



**Financial Statements
For the year ended 30 June 2024**

SOMERSET REGIONAL COUNCIL
Statement of Comprehensive Income
For the year ended 30 June 2024

	Note	2024 (\$ 000's)	2023 (\$ 000's)
Income			
Revenue			
Capital revenue			
Grants, subsidies, contributions and donations	5	19,746	10,148
Gain on the disposal of capital assets	7	215	-
		<u>19,962</u>	<u>10,148</u>
Recurrent revenue			
Rates, levies and charges	3a	30,442	28,421
Fees and charges	3b	2,728	2,246
Rental income		513	434
Interest income	3c	4,522	3,342
Sales revenue	3d	4,606	10,653
Other income	3e	2,605	2,403
Profit from equity accounted investments	15	2,195	1,579
Grants, subsidies, contributions and donations	4	38,205	14,451
		<u>85,815</u>	<u>63,530</u>
Total income		105,777	73,677
Expenses			
Recurrent expenses			
Employee benefits	8	(18,196)	(17,254)
Depreciation	16	(12,664)	(10,964)
Other expenses	9	(947)	(889)
Materials and services	6	(59,638)	(31,683)
Finance costs	9	(833)	(1,817)
		<u>(92,277)</u>	<u>(62,607)</u>
Capital expenses			
Loss on the disposal of capital assets	7	-	(827)
Total expenses		<u>(92,277)</u>	<u>(63,434)</u>
Net result for year		<u>13,500</u>	<u>10,243</u>
Other comprehensive income			
Items that will not be reclassified to net result			
Increase/ (decrease) in asset revaluation surplus	16	48,322	34,162
Total other comprehensive income/ (loss) for the year		<u>48,322</u>	<u>34,162</u>
Total comprehensive income for the year		<u>61,822</u>	<u>44,405</u>

The above statement should be read in conjunction with the accompanying notes and accounting policies

SOMERSET REGIONAL COUNCIL
Statement of Financial Position
As at 30 June 2024

	Note	2024 (\$ 000's)	2023 (\$ 000's)
ASSETS			
Current Assets			
Cash and cash equivalents	10	29,238	58,385
Receivables	11	6,537	6,043
Contract assets	13	17,650	94
Inventories	12	780	746
		54,205	65,268
Non-Current Assets			
Receivables	14	53,804	53,804
Equity accounted investments	15	31,930	30,726
Property, plant and equipment	16	522,726	453,718
		608,459	538,248
TOTAL ASSETS		662,664	603,516
LIABILITIES			
Current Liabilities			
Payables	18	14,313	11,268
Contract liabilities	13	4,991	11,788
Lease liabilities	17	325	324
Provisions	19	3,456	2,043
		23,086	25,423
Non-Current Liabilities			
Payables	18	1,463	2,286
Lease liabilities	17	459	373
Provisions	19	11,772	11,371
		13,694	14,031
TOTAL LIABILITIES		36,780	39,454
NET COMMUNITY ASSETS		625,884	564,062
Community Equity			
Retained surplus		377,945	374,090
Asset revaluation surplus	20	183,270	134,948
Reserves	21	64,668	55,024
TOTAL COMMUNITY EQUITY		625,884	564,062

The above statement should be read in conjunction with the accompanying notes and accounting policies

SOMERSET REGIONAL COUNCIL
Statement of Changes in Equity
For the year ended 30 June 2024

	Total		Retained surplus		Asset revaluation surplus Note 20		Reserves Note 21	
	2024 (\$ 000's)	2023 (\$ 000's)	2024 (\$ 000's)	2023 (\$ 000's)	2024 (\$ 000's)	2023 (\$ 000's)	2024 (\$ 000's)	2023 (\$ 000's)
Balance at beginning of year	564,062	519,657	374,090	363,692	134,948	100,787	55,024	55,179
Net result for the year	13,500	10,243	13,500	10,243	-	-	-	-
Transfers to reserves	-	-	(10,000)	-	-	-	10,000	-
Transfers from reserves	-	-	356	155	-	-	(356)	(155)
Other comprehensive income for the year - increase/(decrease) in asset revaluation surplus	48,322	34,162	-	-	48,322	34,162	-	-
Balance at end of year	625,884	564,062	377,945	374,090	183,270	134,948	64,668	55,024

The above statement should be read in conjunction with the accompanying notes and accounting policies

SOMERSET REGIONAL COUNCIL
Statement of Cash Flows
For the year ended 30 June 2024

	Note	2024 (\$ 000's)	2023 (\$ 000's)
Cash flows from operating activities			
Receipts from customers		79,709	73,341
Payments to suppliers and employees		<u>(84,052)</u>	<u>(46,905)</u>
		<u>(4,343)</u>	<u>26,435</u>
Interest received		4,522	3,342
Dividends received		991	1,074
Net cash inflow from operating activities	24	<u>1,170</u>	<u>30,851</u>
Cash flows from investing activities			
Payments for loan to associate		-	(10,000)
Payments for property, plant and equipment		(30,361)	(25,243)
Proceeds from sale of property, plant and equipment		495	742
Net cash (outflow) from investing activities		<u>(29,866)</u>	<u>(34,502)</u>
Cash flows from financing activities			
Repayments made on leases (principal only)		(450)	(438)
Net cash (outflow) from financing activities		<u>(450)</u>	<u>(438)</u>
Net increase (decrease) in cash held		(29,147)	(4,088)
Cash at beginning of reporting period		58,385	62,473
Cash at end of reporting period	10	<u>29,238</u>	<u>58,385</u>

The above statement should be read in conjunction with the accompanying notes and accounting policies

The basis of preparation and the significant accounting policies that have been adopted in the preparation of these financial statements are:

1.01 Basis of preparation

Somerset Regional Council is constituted under the Queensland *Local Government Act 2009* and is domiciled in Australia.

These general purpose financial statements are for the period 1 July 2023 to 30 June 2024. They are prepared in accordance with the *Local Government Act 2009* and the *Local Government Regulation 2012*.

Council is a not-for-profit entity for financial reporting purposes and these financial statements comply with Australian Accounting Standards and Interpretations as applicable to not-for-profit entities.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain classes of property, plant and equipment.

