



ORDINARY COUNCIL MEETING

Wednesday 16 October, 2024

at 9:00am

Council Chambers, 56 Chanter Street, Berrigan



Late Items Agenda



Ordinary Council Meeting
 Wednesday 16 October, 2024
LATE ITEMS BUSINESS PAPER

The Ordinary Council Meeting of the Shire of Berrigan will be held in the Council Chambers, 56 Chanter Street, Berrigan, on Wednesday 16 October, 2024 when the following business will be considered:-

ITEMS OF BUSINESS

8	REPORTS TO COUNCIL.....	3
8.22	2023-24 Annual Financial Statements	3

No business, other than that on the Agenda, may be dealt with at this meeting unless admitted by the Mayor.

KARINA EWER
CHIEF EXECUTIVE OFFICER

8 REPORTS TO COUNCIL

8.22 2023-24 Annual Financial Statements

Author:	Finance Manager, Genevieve Taylor
Strategic Outcome:	CL. Our Civic Leadership
Strategic Objective:	CL-A. The community is serviced in an effective, financially sustainable and responsible manner
Delivery Program:	CL.1. Improve Council processes to make doing business with Council easier.
Council's Role:	Service Provider: The full cost (apart from fees for cost recovery, grants etc) of a service or activity is met by Council
Appendices:	1. Annual_Financial_Statements-2024 - FINAL.pdf (under separate cover)

Recommendation

1. That the Council, having satisfied itself in relation to the preparation of its financial reports and special schedules:
 - a. refer its financial statements to the Auditors for the audit report,
 - b. subject to receipt of the audit report, at its meeting to be held on Wednesday 16 October 2024, the Council present its audited financial reports and audited reports to the public and that the Council's intention be publicly notified,
 - c. sign the attached General Purpose Financial Report "Statement by Council and Management" and the Special Purpose Financial Report "Statement by Council and Management" and
 - d. adopt the valuation of assets prepared in accordance with recognised valuation procedures as a fair and reasonable value of those assets (see note C1-6).

Report:

The 2023/24 Annual Statements have been prepared and audited by NSW Audit Office (NSWAO).

A copy of the Statements is attached as Appendix 1

The report below has the following sections:

- A brief summary of the key results and performance measures.
- Some general comments on the statements.
- A run down on the statutory process required to formally adopt the financial statements.
- A detailed analysis of the Financial Statements and associated notes and schedules.

Key points

Some of the key points from these statements are:

1. Council made an operating deficit of \$5.9m before capital grants and contribution.
2. Council held approximately \$42.6m in cash and investments at 30 June 2024, of which only \$3.6m was unrestricted.
3. Council renewed approximately \$12.7m in infrastructure renewals (i.e., roads, water, sewer, drainage etc.) and constructed an additional \$4.1m of new infrastructure. Note this includes work in progress.

Summary of Results





The table below is a brief summary of the key results for the 2023/24 financial statements.

<u>Overall performance</u>	<u>2023/24</u>	<u>2022/23</u>
Operating surplus	\$0.8m	\$3.0m
Operating surplus/(deficit) before capital grants and contributions	(\$5.9m)	(\$3.3m)
<u>Revenue and expenses</u>		
Total revenue	\$33.5m	\$32.9m
Total expenses	\$32.6m	\$29.9m
<u>Cash and investments</u>		
Cash and cash equivalents	\$23.5m	\$15.0m
Investments	\$19.0m	\$28.1m
<u>Balance Sheet</u>		
Total assets	\$495.3m	\$449.1m
Total liabilities	\$13.7m	\$10.4m
Total equity	\$481.5m	\$438.6m
<u>Water and Sewer funds</u>		
Total assets	\$143.6m	\$112.7m
Total liabilities	\$4.9m	\$5.5m
Total equity	\$138.7m	\$112.7m

Performance measures

The performance measures set by the Office of Local Government and required to be included in the Council’s financial statements are shown below.

