427	500	95,149	108,707	66.3%	28.2%	4.5%	0.9%	0.2%
<b>Sub-total</b>	<b>21,894</b>	<b>131,047</b>	<b>9,435</b>	<b>11,041</b>	<b>885,990</b>	<b>1,059,214</b>	<b>71.3%</b>	<b>12.7%</b>	<b>10.1%</b>	<b>4.4%</b>	<b>1.5%</b>	
<b>Stormwater drainage</b>	Stormwater drainage	221	887	415	485	119,913	143,343	53.3%	37.9%	8.2%	0.0%	0.5%
	<b>Sub-total</b>	<b>221</b>	<b>887</b>	<b>415</b>	<b>485</b>	<b>119,913</b>	<b>143,343</b>	<b>53.3%</b>	<b>37.9%</b>	<b>8.2%</b>	<b>0.0%</b>	<b>0.6%</b>
<b>Open space / recreational assets</b>	Open Space	2,728	14,673	3,363	3,936	35,250	51,960	38.4%	21.2%	23.2%	13.2%	4.1%
	Swimming Pools	117	4,548	-	-	3,141	6,152	0.0%	0.0%	97.5%	2.6%	0.0%
<b>Sub-total</b>	<b>2,845</b>	<b>19,221</b>	<b>3,363</b>	<b>3,936</b>	<b>38,390</b>	<b>58,112</b>	<b>34.3%</b>	<b>18.9%</b>	<b>31.0%</b>	<b>12.0%</b>	<b>3.8%</b>	
<b>Other infrastructure assets</b>	Other	-	-	-	-	10,828	10,895	99.4%	0.6%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,828</b>	<b>10,895</b>	<b>99.4%</b>	<b>0.6%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Total – all assets</b>		<b>35,843</b>	<b>254,569</b>	<b>16,314</b>	<b>19,091</b>	<b>1,132,484</b>	<b>1,420,224</b>	<b>61.9%</b>	<b>15.2%</b>	<b>14.3%</b>	<b>6.8%</b>	<b>1.8%</b>

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

### Infrastructure asset condition assessment 'key'

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

# Cessnock City Council

## Report on infrastructure assets as at 30 June 2023

### Infrastructure asset performance indicators (consolidated) \*

\$ '000	Amounts	Indicator	Indicators		Benchmark
	2023	2023	2022	2021	
<b>Buildings and infrastructure renewals ratio</b>					
Asset renewals <sup>1,2</sup>	<b>25,291</b>	<b>181.96%</b>	128.32%	111.66%	> 100.00%
Depreciation, amortisation and impairment	<b>13,899</b>				
<b>Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<b>35,843</b>	<b>3.08%</b>	3.67%	3.41%	< 2.00%
Net carrying amount of infrastructure assets <sup>2</sup>	<b>1,163,844</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>19,091</b>	<b>117.02%</b>	117.62%	103.48%	> 100.00%
Required asset maintenance	<b>16,314</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>254,569</b>	<b>17.92%</b>	17.88%	17.67%	
Gross replacement cost	<b>1,420,224</b>				

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

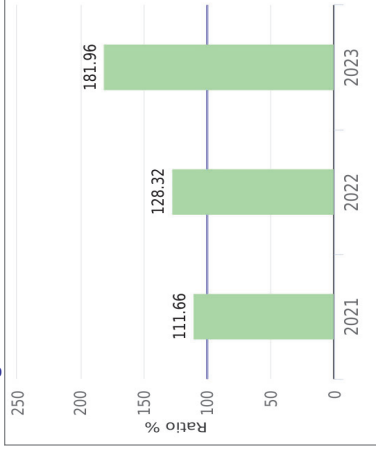
(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

(2) As per the Local Government Code of Accounting Practice and Financial Reporting 2020/21, WIP is now included in the applicable ratios. Prior year's ratios have not been updated to reflect the inclusion of WIP.