Recurrent/capital classification

Revenue and expenditure are presented as "recurrent" or "capital" in the Statement of Comprehensive Income on the following basis: Capital Revenue includes grants and subsidies received which are tied to specific projects for the replacement or upgrade of existing non-current assets and/or investment in new assets. It also includes non-cash contributions which are usually infrastructure assets received from developers.

The following transactions are classified as either "Capital Income" or "Capital Expenses" depending on whether they result in accounting gains or losses:

- disposal of non-current assets
- revaluations of investment property and property, plant and equipment.

All other revenue and expenses have been classified as "recurrent".

Income of local authorities and public authorities is exempt from Commonwealth taxation except for Fringe Benefits Tax and Goods and Services Tax ('GST'). The net amount of GST recoverable from the Australian Taxation Office (ATO) or payable to the ATO is shown as an asset or liability respectively.

The council uses the Australian dollar as its functional currency and its presentation currency.

Amounts included in the financial statements have been rounded to the nearest \$1,000 or, where that amount is \$500 or less, to zero. There may be differences between financial statements and notes to the financial statements due to the rounding.

1.02 Changes to accounting policies

Unless otherwise stated, accounting policies have been consistently applied throughout the period.

1.03 Adoption of new and revised Accounting Standards

This year Council has adopted all standards which became mandatorily effective for annual reporting periods beginning on 1 July 2023. None of the standards had a material impact on reported position, performance and cash flows. The adoption of the revisions to *AASB 101 Presentation of Financial Statements* resulted in disclosure of material accounting policy information only rather than significant accounting policies. This means that accounting policy information is disclosed only if it related to material transactions, other events or conditions and:

- a) Council has changed accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements.
- b) Council chose (or was mandated to use) the accounting policy from one or more options permitted by Australian Accounting Standards.
- c) 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.
- d) the accounting policy relates to an area for which a Council is required to make significant judgements or assumptions in applying an accounting policy, and the Council discloses those judgements or assumptions in the financial statements.
- e) 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.

1.04 Estimates and judgements

Where necessary judgements, estimates and assumptions have been used in preparing these financial statements. Those that have a significant effect, or risk causing an adjustment to council's assets or liabilities relate to:

- Revenue recognised over time - Note 3
- Impairment of property, plant and equipment - Note 16
- Valuation and depreciation of property, plant and equipment - Note 16
- Leases - Note 17
- Provisions - Note 19
- Contingent liabilities - Note 22

1.05 Volunteer services

The value of volunteer services received is not material and cannot be reliably measured and is not recognised as revenue.

1.06 Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2024, these standards have not been adopted by Council and will be included in the financial statements on their effective date. Where the standard is expected to have a material impact for council then further information has been provided.

Note 2 (a) - Analysis of Results by Function	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurrent operations	Net result	Assets
	Recurrent		Capital			Recurrent	Capital				
	Grants	Other	Grants	Other							
	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)
Corporate and Community Services	833	1,537	-	-	2,370	9,697	-	9,697	(7,327)	(7,327)	-
Executive	-	-	-	-	-	1,592	-	1,592	(1,592)	(1,592)	-
Finance	192	34,753	-	3,037	37,982	2,814	-	2,814	32,132	35,168	139,939
Human Resources/ Customer Service	90	1	-	-	90	2,521	-	2,521	(2,431)	(2,431)	-
Operations	36,838	4,798	16,530	395	58,560	65,096	-	65,096	(23,460)	(6,535)	522,726
Planning and Development	253	2,058	-	-	2,312	4,827	-	4,827	(2,515)	(2,515)	-
Waste management	-	4,463	-	-	4,463	5,731	-	5,731	(1,269)	(1,269)	-
Total	38,205	47,610	16,530	3,432	105,777	92,277	-	92,277	(6,462)	13,500	662,664

For the year ended 30 June 2023

Note 2 (a) - Analysis of Results by Function	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurrent operations	Net result	Assets
	Recurrent		Capital			Recurrent	Capital				
	Grants	Other	Grants	Other							
	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)
Corporate and Community Services	625	1,448	-	-	2,073	8,072	-	8,072	(5,999)	(5,999)	-
Executive	-	-	-	-	-	1,446	-	1,446	(1,446)	(1,446)	-
Finance	5,488	31,133	-	163	36,784	3,606	827	4,432	33,015	32,352	149,798
Human Resources/ Customer Service	175	1	-	-	175	2,309	-	2,309	(2,134)	(2,134)	-
Operations	6,453	10,827	9,021	937	27,239	37,457	-	37,457	(20,177)	(10,219)	453,718
Planning and Development	1,710	1,579	27	-	3,316	4,288	-	4,288	(999)	(972)	-
Waste management	-	4,091	-	-	4,091	5,431	-	5,431	(1,340)	(1,340)	-
Total	14,451	49,078	9,048	1,100	73,677	62,609	827	63,435	922	10,243	603,516

Note 2.(b)

Description of Component Programs/ Functions

- Corporate and Community Services goals include providing high quality information systems, records, community, recreation, cultural activities and tourism promotion services.
- Executive goals include providing high quality support and advice to the elected council as well as ensuring the implementation of council resolutions, policies and decisions, providing leadership and coordination of departmental operations and performance, corporate planning and public relations management.
- Finance goals include providing high quality administration and optimisation of revenues and expenditures, financial and asset reporting, planning and advice, taxation, internal audit and internal control services and managing Council's financial relationship with Urban Utilities
- Human Resources and Customer Services goals include providing high quality personnel services and customer service functions.
- Operations goals include providing high quality management services of Council's infrastructure, disaster risk management, public spaces, plant and contract works.
- Planning and Development goals include providing high quality land use planning, building regulation, economic development and local law services.
- Waste Management goals include providing high quality collection and disposal of domestic and other refuse services, recycling and the operation of waste facilities.