<u>Industry Indicators</u>	<u>Benchmark</u>	<u>2023/24</u>	<u>2022/23</u>
Operating Performance Ratio	Greater than 0%	(9.95%)	(5.90%)
Own Source Operating Revenue Ratio	Greater than 60%	52.24%	47.26%
Unrestricted Current Ratio	Greater than 1.50:1	4.14:1 	5.22:1
Debt Service Cover Ratio	Greater than 2.00:1	8.26:1 	16.30:1
Rates Outstanding Percentage	Less than 10.00%	7.65% 	5.15%
Cash Expense Cover Ratio	Greater than 3.00 months	24.45 months 	23.01 months

<u>Infrastructure Asset Performance Indicators</u>	<u>Benchmark</u>	<u>2022/23</u>	<u>2021/22</u>
Building and Infrastructure Renewals Ratio	Greater than 100%	167.78% 	57.51%
Building and Infrastructure Renewals Ratio (General Fund)	Greater than 100%	119.10% 	71.40%
Infrastructure Backlog Ratio	Less than 2%	0.00% 	0.00%
Asset Maintenance Ratio	Greater than 100%	140.67% 	114.43%

General comments

Overall, the Council retains a strong cash position in all three operating funds.

The Council's balance sheet remains strong with adequate provisions and correct asset values.

The 2024/25 year will see significant challenges before the Council as it manages the Statewide roads emergency while meeting the ever-increasing regulatory burden placed on local government by the NSW Government.

Continued careful monitoring of the Council's financial position is required to ensure this Council is sustainable and able to deliver for its community, today and into the future.

Statutory Process

The Council is now required to:

1. complete the statutory process for adoption and completion and
2. assure itself the Statements have been prepared in accordance with the appropriate standards (prior to adoption) and formally refer the Statements to the Council's Auditors for the Audit Report.

After satisfying itself with the accuracy and correct preparation of the Statements, the Council is required to:

1. **adopt** the statements and report on the conduct of the Audit and
2. **once the auditor's report has been received,**
 - a) **advertise** the Statements for public submissions for a period of 7 days and
 - b) **make available** the Statements to various authorities including the NSW Office of Local Government.

Preparation of the Statements

The Statements are required to and have been drawn up in accordance with:

- The *Local Government Act 1993* and associated regulations.
- NSW Local Government Code of Accounting Practice and Financial Reporting
- Australian Accounting Standards.
- The Local Government Code of Accounting Practice and the Local Government Asset Accounting Manual.

The Statements are also in accordance with the Council's accounting records for the year ended 30 June 2024.

The Council is required to prepare five primary reports which form the cornerstone of the financial statements, they are:

- An Income Statement
- A Statement of Comprehensive Income
- A Statement of Financial Position (Balance Sheet)
- A Statement of Changes in Equity
- A Statement of Cashflows

In addition to these statements are Notes A1-1 to H1-1, the Special Purpose Financial Reports and the Special Schedules.

The Statements and corresponding notes, which form the Council's accounts along with the Special Purpose Financial reports, are audited. The Special Schedules are considered supplementary to the accounts and therefore are selectively audited. The permissible income for general rates schedule is audited, and the report on Infrastructure Assets is not currently audited.

They are prepared for the benefit of other authorities such as the Office of Local Government, Grants Commission, the Department of Lands, the Australian Bureau of Statistics and other Councils.

The following commentary on the Annual Accounts and Special Purpose Financial Accounts is provided for the Council's information.

Please note all figures are in \$000's unless otherwise noted.

Income Statement

The Income Statement shows the surplus or deficit from ordinary activities before capital amounts and therefore gives an indication of the Council's performance in providing services that are funded from periodic operating income. These results generally exclude capital injections of funds which pay for capital works; the corresponding expenditure for these items appears in the Balance Sheet in the form of an asset.

The surplus from ordinary activities line shows how much the Council's wealth has increased or decreased over the year as a result of its activities. It is important to note the Council is required by the NSW Local Government Code of Accounting Practice and Financial Reporting to recognise grants and contributions in its Income Statement even if the corresponding expenditure has not been incurred in that period.

The Council should note the Council's result from ordinary activities result has decreased from a \$3.042m operating surplus in 2022/23 to a **\$880 operating surplus** in 2023/24 however this is largely due to recognising the net loss on the disposal of the old Finley Water Treatment Plant.

Some of the more material changes are listed below (in 000s):

- An increase in Rates and Annual Charges of \$518
- An increase in User charges and fees of \$883
- A decrease in Operating Grants of \$1,747
- An increase in Capital Grants of \$393
- An increase in Interest and Investment income of \$480
- A decrease in Materials and Services of \$393
- An increase in Depreciation expense of \$496
- An increase in Net Loss from the Disposal of Assets of \$1,474

Discussion on each of these items follows in this report.

The result before capital grants and contributions shows a decrease, moving from a \$3,308 deficit in 2022/23 to a **\$5,863 deficit** in 2023/24.