# Cessnock City Council

## Report on infrastructure assets as at 30 June 2023

### Buildings and infrastructure renewals ratio



Benchmark: — > 100.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

**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 181.96%**

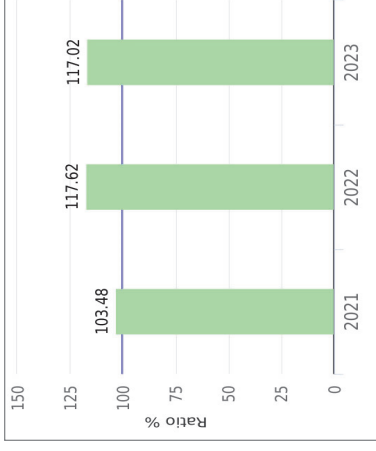
This ratio improved significantly in 2023 due to the work in progress (WIP) on the Cessnock Airport runway renewal.

The Local Government Code of Accounting Practice and Financial Reporting has stipulated the inclusion of WIP in this ratio from 2021. Ratios <2021 have not been updated. Only WIP that is renewal has been included as WIP related to new assets does not improve the condition of existing assets.

Ratio achieves benchmark

Ratio is outside benchmark

### Asset maintenance ratio



Benchmark: — > 100.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

**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.

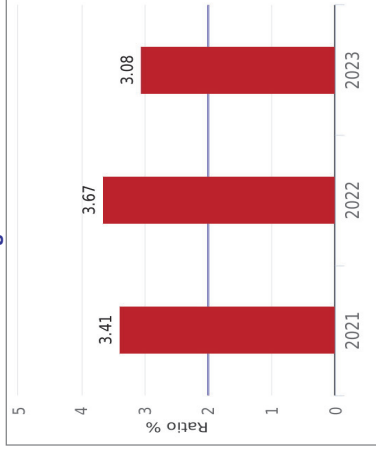
Ratio achieves benchmark

Ratio is outside benchmark

**Commentary on result**  
**22/23 ratio 117.02%**

Council has carried out sufficient maintenance on assets as identified in the Asset Management Plans. This ratio has increased significantly since 2021 due to increased maintenance spent on infrastructure as a result of natural disasters.

### Infrastructure backlog ratio



Benchmark: — < 2.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

**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 3.08%**

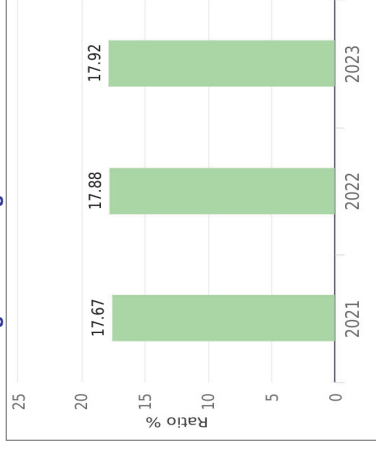
This ratio reflects the cost to bring assets up to a service potential index (SPI) of 3. In reality, when renewing or replacing assets, they are brought up to an SPI better than 3 and this costs a lot more.

Council applies indexation per Rawlinson's Construction guide to show assets at their fair value.

Ratio achieves benchmark

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 17.92%**

This ratio reflects the cost to fully replace assets where their service potential index (SPI) is worse than 3. In reality, Council may not need to fully replace the asset to bring it to the agreed level of service. For example, when rehabilitating a road, the formation and sub-base components may not need to be fully replaced.

# MAKING SENSE OF THE FINANCIAL STATEMENTS





# Making sense of the financial statements

Each year, the Audit Office of New South Wales undertakes an audit of the financial statements for each Council in New South Wales. Their position is included in a document that is attached to the Annual Financial Statement. There can be disagreement between the two parties, usually around differing opinions on accounting treatments of items.

At the conclusion of FY22/23, the Audit Office audited the general purpose financial statements for Cessnock City Council, along with special purpose financial statements for the Special Schedule 'Permissible income for general rates' (the Schedule), Roads to Recovery Program and the Local Roads and Community Infrastructure Program.