3. Revenue analysis

Revenue recognised at a point in time

AASB 15 Revenue from Contracts with Customers

Grants, subsidies, contributions and donations - recurrent
Fees and charges

	2024 (\$ 000's)	2023 (\$ 000's)
	-	-
	1,048	913
	<u>1,048</u>	<u>913</u>

AASB 1058 Income of Not-for-Profit Entities

Rates, levies and charges
Grants, subsidies, contributions and donations - recurrent
Grants, subsidies, contributions and donations - capital
Other income

	30,442	28,421
	800	6,115
	3,273	1,103
	2,286	2,112
	<u>36,802</u>	<u>37,750</u>

Revenue recognised over time

AASB 15 Revenue from Contracts with Customers

Fees and charges
Sales revenue
Other income

	1,680	1,333
	4,606	10,653
	318	291
	<u>6,605</u>	<u>12,278</u>

AASB 1058 Income of Not-for-Profit Entities

Grants, subsidies, contributions and donations - recurrent
Grants, subsidies, contributions and donations - capital

	37,405	8,336
	16,473	9,045
	<u>53,878</u>	<u>17,381</u>

Other revenue

Profit from equity accounted investments
Rental income
Interest income
Gain on the disposal of capital assets

	2,195	1,579
	513	434
	4,522	3,342
	215	-
	<u>7,444</u>	<u>5,356</u>

Total revenue

	<u>105,777</u>	<u>73,677</u>
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(a) Rates, levies and charges

Rates and annual charges are recognised as revenue when the council obtains control over the assets comprising these receipts which is 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.

General rates	28,567	26,739
Food Act inspection special charge	37	39
Extractive industries inspection program special charge	36	31
Kennels inspection program special charge	18	10
Intensive poultry farm inspection program special charge	23	21
Rural fire levy special charge	319	360
Environmental separate charge	505	501
State Emergency Service separate charge	341	338
Garbage charges	4,334	3,961
Total gross rates and charges	<u>34,180</u>	<u>32,000</u>
Less: Discounts and pensioner remissions		
Discount - General rates	(3,736)	(3,577)
Pensioner remissions	(2)	(2)
Total rate and charges discounts and pensioner remissions	<u>(3,738)</u>	<u>(3,579)</u>
	<u>30,442</u>	<u>28,421</u>

	2024	2023
Note	(\$ 000's)	(\$ 000's)

(b) Fees and charges

Fees and charges consist of both cost-recovery fees as defined in the Local Government Act 2009 for which Council has a statutory power to collect and commercial fees and charges which are collected on a contractual basis for matters such as cemetery operations and waste operations

Revenue arising from fees and charges 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, for example at a camping ground. There is no material obligation for Council in relation to refunds or returns. 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 the term of the licence. Revenue from infringements is recognised on issue of infringement notice after applying the expected credit loss model relating to impairment of receivables for initial recognition of statutory receivables.

Animal control/ local law fees	255	123
Building fees	696	750
Cemetery fees	190	174
Change of ownership fees	76	101
Health and other fees	9	22
Planning and engineering fees	985	583
Property search fees	388	363
Waste fees	129	130
	<u>2,728</u>	<u>2,246</u>

(c) Interest income

Interest received from bank and term deposits is accrued over the term of the investment.

Queensland Treasury Corporation	2,335	1,761
Urban Utilities	1,757	1,289
Interest from bank term deposits/ other bank interest	132	136
Interest from overdue general rates and other charges	260	132
Interest from overdue garbage charges	38	24
	<u>4,522</u>	<u>3,342</u>

(d) Sales revenue

Sale of goods revenue is recognised when the customer has taken delivery of the goods. Revenue from services is recognised when the service is rendered. Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. This revenue and the associated costs are recognised by reference to the stage of completion of the contract activity based on costs incurred at the reporting date. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed. The contract work carried out is not subject to retentions.

Derived from - State Government transport entities	4,568	10,623
Derived from - other parties	38	30
	<u>4,606</u>	<u>10,653</u>

(e) Other operating income

Commissions earned/ administration fees retained	159	123
Ex-Gratia Queensland Treasury payments	1,429	1,298
Tax equivalent receipts - Urban Utilities	858	814
Other income	159	168
	<u>2,605</u>	<u>2,403</u>

	2024	2023
Note	(\$ 000's)	(\$ 000's)

4. Contributions, grants and subsidies - recurrent

Government subsidies/ grants used for recurrent expenditure

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised when control of each performance obligations is satisfied. The performance obligations vary in each agreement but include performance obligations within AASB 15 grants e.g. events. 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. Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract. 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.

Grant income under AASB 1058

Assets arising from grants in the scope of AASB 1058 are recognised at the asset's 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.

Community/ social services	287	260
Environmental initiatives	100	7
Financial Assistance Grant	192	5,488
Fuel tax credits	129	105
Library grants	145	150
Local Economic Recovery Program - recurrent	200	1,662
Natural disaster preparedness	67	51
Natural disaster recovery arrangements	36,526	6,214
Other recurrent grants	214	206
Regional arts grants	190	50
State Emergency Service	67	82
Training and development	90	175
Total recurrent grants and subsidies	38,205	14,451

5. Contributions, grants and subsidies - capital

Capital grants

Capital grants received to enable Council to acquire or construct an item of property, plant and equipment to identified specifications which will be under Council's control and which is enforceable 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 as there is no profit margin. Where assets are donated or purchased for significantly below fair value, the revenue is recognised when the asset is acquired and controlled by the Council.

a. General/ special purpose government subsidies/ grants used for capital purposes

Black Summer Bushfire Recovery Grants Program	1,124	-
Bridges Renewal Program	-	215
Culvert Renewal - Qld Risk Reduction Fund	592	151
Disaster Recovery Funding Arrangements - capital	4,548	799
Flexible funding program - Merryl Dray memorial shelters	100	-
Heavy Vehicle Safety and Productivity Program	4,058	-
Local Economic Recovery Program - capital	348	2,719
Local Government Grants and Subsidies Program - solar	-	27
Local Roads and Community Infrastructure Program - various projects	198	1,913
Roads to Recovery Program	636	1,128
SEQ Community Stimulus - competitive - Lowood Pool	194	1,334

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2024

	Note	2024 (\$ 000's)	2023 (\$ 000's)
SEQ Community Stimulus - competitive - Lowood Minden Road		344	-
SEQ Community Stimulus - competitive - Esk Crows Nest Road		1,850	-
SEQ Community Stimulus - allocated funding		1,246	-
State Emergency Service/ disaster management equipment subsidies		57	3
Transport Infrastructure Development Scheme		695	684
Transport other programs		543	75
Total capital grants and subsidies		16,530	9,048
b. Contributions constrained for capital purposes			
Contribution of monetary assets by developers		395	937
		395	937

c. Contributions of non-monetary assets

Non-cash contributions in excess of the recognition thresholds set out in Note 16 in value, are recognised as revenue and as non-current assets. Non-cash contributions below the thresholds are recorded as revenue and expenses.