Capital grants and contributions include grants such as the fixing local roads program, and developer contributions to infrastructure, either in cash or as contributed assets.

The underlying financial position of the Council remains stable — i.e. the Council is making moderate operating surpluses over the short to medium term and has cash flows sufficient for the Council to meet its obligations and deliver on its strategic plans.

Statement of Comprehensive Income

The Statement of Comprehensive Income links the Council's operating result in its Income Statement to the Council's Statement of Financial Position, specifically the increase in Council Equity (i.e. the Council's assets less its debt).

In 2023/24 the Statement reflects the Council's operating surplus of \$880 and a gain on revaluation of \$42,041 (more detail on this figure will be provided below) making a total decrease in Council equity for the year of \$42,921.

Statement of Financial Position (Balance Sheet)

The Balance Sheet is presented to reveal the following aspects of the Council's financial situation:

1. Information about the **financial structure** of the Council, its obligations, its equity and the types of resources available to it.
2. Information about the **capacity** of the Council to adapt to changes in its operating environment.
3. Information about the **short and long term solvency** of the Council by classifying its assets and liabilities into current and non-current.

The Balance Sheet recognises the basic accounting equation of Assets minus Liabilities equals Equity. The equity of Berrigan Shire comprises the accumulated surpluses from previous years plus the asset revaluation reserves.

In Berrigan Shire's case the Balance Sheet shows an increase in equity from \$438,655 to \$481,576. As discussed above, this reflects the Council's operating surplus of \$800 shown in the Income Statement and the \$42,041 decrease in valuation of the Council's infrastructure, property, plant and equipment assets and other adjustments

Current Assets – the Council's cash and other assets likely to be realised over the next twelve months — have decreased by \$1,840 over the financial year. This is a result of the moderate increase in Council's receivables.

Non-current Assets have increased by \$44,408. This is largely the result of the revaluation of several classes of infrastructure assets and bringing in the new Water Treatment Plants.

Current liabilities – the Council's debts likely to be redeemed over the next year – have increased by \$4,412. This is largely due to the unspent grants held as contract liabilities for the general fund at 30 June 2024.

Non-current liabilities decreased by \$1,085 due to Council continuing to pay down borrowings.

Statement of Changes in Equity

The Statement of Changes in Equity shows how the total changes in Equity have been derived. There were two changes in equity in 2023/24. There was an increase of \$880 flowing from the Income Statement, and a decrease in the Asset revaluation reserve of \$42,041.

The slight increase in equity from the Statement of Financial Position has been discussed above and the increase from the revaluation of the Council’s assets will be discussed in detail below.