This document has been prepared to provide additional context to support understanding of the Annual Financial Statements for FY22/23 and the associated report by the NSW Government's Audit Office.

## Details on the financial statement result

	2023 \$'000	2022 \$'000
<b>Net operating result for the year</b>	<b>26,402</b>	50,378

The result of the Financial Statements are a Net Operating Result of \$26.4m surplus, noting that this becomes a deficit of \$28.8m when capital income is removed for reporting purposes.

Key matters driving the result include:

- \$25m of prepaid capital grants that relate to multiple years of capital expenditure
- \$11.76m additional provision and depreciation for waste sites throughout the LGA.

This is a non cash item with uncertainty at this time as to whether any amounts will ever be paid for these sites. Accounting standards require us to book the provision on a conservative basis, and is therefore included on our books. This will remain the case until there is a definitive legal decision that determines the party responsible for any required rehabilitation.

- \$9.12m of additional cost from loss on disposal of assets.

Additional cost from loss on disposal of assets is driven by two factors: an increase in overall capital expenditure (approx. \$55m compared to under \$30m in FY21/22), and a subsequent loss on disposal related to writing off the uncharged depreciation of the old asset. In relation to the total loss on disposal of assets, 72.91% are from grant funded or natural disaster works undertaken by Council. It should also be noted, that these are non-cash items in the current year and relate to capital expenditure spent in prior years that would ordinarily be depreciated over the effective life of the asset.

- \$6m payment of a court settlement that is subject to an appeal to be held in the early 2024.
- \$1.94m of capital expenses that are unable to capitalised due to their nature.

This is a cash entry but also a factor in increasing capital works, noting some projects were done under grant funding

## Details on performance measures

Council meets 4 and misses two performance measure ratios; being the Operating Performance Ratio and the Own Source Funding Ratio

**Own Source Funding Ratio** has been driven down by 100% prepayment of the Financial Assistance Grant and additional grants received from Natural Disaster Works.

**Operating Performance Ratio** is driven by non-cash items that are impacting the bottom line that are unlikely to be expended in the future.

	2023 \$'000	2022 \$'000
<b>Cash position (includes investments)</b>	<b>73,126</b>	73,994

### Council's cash position

Overall, Council only used \$800,000 of its cash reserves over the course of the year and remains in a strong cash position.



## Non-recognition of rural fire-fighting equipment

The Audit Office opted to qualify the Annual Financial Statement on the basis that Council has not recognised rural fire-fighting equipment (RFS fleet) as assets in the Statement of Financial Position at 30 June 2023. The Audit Office has formed a view that RFS vehicles are controlled by local Councils, and depreciation on these assets should therefore be included in the Statement of Financial Position at 30 June 2023. Council disagrees.

As prescribed in the Code of Accounting Practice NSW, Councils need to assess whether they control any rural firefighting equipment in accordance with Australian Accounting Standards and recognise in their financial statements any material assets under their control.

Council does not consider these assets to meet the definition of control required by Australian Accounting Standards.

Council also takes exception to the concept of receiving of economic benefit as the RFS equipment is used to meet Council's responsibilities for mitigation and safety works under the RFS Act. The responsibility of the RFS is much more extensive under the Act than those of Councils. With the economic benefits received being skewed to the RFS, this would provide further evidence that the Rural Fire Service maintains control of all mobile assets.

Council officers do not hold the information on the assets, nor are they qualified to determine condition assessment or replacement value. All of which is supplied by the RFS, a further indication of the asset owners being the RFS.

Cessnock City is among dozens of Councils across NSW that have refused to include the depreciation cost of assets they neither own nor control in Annual Financial Statements.

Further, Local Government NSW has called on the NSW Government to "stop cooking the books on RFS assets," and acknowledge the reality that assets under the control of a state government agency should be accurately recorded on their books.