Physical assets contributed to Council by developers in the form of road works, stormwater infrastructure and recreation assets are recognised as revenue when the development becomes "on maintenance" (i.e. the council obtains control of the assets and becomes liable for any ongoing maintenance) and there is sufficient data in the form of drawings and plans to determine the approximate specifications and values of such assets. All non-cash contributions are recognised at the fair value of the contribution received on the date of acquisition.

Contribution of non-monetary non-current assets by developers at fair value	16	2,822	163
		2,822	163
Total capital grants, subsidies and contributions (a, b and c)		19,746	10,148

6. Ordinary expense activity analysis

Materials and services analysis

Bridge maintenance and asset management	108	66
Contract upgrade works - State controlled roads	183	4,600
Contributions to volunteer rural fire brigades	319	360
Donations	177	232
Environmental contract works	-	195
Floodplain management planning	8	68
Fringe benefits tax	140	129
Fuel and oil	1,213	1,084
Gravel operations	5	55
Indoor sports centre operations	283	327
Information technology goods and services	476	624
Insurance premiums - property and public liability	386	352
Internal audit services	42	29
Legal services	1,027	318
Library book purchases	128	108
Library operations other than book purchases	139	136
Mechanical parts, tyres and batteries and plant servicing	790	732
Natural disaster recovery arrangements costs	37,292	7,141
Office and communications	675	338
Plant and vehicle registrations	94	90
Road and street maintenance	6,864	5,525
Street lighting	282	268
Somerset civic centre operations	548	406
Subscriptions	111	145
Swimming pool operations	846	564

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2024

	2024 Note (\$ 000's)	2023 (\$ 000's)
Tourism operations	561	484
Trails and paths	314	171
Valuation services	306	227
Waste collection contract services	2,790	3,182
Water and sewerage services - Urban Utilities	439	343
Other materials and services	3,093	3,386
Total	<u>59,638</u>	<u>31,683</u>

7. Gain (loss) on the disposal of capital assets

(i) Proceeds from the disposal of property, plant and equipment:

Plant and equipment	141	742
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Less: Book value of property, plant and equipment disposed

Plant and equipment	16 (106)	(565)
Buildings and other structures	-	(1,003)
	<u>35</u>	<u>(827)</u>

(ii) Proceeds from the disposal of land (not held for redevelopment)

Less : Book value of land disposed	16 (174)	-
Gain (loss) on the disposal of land	181	-
Gain (loss) on the disposal of capital assets	<u>215</u>	<u>(827)</u>

Gains on the disposal of capital assets are included with income.
Losses on the disposal of capital assets are included with expenses.

8. Employee benefits

Total wages and salaries	17,744	16,787
Leave entitlements and other employee related expenses	412	339
Superannuation	1,996	1,878
Total employee costs	<u>20,152</u>	<u>19,004</u>

Employed for:

Capital purposes	1,956	1,750
Operating purposes	18,196	17,254
	<u>20,152</u>	<u>19,004</u>

9. Finance costs and other expenses

Included in finance costs are the following :

Interest on lease liabilities (finance costs)	91	152
Increase in the discounted amount arising from the passage of time and the effect of any change in the discount rate - gravel pits	44	70
Increase in the discounted amount arising from the passage of time and the effect of any change in the discount rate - refuse sites	698	1,595
	<u>833</u>	<u>1,817</u>

Included in other expenses are the following :

Audit of financial statements by the Auditor-General of Queensland*	111	102
Councillors' remuneration	746	728
Other Councillor costs	90	60
	<u>947</u>	<u>889</u>

*Quoted audit fees as per the External Audit Plan relating to the 2023-24 financial statements are \$110,000 (2023: \$106,000).

Councillor remuneration represents salary, superannuation contributions and other allowances paid in respect of carrying out their duties. In addition to these amounts, the Mayor received the use of a fully maintained motor

	2024	2023
Note	(\$ 000's)	(\$ 000's)

vehicle and all Councillors received reimbursement for various expenses incurred. Council has not resolved that councillors are employees. Councillor remuneration is therefore not included in employee costs.

10. Cash and cash equivalents

For the purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents include cash on hand, all cash and cheques receipted but not banked at year end and deposits at call with financial institutions. It also includes bank overdrafts and liquid investments with short periods to maturity that are readily convertible to cash at the council's option without penalty and that are subject to a low risk of changes in value. The council considers term deposits with original maturities of less than six months to be cash equivalents.

Cash on hand – petty cash and cash floats	7	8
Cash at bank - operating fund (including unpresented cheques)	1,083	3,033
Less cheques drawn but not presented at balance date	(30)	(3,572)
Cash at bank – other	33	389
Term deposits	1,000	1,000
Short term investments at call	27,145	57,528
Balance per statement of cash flows	29,238	58,385

There were no externally imposed expenditure restrictions at reporting date on any cash asset.

Short term investments at call are held with the Queensland Treasury Corporation. The short term investments at call bear floating interest rates as detailed in note 30.

11. Receivables (current)

Receivables are amounts owed to council at year end. They are recognised at the amount due at the time of sale or service delivery. Settlement of trade debtors is required within 30 days after the invoice is issued. Rate debts fall due 42 days after issue of a rate assessment notice.

Debts are regularly assessed for collectability and allowance is made, where appropriate, for impairment. All known bad debts were written-off at 30 June. If an amount is recovered in a subsequent period it is recognised as revenue. Receivables are measured at amortised cost which approximates fair value at reporting date.

Because Council is empowered under the provisions of the Local Government Act 2009 to sell an owner's property to recover outstanding rate debts, Council does not generally impair rate receivables.