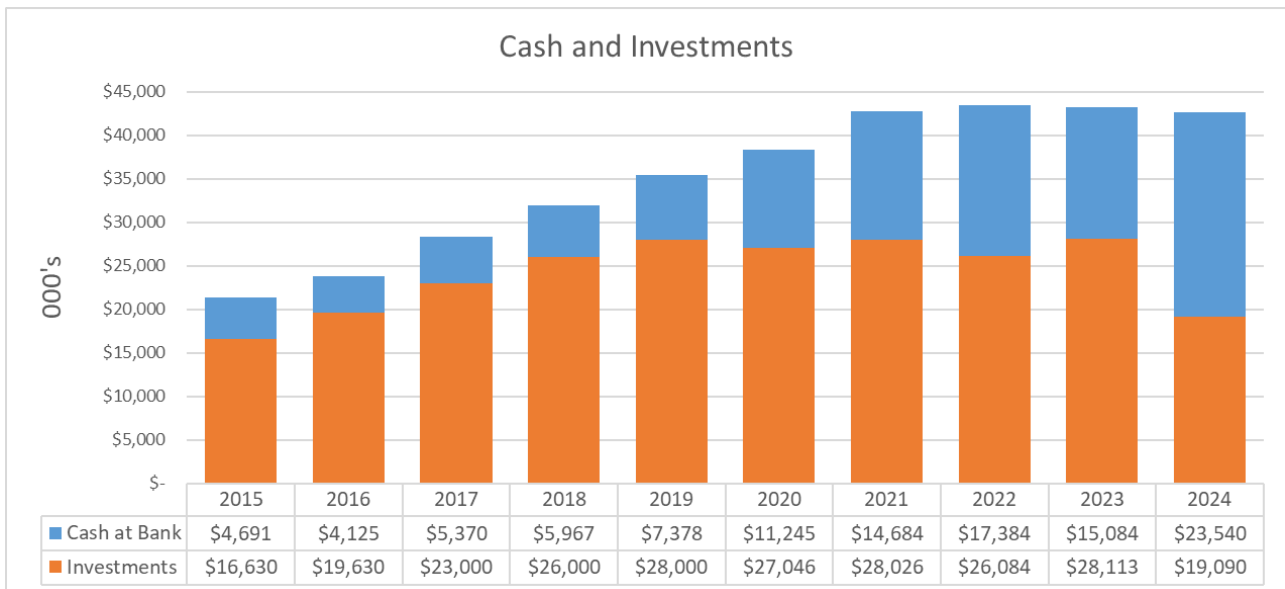
Cash Flow Statement

The Cash Flow Statement communicates information about the change in an organisation’s liquidity and solvency during the year. It requires the grouping of cash receipts and cash payments into the following three classifications. They are:

- Operating Activities: These involve providing goods and services and include all transactions and other events that are not financing or investing activities.
- Investing Activities: These involve activities relating to the acquisition and disposal of non-current assets, including property, plant and equipment and other productive assets and investments.
- Financial Activities: Involves those activities which relate to changing the financial structure of the entity.

The Cash Flow Statement does not consider non-cash items such as depreciation and accrued expenses and revenue. It is important because it shows the amount of cash created by Council’s activities, which governs the Council’s ability to spend.

Overall, the Council’s cash and investments decreased by \$567 during the year. This decrease stemmed from an increase in payments for large scale IPPE projects, specifically the Water Treatment Plants, and the rising costs associated with labour, materials, and construction expenses. Council would have seen a more significant decline in cash and investments if the 2024/2025 Financial Assistance Grant wasn’t paid 85% in advance.



Notes A1-1 to H1-1 provide detail to the abovementioned statements.

Category A - About Council and these financial statements

Note A1-1 sets out the basis of preparation for these set of statements including the impact of new accounting standards.

Category B - Financial Performance

This category provides more information on the amounts shown in the Council's Income Statement

Note B1 discusses financial performance by Council's functional areas per its Community Strategic Plan - i.e.

1. Sustainable Natural and Built Landscapes,
2. Good Governance,
3. Supported and Engaged Communities,
4. Diverse and Resilient Business

Note B2 provides detail on the Council's sources of income.

Sub-Note B2-1 shows Council's rates and charges income.

The Council's rates and charges revenue increased by \$518 (4.3%) in 2023/24. This has two main drivers:

- 3.7% permissible increase in general rates
- Some growth in the number of rateable assessments and service connections

Sub-Note B2-2 shows Council's rates and charges income.

User charges and fees increased by \$883 (26.7%) in 2023/24. Most fees and charges revenue were relative to past years.

Sub-Note B2-3 shows Council's other revenue.

Other Revenue has increased by \$113. This is largely due to a Fringe Benefit Tax refund being received and the disposal of 4 x public works utilities.

Sub-Note B2-4 shows Council's grants and contributions.

Operating grants received by the Council decreased by \$1,747. This is largely due to the decline in Commonwealth Funding and the timing of receipts of the Financial Assistance Grant.

Capital Grants tend to vary widely from year to year depending on the current projects being undertaken by the Council. In 2023/24 the amount of Capital Grants and Contributions received by the Council totaled \$5,349.

Contributions to s7.11 and s64 plans have increased by \$1,134 in 2023/24.

The value of restricted grants and contributions (i.e. those grants and contributions the Council has an obligation to spend in specified manner) fluctuates every year based on timing of receipts and building progress.

Sub-Note B2-5 shows Council's interest and investment income.

This revenue increased by \$480 (34.2%) in 2023/24. Interest rates received on Council's investments increased significantly over the year due to record low interest rates in prior years and sharp interest rate rises from the RBA throughout 2023/24.

Sub-Note B2-6 shows Council's other income - i.e., rent etc.

Note B3 provides detail on the costs of providing services - i.e., its expenses.

Sub-Note B3-1 shows Council's employee benefits and on-costs.

Employee costs expensed increased by \$779 (7.9%). This result included all employee costs including leave entitlements, superannuation, and workers compensation.

Sub-Note B3-2 shows Council's materials and services costs.

Materials and Contracts expenses decreased by \$393 (4.0%). This figure can move sharply depending on the mix of maintenance and capital works projects in any given year.

Sub-Note B3-3 shows Council's borrowing costs.