## Quality and timeliness of financial reporting

The Audit Office states that Council's financial statements and supporting evidence submitted for audit included deficiencies that indicate a need to improve quality review processes. Council acknowledges changes were made to reports in agreement with the Audit Office without material change, notes the failure of the Audit Office to acknowledge its contribution to delays and questions the risk rating.

Council acknowledges the supplying of information could have been more timely on occasions but this presupposes that council finance staff are able to delay all other activities of council to remain at the total needs of the audit. Council does not have unlimited resources to do so.

This was exacerbated by the many hours council finance staff provided during the audit in teaching the audit team the nuances of our reports and having to manage requests from the audit team that are unable to be provided. Council also notes instances of information supplied not being reviewed or understood by the audit team resulting in council officers having to assist the audit team to further understand the information provided.

Council accepts that a delay in timeliness of information sharing was an issue for both parties, though note that it is only reflected poorly against the Council via this audit finding.

Council notes this matter has been raised by the Audit Office in previous reports, and that it remains despite major investment of additional resources by Council. This may suggest that the audit demands are out of touch with community requirements and needs, particularly noting that only 50% of NSW council audits were completed by the statutory due date of 31 October 2023.



# Non-compliance with the Local Government Act 1993

Under the Local Government Act 1993 (LG Act), Councils are required to submit audited financial statements to the Office of Local Government by 31 October each year. The Audit Office listed a failure to submit audited financial statements by an approved extended deadline of 30 November 2023, and specifically of Council not seeking a further extension, as a matter of high risk. Council acknowledges the financial statements were not lodged by the 30 November deadline, while noting the Audit Office's failure to recognise itself as the primary contributor to the compliance breach.

Council acknowledges that it did not lodge the financial statements by the 30 November 2023 deadline nor did Council request any further extensions.

Council considers this breach of the Act is as a result of the Audit Office of NSW raising a potential issue at a very late stage of the audit, despite the matter not being raised as a material issue prior to the day before Council's Audit and Risk Committee Extraordinary meeting to discuss the final financial statements on 23 November 2023.

Council undertook further investigations that determined the matter was immaterial, supplying that evidence on 23 November 2023 (the day after the matter was raised by the Audit Office) and noted that there would be no further changes to the financial statements.

Council considers that any delay from that point on is as a result of internal Audit Office policies to determine their audit opinion.

Council again notes that only half of NSW Council audits were completed by the due date of 31 October 2023.

## Valuation of Council's airport assets

**The Audit Office notes that Council's airport assets have not been comprehensively revalued since 30 June 2016, and list the fair value assessment performed by the Council, its use of an index rate and some assumptions as high risk. Council questions the risk rating.**

Council acknowledges that a comprehensive revaluation has not been completed since 2016, however Council notes the airport was substantially rebuilt in the intervening 5 years with major works finishing in January 2023. These works include an upgraded runway, taxiways, apron and new drainage including water and sewer connections.

Council officers attempted to engage a qualified valuer without success and then completed an indexation exercise using current construction costs and other indices.

Council also notes the airport represents a value of 0.8% of council fixed assets and a material misstatement would need to be in the order of 25% of the airport's current holding value, and therefore questions the risk rating of high.

# Evidence in useful lives applied to infrastructure assets

The Audit Office states that estimates used by Council for the useful lives of infrastructure assets could not be supported by evidence, and opted to list this as a high risk matter. Council notes existing processes were not raised during previous audits, and was only raised by the Audit Office as a material matter very late in the process.

Council acknowledges that there has been only a limited consideration of the useful lives of the Council's assets and had been relying on previous audit opinions that had failed to raise any potential error in Council's financial statements. Council will reconsider the useful lives of its assets prior to the 30 June 2024.

Council notes this matter was only raised as a material accounting issue on 22 November 2023, less than 24 hours prior to Council's Audit and Risk Committee meeting to consider the final audit report.

Council, as the request of the Audit Office, compared the change in depreciation expense for the current year against the benchmark rates and determined the change in the current year was immaterial, and that useful lives used were generally in line with industry standards.





CESSNOCK  
CITY COUNCIL

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