Council applies normal business credit protection procedures prior to providing goods and services to minimise credit risk. The council does not require collateral in respect of trade and other receivables.

The carrying amounts of trade receivables are assumed to approximate their fair values due to their short-term nature.

Rates and charges	3,178	2,360
Goods and services tax (GST) refundable	841	393
Other debtors accrued	1,085	1,001
Other debtors levied	1,418	1,830
Less: loss allowance	(172)	(168)
	6,350	5,417
Prepayments	187	626
	6,537	6,043

Interest was charged on outstanding rates at a rate of 11.64% per annum (2023 - 8.17%). No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges and fees. Overall credit loss of current receivables is not considered material.

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2024

	Note	2024 (\$ 000's)	2023 (\$ 000's)
The exposure to credit risk for receivables by type of counterparty was as follows:			
Rates and charges		3,178	2,360
State and Commonwealth Government - levied		1,206	1,641
State and Commonwealth Government - accrued		183	8
Goods and services tax (GST) refundable		841	393
Other - levied		212	189
Other - accrued		902	993
Less: loss allowance		(172)	(168)
Total		<u>6,350</u>	<u>5,417</u>

12. Inventories

Inventories held for sale			
Land purchased for development and sale		63	63
Inventories held for distribution			
Stores, sundry and road making materials		716	682
Total current inventories		<u>780</u>	<u>746</u>

Inventories held for distribution are:

- goods to be supplied at no or nominal charge and
 - goods to be used for the provision of services at no or nominal, charge
- These goods are valued at cost, adjusted, when applicable, for any loss of service potential.

Land acquired by Council with the intention of reselling it (with or without further development) is classified as inventory.

13. Contract balances

Contract assets represents the excess of costs incurred in relation to a contract with the customer or construction of an asset over the amounts that council has invoiced the customer or the grantor. Where Council has invoiced the customer or the grantor amounts in excess of what it has incurred in relation to a contract or in constructing an asset, this gives rise to a contract liability.

Contract assets	<u>17,650</u>	<u>94</u>
Contract liabilities		
Funds received upfront to construct Council controlled assets	4,776	6,066
Non-capital performance obligations not yet satisfied	216	5,721
	<u>4,991</u>	<u>11,788</u>

Contract liabilities consist of capital and non-capital grants where funds have been received prior to performance obligations being satisfied.

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

Funds to construct Council controlled assets	4,057	2,830
Non-capital performance obligations	5,508	898
	<u>9,565</u>	<u>3,728</u>

Significant changes in contract balances

Council received capital and non-capital grants during the year in advance of performance obligations being satisfied in respect of multiple programs and purposes. During the year Council expended greater amounts on eligible Disaster Recovery Funding Arrangements (DRFA) approved projects than it received. The difference has been recognised as revenue and as a contract asset consistent with AASB 15. Council expects to receive the contract asset as cash within the next 12 months.

Satisfaction of contract liabilities

The contract liabilities in relation to capital grants relate to funding received prior to the work being performed since revenue is recognised as Council constructs the assets. Council expects to recognise the contract liability as income within the next 12 months.

	2024 Note (\$ 000's)	2023 (\$ 000's)
14. Receivables (non-current)		
Participant loan - Central SEQ Distributor-Retailer		
Authority trading as Urban Utilities (UU)	53,804	53,804

Council held equity participant debts with Urban Utilities valued at \$53,804,033 as at balance date. Further information about the relationship between the council and Urban Utilities is contained at Note 15. The loan receivables are subject to agreements that provide for monthly interest-only payments until 30 June 2028 and for interest based on a mixture of fixed and variable interest rate components with an interest rate set based on the recommendations of Queensland Treasury Corporation. The equity participant debt is treated as a non-current receivable. This debt is not secured.

The weighted average interest rates applying at balance date were: 3.65% 3.27%

15. Equity accounted investments

15a Carrying value of investments

Non-Current

Right to participate in the profits of Central SEQ Distributor-Retailer Authority trading as Urban Utilities - opening balance
Plus 0.826% share of income of Urban Utilities less distributions received or receivable
Closing balance - investment in associate accounted for

30,726	30,221
1,204	506
31,930	30,726

15b Summarised financial information

The following table illustrates summarised financial information of the associate, Urban Utilities:

Extract from the associate's statement of financial position:

Current assets	443,939	368,278
Non-Current assets	7,006,787	6,761,164
	7,450,726	7,129,442
Current liabilities	345,023	337,833
Non-Current liabilities	3,241,321	3,072,934
	3,586,344	3,410,767
Net assets	3,864,382	3,718,675
Share of associate's net assets	31,930	30,726

Extract from the associate's statement of comprehensive income:

Revenue	1,648,209	1,508,048
Net profit	265,903	204,446
Add : Other comprehensive income	(198)	36
Less : Other adjustments	-	(13,278)
Net profit, other comprehensive income and other adjustments	265,705	191,204
Share of associate's net profit	2,195	1,579

	Note	2024 (\$ 000's)	2023 (\$ 000's)
Council's share in the associate's profits and losses resulting from transactions with Urban Utilities has been analysed as below and judged to be immaterial to the closing value			
Sales by Somerset Regional Council to Urban Utilities		33	25
Purchases by Somerset Regional Council from Urban Utilities		439	343
Investment revenue by Somerset Regional Council from Urban Utilities		1,757	1,289
Sales revenue as a percentage of Urban Utilities operating expenditure		0.00%	0.00%
Purchase expenditure as a percentage of Urban Utilities operating revenue		0.03%	0.02%
Investment revenue as a percentage of Urban Utilities operating expenditure		0.13%	0.10%

The South East Queensland Water (Distribution and Retail Restructuring) Act 2009 (the Act) established a statutory body called the Central SEQ Distributor-Retailer Authority on 3 November 2009 to deliver water and wastewater services within the local government areas of Brisbane City, Ipswich City, Scenic Rim region, Lockyer Valley region and Somerset region. The Authority trades as Urban Utilities. Urban Utilities (UU) is an unincorporated entity and is domiciled in Brisbane, Australia.