Borrowing costs increased by \$351. This relates to a decrease in interest expenses and a significant increase in remediation liability of its tips and quarries.

Sub-Note B3-4 shows Council's depreciation, amortisation, and impairment.

Depreciation increased by \$496 (5.5%).

Sub-Note B3-5 shows Council's other expenses.

Other expenses cover a wide range of areas and are consistent with previous years.

Note B4 provides detail on gains and losses.

Sub-Note B4-1 shows Council's other expenses.

The Council made a small gain on its sale of land and used plant which was offset by a loss on disposal of infrastructure and real estate assets.

Accounting standards oblige the Council to write off the residual value of infrastructure when it is replaced and that accounts for the \$3,296 loss on "disposal" of its infrastructure assets.

Note B5 provides detail on the Council's performance against budget.

Sub-Note B5-1 shows material budget variations in the income statement and statement of cash flows.

Category C - Financial Position

This category provides more information on the amounts shown in the Council's Balance Sheet

Note C1 provides detail on assets managed by the Council.

Sub-Note C1-1 shows Council's cash and cash equivalents.

Sub-Note C1-2 shows Council's financial investments.

Sub-Note C1-3 shows Council's restricted cash, cash equivalents and investments.

As mentioned above, the Council's total cash and investments have decreased from \$43,197 in 2022/23 to \$42,630 in 2023/24.

All Cash and Cash equivalents are held as "At fair value through profit and loss" and all Investments are "Held to Maturity". Given the Council's investment portfolio, which consisted of term deposits, there is little difference between the two.

External restrictions are those imposed on the Council by legislation relating to separate funds such as water, sewer and domestic waste as well as grants and contributions that come with conditions that the funds be spent on specific projects.

Internal restrictions are restrictions or funds which the Council places voluntarily on itself such as employee leave entitlements, the plant replacement reserves and the capital works reserve.

Unrestricted funds decreased to \$3,580. Much of the remaining unrestricted cash:

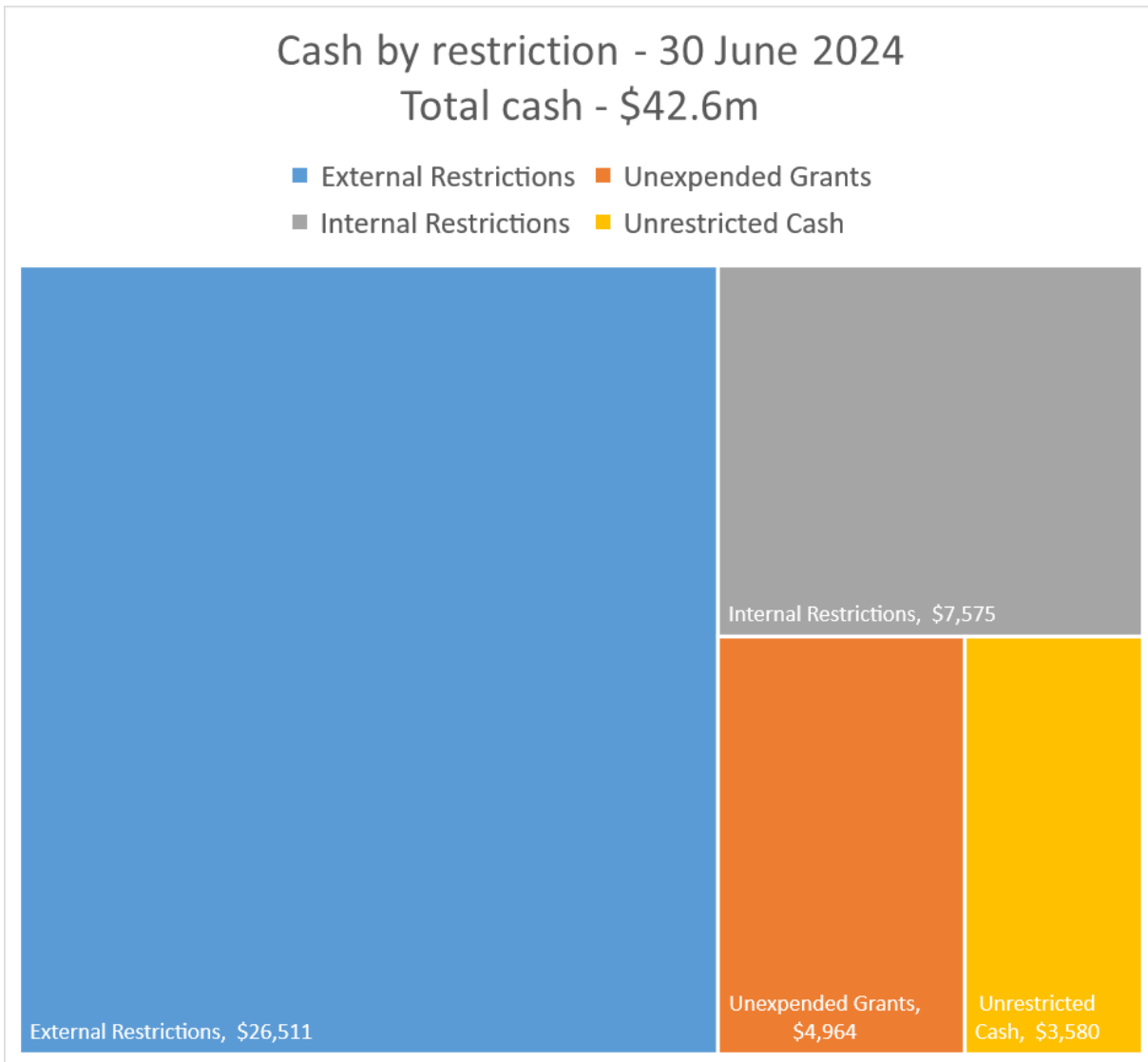
- Is Financial Assistance Grant paid in advance, or
- Is required for working capital.