Under the Act, governance arrangements for the Authority were established in a Participation Agreement, which provides for participation rights to be held by the participating councils to be negotiated between the councils. Somerset Regional Council holds 0.826% of the rights to participate in the profits of Urban Utilities. These rights held are recognised as investment assets as they represent a resource controlled by Council as a result of past events and from which future economic benefits are expected to flow.

Notwithstanding that the Act does not permit the transfer of participation rights to another party (except by Ministerial approval), Council controls the investment in participation rights because it is entitled to the benefits of holding and realising the investment. Included in the definition of financial assets is any asset that is an investment in an associated entity.

The participation rights represent equity of the entity and accordingly the participation rights held by Council meets the definition of a financial asset. An investment in an associate is recognised and measured in accordance with the requirements of AASB 128 Investments in Associates and Joint Ventures. Although Council holds less than 1% of the participation rights of UU, the operation of the participation agreement allows Council to exert significant influence over UU because any three of the minority participants are potentially able to operate together to prevent a board appointment. Conversely any two minority participants together with Brisbane City Council are able to appoint board members to UU. The Authority's Board is comprised of independent directors. No individual Council has the ability to dominate the Authority's decision making so as to obtain greater benefits from its activities than any other participant.

AASB 128 requires an investment in an associate to be accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Council's share of net assets of the associate. Dividends received or receivable from associates reduce the carrying amount of the investment. When the Council's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Council does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

As a party to the Participation Agreement, the council receives a proportional share of net profits as a participation return. Returns are paid from post-tax operating profits (after adjusting for capital receipts). The Authority operates under a tax equivalent regime; with all tax paid distributed to the participating Councils on a pro-rata basis to their participation rights.

Council held 8,000 shares in SEQ Regional Recreation Facilities Pty Ltd at year end. This company is not traded on an active market and the investment is valued at nil. The holding was initially recorded at cost (\$8,000) and subsequently fully impaired to a nil value.

16 PROPERTY, PLANT AND EQUIPMENT

For the year ended 30 June 2024

Basis of measurement

Asset values

Opening balance
Additions at cost
Contribution of non-monetary assets by developers at fair value
Disposals
Revaluation adjustment to the asset revaluation surplus
Transferred between classes
Closing gross value

Land	Buildings and other structures	Roads	Plant and equipment	Right of use assets	Total completed assets	Work in progress	Total
Fair value	Fair value	Fair value	Cost	Cost		Cost	
2024	2024	2024	2024	2024	2024	2024	2024
(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)
23,616	85,672	518,953	21,350	1,305	650,895	14,380	665,275
-	-	-	3,268	446	3,714	27,094	30,808
115	-	2,707	-	-	2,822	-	2,822
(174)	(1,228)	-	(349)	(334)	(2,085)	-	(2,085)
1,825		31,576	-	-	33,400	-	33,400
-	2,230	27,490	-	-	29,721	(29,721)	-
25,381	86,675	580,725	24,268	1,417	718,466	11,753	730,219

Accumulated depreciation and impairment

Opening balance
Depreciation provided in period
Depreciation on disposals
Revaluation adjustment to the asset revaluation surplus
Internal transfers
Accumulated depreciation at period end

-	22,420	178,634	9,849	654	211,557	-	211,557
-	1,380	9,651	1,273	359	12,664	-	12,664
-	(1,228)	-	(243)	(334)	(1,805)	-	(1,805)
-		(14,922)	-	-	(14,922)	-	(14,922)
-	-	-	-	-	-	-	-
-	22,572	173,363	10,879	679	207,494	-	207,494
25,381	64,103	407,362	13,389	737	510,972	11,753	522,726

Book value at period end

Revaluation adjustments

Total revaluation adjustments increment/ (decrement)
Adjustment to asset revaluation surplus (note 20)
Revaluation adjustments to Income

1,825	-	46,497	-	-	48,322	-	48,322
1,825	-	46,497	-	-	48,322	-	48,322
-	-	-	-	-	-	-	-

Opening asset revaluation surplus (note 20)

Closing asset revaluation surplus (note 20)

14,361	30,432	90,156	-	-	134,948	-	134,948
16,185	30,432	136,653	-	-	183,270	-	183,270

Book value of assets disposed of (refer note 7)

(174)	-	-	(106)	-	(280)	-	(280)
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Additions comprise:

Renewals
Other additions or transfers
Total additions

-	363	10,425	-	-	10,788	-	10,788
-	1,868	17,065	3,268	446	22,646	(2,627)	20,020
-	2,230	27,490	3,268	446	33,434	(2,627)	30,808

16 PROPERTY, PLANT AND EQUIPMENT

For the year ended 30 June 2023

Basis of measurement

Asset values

Opening balance
Additions at cost
Contribution of non-monetary assets by developers at fair value
Disposals
Revaluation adjustment to the asset revaluation surplus
Transferred between classes
Closing gross value

Land	Buildings and other structures	Roads	Plant and equipment	Right of use assets	Total completed assets	Work in progress	Total
Fair value	Fair value	Fair value	Cost	Cost		Cost	
2023 (\$ 000's)	2023 (\$ 000's)	2023 (\$ 000's)	2023 (\$ 000's)	2023 (\$ 000's)	2023 (\$ 000's)	2023 (\$ 000's)	2023 (\$ 000's)
23,340	77,338	479,271	20,714	1,193	601,856	8,988	610,844
-	-	-	2,215	291	2,506	23,028	25,534
52	-	111	-	-	163	-	163
-	(1,913)	(182)	(1,579)	(179)	(3,854)	-	(3,854)
224	2,863	29,500	-	-	32,588	-	32,588
-	7,384	10,252	-	-	17,636	(17,636)	-
23,616	85,672	518,953	21,350	1,305	650,895	14,380	665,275

Accumulated depreciation and impairment

Opening balance
Depreciation provided in period
Depreciation on disposals
Revaluation adjustment to the asset revaluation surplus
Internal transfers
Accumulated depreciation at period end

Book value at period end

-	22,081	172,407	9,451	514	204,453	-	204,453
-	1,188	8,045	1,412	319	10,964	-	10,964
-	(910)	(182)	(1,014)	(179)	(2,285)	-	(2,285)
-	61	(1,636)	-	-	(1,574)	-	(1,574)
-	-	-	-	-	-	-	-
-	22,420	178,634	9,849	654	211,557	-	211,557
23,616	63,253	340,319	11,501	650	439,338	14,380	453,718