The table below provides some further detail about the Council's unrestricted cash.

UNRESTRICTED CASH ANALYSIS

	\$000's
(A) Cash and investments as at 30-6-24 (A)	42,630
(B) Restricted cash as at 30-6-24 (B)	39,050
(C) Unrestricted cash as at 30-6-24 (A-B)	<u>3,580</u>

A graphical breakdown of the Council’s total cash and investment holdings is shown below:



Sub-Note C1-4 shows Council’s receivables, i.e. the amounts that are owed to the Council.

Outstanding rates and charges increased by \$2,708.

Accrued interest on investments increased by \$61.

Government grants and subsidies increased by \$553; this relates to claims made for grant-funded projects not yet paid by the funding body.

Net GST receivable is \$1,070; this amount includes three monthly Business Activity Statements (BAS) that were lodged on 28 June 2024, however the refunds remained outstanding at 30 June 2024.

Sub-Note C1-5 shows Council’s inventories of stock and materials and developed real estate owned by the Council.

Sub-Note C1-6 provides details on the movements in value of the Council's Infrastructure Property Plant and Equipment (IPP&E) assets. These represent the overwhelming balance of the Council's assets.

The carrying value of the Council's IPP&E assets increased from \$401,971 to \$446,379 at the end of 2023/24.

The left-hand columns in Note C1-6 shows the situation at the commencement of the 2023/24 year, the middle columns show the changes to asset values throughout the course of the year and the rightmost columns show the situation at the end of the financial year. Items worth noting include:

- The Council added a total of \$14,783 in assets in 2023/24. Of this \$9,057 related to renewals of infrastructure and \$5,726 to new infrastructure.
- This is offset by the Council recognising depreciation to the value of \$8,967 as discussed earlier.
- The revaluation increments of \$42,466 and \$425 decrements to equity, for a net of \$42,041 are also shown in this table.

The last item above requires more explanation. Council is required at each reporting date to assess the fair value of all its assets every year and determine if that value differed materially.

Under AASB 13, assets are required to be valued at their "fair value"; in the case of assets such as roads and bridges the Office of Local Government has determined councils will need to estimate fair value using the cost-approach method. The cost approach reflects the amount that would be required currently to replace the service capacity of an asset.

A complete revaluation of Roads, Footpaths, Bridges, Culverts and Other Assets was undertaken by APV Limited for 30 June 2024. These values have been used in the preparation of these financial statements. As part of the valuation, the Land and Building assets have all been broken into separate components and each component valued separately.

Note C2 provides detail on Council's leasing activity.

Sub-Note C2-1 shows Council's activities as a lessee.

Sub-Note C2-2 shows Council's activities as a lessor.

This includes the Tocumwal Foreshore building & Finley Saleyards amongst other assets Council currently leases out.

Note C3 provides detail on Council's liabilities - i.e., amounts it owes to other parties.

Sub-Note C3-1 shows Council's payables - debts it incurs in the ordinary course of business.