Revaluation adjustments

Total revaluation adjustments increment/ (decrement)
Adjustment to asset revaluation surplus (note 20)
Revaluation adjustments to Income

Opening asset revaluation surplus (note 20)
Closing asset revaluation surplus (note 20)

Book value of assets disposed of (refer note 7)

Additions comprise:

Renewals
Other additions
Total additions

224	2,802	31,136	-	-	34,162	-	34,162
224	2,802	31,136	-	-	34,162	-	34,162
-	-	-	-	-	-	-	-
14,137	27,630	59,020	-	-	100,787	-	100,787
14,361	30,432	90,156	-	-	134,948	-	134,948
-	(1,003)	-	(565)	-	(1,568)	-	(1,568)
-	6,308	5,819	-	-	12,127	-	12,127
-	1,076	4,433	2,215	291	8,015	5,392	13,407
-	7,384	10,252	2,215	291	20,142	5,392	25,534

16 PROPERTY, PLANT AND EQUIPMENT

Accounting policy matters

Each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss.

Items of property, plant and equipment with a total value of less than the following thresholds are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

Asset class	Capitalisation threshold
Land	\$ 1
Plant and equipment	\$ 5,000
Buildings and other structures, roads, bridges and drainage	\$ 10,000

(i) Acquisition of Assets

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including freight in, architect fees and engineering design fees and all other establishment costs.

Property, plant and equipment received in the form of contributions are recognised as assets and revenues at fair value by Council valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

(ii) Capital and operating expenditure

Direct labour and materials and an appropriate proportion of overheads incurred in the acquisition or construction of assets are treated as capital expenditure. Assets under construction are not depreciated until they are completed and commissioned, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity and useful life of the non-current asset is expensed as incurred, while expenditure that relates to replacement of a major component of an asset to maintain its service potential is capitalised.

(iii) Valuation

Land and improvements, buildings and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with *AASB 116 Property, Plant and Equipment* and *AASB 13 Fair Value Measurement*. Plant and equipment and work in progress are measured at cost.

Non-current physical assets measured at fair value are revalued where required so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This revaluation involves either the application of a suitable index to the cost elements of each asset or involves an assessment of the value by someone with requisite skills and qualifications. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection.

The frequency of valuation and the relationship of valuers to the council for each class property, plant and equipment is as follows:

Asset class	Basis of measurement	Date of last revaluation	Relationship between valuer and the council	Frequency of revaluation	Note
Land	Revaluation	30 June 2024	Independent registered valuer	Every 5 years	17
Buildings and other structures	Revaluation	30 June 2023	Independent registered valuer	Every 5 years	
Roads	Revaluation	30 June 2024	Suitably qualified council employee	Annually	
Right of use assets	Cost	Not applicable	Not applicable	Not applicable	
Plant and equipment	Cost	Not applicable	Not applicable	Not applicable	

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation surplus of the appropriate class, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that asset class.

16 PROPERTY, PLANT AND EQUIPMENT

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

In the intervening years between valuations, Council monitors relevant indicators for changes in land and building and other structures values each year including reports by the Queensland Valuer-General and relevant producer price indexes issued by the Australian Bureau of Statistics for any indication that land and buildings and other structures may have increased materially in value. Council will obtain roughness index data on its sealed road network every three years in order to better inform the management of its road assets.

Plant and equipment is measured at depreciated cost.

Separately identified significant components of assets are measured on the same basis as the assets to which they relate.

(iv) Depreciation

Land is not depreciated as it has an unlimited useful life. Depreciation on other property, plant and equipment is calculated on a straight-line basis so as to write-off the net cost or revalued amount of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the council.

Management believes that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and commissioned ready for use.

Where assets have separately identifiable significant components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate. Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to the council.

Major spares purchased specifically for particular assets that are above the asset recognition threshold are capitalised and depreciated on the same basis as the asset to which they relate.

The depreciable amount of improvements to or on leasehold land is allocated progressively over the estimated useful lives of the improvements to the council or the unexpired period of the lease, whichever is the shorter.

The depreciation methods, residual values and estimated useful lives of property, plant and equipment are reviewed end of each annual reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions.

The condition assessments performed as part of the annual valuation process for assets measured at written down current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown below:

Asset class	Range of Estimated Useful Life in Years	Depreciation method used
Land	Not depreciated	Not depreciated
Buildings and other structures	10 to 135	Straight line
Plant and equipment	3 to 50	Straight line
Right of use assets	3 to 5	Straight line
Roads	10 to 200	Straight line

(v) Impairment

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

16 PROPERTY, PLANT AND EQUIPMENT

(vi) Other property

Council holds immaterial assets that are held by lessees under operating leases.

These assets are incorporated in property, plant and equipment and are included in the "land" and "buildings and other assets" classes above. The assets are maintained on leases so that they can be used for Council owner occupier purposes in the future. It is considered that these assets do not meet the definition of investment property under *AASB140.5 Investment Property*. Lease amounts receivable are disclosed in Note 26.

Fair Value Measurements

(i) Recognised fair value measurements

Council measures and recognises the following assets at fair value on a recurring basis: land, buildings and other structures and roads.

In accordance with AASB 13, Fair Value Measurements are categorised on the following basis:

Level 1 - Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Fair value based on inputs that are directly or indirectly observable for the asset or liability

Level 3 - Fair value based on unobservable inputs for the asset and liability

The following table categorises fair value measurements as either level 2 or level 3 in accordance with AASB 13. Council does not have any assets or liabilities measured at fair value which meet the criteria for categorisation as level 1.

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council infrastructure assets, which are of a specialist nature for which there is no active market for similar or identical assets. These assets are valued using a combination of observable and unobservable inputs.

The table presents the Council's assets and liabilities measured and recognised at fair value at balance date.