Payables have increased slightly from \$2,645 in 2022/23 to \$3,086 in 2023/24; this is mainly due to a combination of an increase in prepaid rates and the timing of payments of invoices.

Sub-Note C3-2 shows Council's contract liabilities - liabilities incurred by the Council through entering contracts to undertake to perform activities - i.e., grants for capital works.

This is a new requirement. As the Council performs its obligations under the contract, the amount shown as a liability will become revenue.

Sub-Note C3-3 shows Council's borrowings.

Borrowings have decreased over 2023/24 as Council continues to pay down its borrowings.

Sub-Note C3-4 shows the Council's employee benefit provisions - the amounts for which it has committed to pay employees in the future for leave.

2023/24 has seen the Council's Provision for Employee Benefits decrease slightly. Council is continuing its efforts to reduce staff leave balances.

The table below provides some history on the level of the provision.

Financial year	Provision for Employee Leave (000s)
2020/21	\$2,826
2021/22	\$2,248
2022/23	\$2,283
2023/24	\$2,147

As previously reported to the Council, the level of the Council's outstanding leave balances continues to be a significant issue and is likely to be raised by the auditors in their management letter as a repeating issue.

Sub-Note C3-5 shows the Council's provisions - i.e., the amounts for which it is committed to pay in the future.

The Provision for Asset Remediation/Restoration covers the likely cost to the Council to restore, rehabilitate and remediate certain areas such as quarries and landfills when they reach the end of their useful lives. Note that this year sees a significant adjustment to this provision due to the tip hole at Berrigan being closed.

The Council is required to show this as a liability as well as incorporate this cost in the cost of the asset. This is required to be done on a **net present value** basis, i.e., the future expected costs are discounted to 2024 dollar amounts.

The provision at 30 June 2024 has decreased from 2023. This in part relates to the unwinding of the discount used, which is treated as a borrowing cost. Due to a new cell constructed at Berrigan more of the council's provision has been expended in 2024.

Note C4 provides detail on Council's reserves.

Sub-Note C4-1 describes the nature and purpose of the Council's reserves.

Category D - Council structure

Note D1 provides details on the Council's Financial Result and Financial Position by fund - i.e., General, Water and Sewer.

This note duplicates much of the information shown in the Special Purpose Financial Statements and Special Schedules.

Sub-Note D1-1 shows the income statement by fund.

Sub-Note D1-2 shows the statement of financial position by fund.

These sub-notes duplicate much of the information shown in the Special Purpose Financial Statements and Special Schedules.

Sub-Note D1-3 shows the details of the Council's internal loans.

These internal loans are shown separately in each fund but are eliminated when preparing the consolidated financial statements.

Category E - Risks and accounting uncertainties

Note E1 sets out Council's financial risks.

Sub-note E1-1 shows risks relating to financial instruments held.

The Council holds most of its cash and investments in Term Deposits and at-call accounts while its only borrowings are standard loans with fixed interest rates for the term of the loan. As a result, the risk of default or interest rate movement to the Council is very slight.

Note E2 sets out accounting uncertainties when preparing the Council's financial statements.

Sub-note E2-1 shows Council's fair value measurement.

The note itself is quite arcane and the format and content of this note may continue to change over time as the industry comes to grips with the best method to provide the required information in the most efficient manner.

Note E3

Sub-note E3-1 shows Council's contingencies.

Contingencies are other potential liabilities and assets that do not meet the threshold for inclusion in the financial statements or are otherwise difficult to value but are worthy of being disclosed.

While the Council has some industry-wide contingent liabilities for items such as Defined Benefit Superannuation plans and Statewide and StateCover Mutual, there are no contingent liabilities specific to the operations of this Council.

Category F - People and relationships

Note F1 sets out the Council's related party disclosures.

Sub-note F1-1 shows transactions between the Council and "Key Management Personnel".

Sub-note F1-2 shows fees and expenses paid to the Mayor and Councillors

Note F2 relates to the Council's other relationships.

Sub-note F2-1 shows Council's audit fees.

Category G - Other matters

Sub-note G1-1 reconciles the Council's operating result to the cash provided by the Council's net operating activities.

These can differ due to items such as depreciation, asset write-offs, contributed assets and changes in amounts owed to creditors and owed by debtors and in inventory levels.

Sub-note G2-1 details the Council's future expenditure commitments not shown in the balance sheet — i.e., where the Council has entered into a contract but not yet had the goods or service delivered.

Sub-note G3-1 lists events after balance day.

Note G4 shows changes from the prior year's statements.

Sub-note G4-1 discusses changes in accounting policy.

Sub-note G4-1 discusses changes in accounting estimates.

Note G5 set out Council's developer contributions.

Sub-note G5-1 is a summary of developer contributions.

Sub-note G5-2 is a summary of contributions not under plans.

Sub-note G5-3 shows Council's s64 contributions for headworks charges for water and sewer.

Note G6 is the Statement of Performance Measures

Sub-note G6-1 shows the performance measures as a consolidated entity.

Sub-note G6-2 shows the performance measures broken down by fund - i.e. general, water and sewer.

These measures were set out at the start of this report.

The Operating Performance ratio is below the benchmark level (greater than 0.00%) at (9.95%).

The Own Source Operating Revenue Ratio has increased from 47.26% in 2022/23 to 52.24% in 2023/24 – still not meeting the OLG benchmark of greater than 60%. Overall, this means that the

Council was able to raise 52.24% of its own revenue with the balance coming from grants from the other levels of government. In the years where large grants are received, this always makes achieving this ratio difficult, as they skew the results.

The Council's Unrestricted Current ratio has decreased, from 5.22:1 in 2023 to 4.14:1 in 2024. This still comfortably meets the OLG benchmark (greater than 1.50:1).

The Debt Service Cover ratio, which is a measure of the Council's long-term ability to meet debt repayments, has decreased from 16.30:1 to 8.26:1. This comfortably meets the OLG benchmark of greater than 2.00:1.

The Rates and Annual Charges ratio has increased from 5.15% in 2022/23 to 7.65% in 2023/24— for another year running this is a magnificent result and the Council's revenue team deserve much praise.

The Cash Expense Cover ratio is 24.45 months — i.e., the Council has enough cash to pay 24.45 months of operating expenditure. The required benchmark is three months or greater. Note that much of this cash is restricted.

Category H - Additional Council disclosures (unaudited)

Sub-note H1-1 shows the consolidated performance measures shown in Sub-note G6-1 in graphical form and with commentary.

Special Purpose Financial Reports

The Special Purpose Financial reports have been prepared to report the results of Business Units determined by the Council in accordance with the requirements of the National Competition Policy (NCP) guidelines.

The Council has identified two business units being the Water Supply Service and the Sewerage Service. Both activities exceed the \$2m revenue threshold and therefore are considered Category 1 activities.

The Special Purpose Financial Reports comprise a balance sheet and operating statement along with associated notes to the accounts for each deemed business.

NCP imputation payments are added to total expenses in the operating statement for each business to accurately reflect the amount of expenditure each business would incur if they were not owned by the Shire. Items such as land tax and Council rates are calculated and included as NCP imputation payments which are then shown as expenditure against the business.

It is important to recognise that the businesses do not actually pay these NCP imputation charges. They are merely added to the total expenses to reflect what the business would have paid if they were not Council owned.

Special Schedules

These schedules contain the Council's financial data presented on a fund basis. They are unaudited but are used by other authorities and are also used as work sheets in preparing the annual statements.

Permissible Income for General Rates is a statement of Permissible Income — the amount that Council is permitted to raise from ordinary rates. Unlike the rest of the financial statements, this statement is for the 2023/24 (i.e. this) financial year.

Report on Infrastructure Assets is a report on infrastructure assets. This includes condition assessments, estimates of infrastructure backlog and data on infrastructure renewal and maintenance.

Satisfaction and adoption

Prior to adoption of the Statements and referral to formal audit, the Council should satisfy itself that the statements have been prepared in line with statutory and other requirements to present a true and fair view of the Council's financial position and financial performance.

The Council may, of course, take the opportunity to ask further questions to satisfy themselves in this matter.

Note: The Audit, Risk and Improvement Committee (ARIC) reviewed the statements at its meeting on 8 October 2024. After review, ARIC advise that Council is in a position to adopt the statements as presented.

Having satisfied itself the Council is then required to:

1. Send a copy of the signed Statements to its Auditor.
2. As soon as possible after adoption of the reports and receipt of the Auditors Report, the Council must:
 - a) Make available a copy of the Statements and Reports to the Chief Executive of the Office of Local Government and the Australian Bureau of Statistics.
 - b) Fix a date for a meeting at which it proposes to present its financial Statements and Auditor's Reports to the public.
 - c) Give Public Notice of the fixed date (which must be more than two weeks after notice is given but not more than five weeks after the Auditor's reports are received).