As at 30 June 2024	Level 2 (\$ 000's)	Level 3 (\$ 000's)	Total (\$ 000's)
Land	25,381	-	25,381
Buildings and other structures	-	64,103	64,103
Roads	-	407,362	407,362
	<u>25,381</u>	<u>471,464</u>	<u>496,846</u>
As at 30 June 2023	Level 2 (\$ 000's)	Level 3 (\$ 000's)	Total (\$ 000's)
Land	23,616	-	23,616
Buildings and other structures	-	63,253	63,253
Roads	-	340,319	340,319
	<u>23,616</u>	<u>403,571</u>	<u>427,187</u>

There were no transfers between levels 1 and 2 during the year, nor between levels 2 and 3. Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period.

Council's valuation policies and procedures are set by Council's Chief Executive Officer and Director Finance acting in consultation. They are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information.

16 PROPERTY, PLANT AND EQUIPMENT

Specific valuation techniques used to value Council assets comprise:

(i) Land (level 2)

Land was independently valued as at 30 June 2024 at fair value by Mr Jake Musgrave (Registered Valuer No 5308) of APV Valuers and Asset Management following a desktop review. Level 2 valuation inputs were used to value land in freehold title. Land was independently valued as at 30 June 2023 at fair value by Mr Daniel Atherton (Registered Valuer No 2962) of APV Valuers and Asset Management. Level 2 valuation inputs were used to value land in freehold title.

Reserve land does not have a value for the purpose of the financial statements of Somerset Regional Council. The valuer indicated that he determined land valuations based on relevant sales of land in the locality and that he had undertaken research of the various submarkets within the regional council area through the analysis of sales evidence and discussions with real estate agents. The valuer indicated that he had also taken into consideration the zoning and current use of council land and any characteristics of land which may adversely affect the usefulness of a lot including contamination.

The valuer assumed for the purpose of the valuation that Council would not be required to liquidate any asset or undertake any land transactions on adverse terms. The valuer applied an approach to valuing land that considers the potential purchase costs of similar land in the same area.

(ii) Buildings and other structures (level 3)

Buildings and other structures were independently valued as at 30 June 2023 at fair value by Mr Daniel Atherton (Registered Valuer No 2962) of APV Valuers and Asset Management following a desktop review.

Mr Atherton conducted a valuation based on physical inspection of all assets as at 30 June 2021. Asset conditions were assessed in detail during the 2021 valuation and inspection process and valuers relied on management advice that there had been no material change in the condition of any asset during 2022/2023 in assessing valuations as at 30 June 2023. The 2023 desktop valuation was commissioned mainly to ensure that rising building costs were appropriately reflected in Council's financial statements.

The valuer indicated that values were determined using a current replacement cost method of valuation and included consideration of obsolescence and impairment, actual construction costs by Somerset Regional Council and those of nearby recent projects completed by others, Rawlinsons Construction Guide or similar guides and other valuations.

The valuer considered asset condition and attributes of assets such as dimensions and materials through physical inspection of all assets valued. The valuer considered how these factors might impact on the assets' highest and best use to potential market participants. The valuer has assessed a residual value of nil for all buildings and other structures.

Inputs to the valuation included the design and construction, average cost of construction, condition and consumption score for each component of each asset as well as the dates of acquisition and decommissioning. As these are supported by observable evidence obtained via inspection and market evidence they have been classified as level 2 valuation inputs. The unobservable inputs (such as the relationship between condition and the assessed level of remaining service potential of the depreciable amount) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Residual value	0%	The higher the residual value percentage, the higher the fair value
Estimated life	10 years to 135 years	The longer the estimated life, the higher the fair value
Estimated remaining life	1 year to 107 years	The longer the estimated remaining life, the higher the fair value

The producer price index (PPI) issued by the Australian Bureau of Statistics (ABS) for building construction in Queensland increased by 6.0% between June 2023 and June 2024. As a result, Council assessed that there was no material overall movement in the value of its buildings and other structures during 2023/2024 and therefore Council did not engage valuers to reassess the value of buildings and other structures as at 30 June 2024.

(iii) Roads (level 3)

All Council road infrastructure assets were fair valued using written down current replacement cost. This valuation comprises the asset's current replacement cost (CRC) less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and then adjusted this amount to take account of the expired service potential of the asset. There was 1,503 linear kilometres of constructed roads.

16 PROPERTY, PLANT AND EQUIPMENT

CRC was measured by reference to the lowest cost at which the gross future economic benefits of the asset could currently be obtained in the normal course of business. Where existing assets were over designed, had excess capacity, or were redundant an adjustment was made so that the resulting valuation reflected the cost of replacing the existing economic benefits based on an efficient set of modern equivalent assets to achieve the required level of service output within the council's planning horizon.

The unit rates (labour and materials) and quantities applied to determine the CRC of an asset or asset component were based on a "Greenfield" assumption meaning that the CRC was determined as the full cost of replacement with a new asset including components that may not need to be replaced, such as earthworks.

Council categorises its road infrastructure into urban and rural roads and then further sub-categorises these into sealed roads, gravel roads, formed roads, other surfaces, underground drainage and paths. Roads are managed in segments of various length between logical geographic nodes. The segments average 839 metres in length. All road segments are then componentised into subgrade, base course/ pavement, wearing course and intermediate course (where applicable).

Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials for its construction type.

CRC was calculated by reference to asset linear and area specifications, estimated labour and material inputs, services costs, and overhead allocations. Council assumes that pavements are constructed to depths of 300 mm.

This class of asset incorporates drainage including 95 kilometres of underground drainage assets in mainly urban areas.

Council categorises its underground drainage assets by material including concrete and polyvinyl chloride (PVC) pipework and by size and depth.

Council assumes that environmental factors such as soil type, climate and topography are consistent across each geographic area where underground drainage is located. Council also assumes that each segment of underground drainage is designed and constructed to the same standard and uses a consistent amount of labour and materials for its construction type.

CRC for underground drainage was calculated by reference to asset linear metres and area specifications, estimated labour and material inputs, services costs, and overhead allocations.

This class of asset incorporates paths including 64 kilometres of sealed footpaths and cycleways in mainly urban areas and 18 kilometres of unsealed paths which are mainly within sections of disused rail corridor.

Council categorises its paths by material including concrete, bitumen and gravel and by width.

Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment of path. Council also assumes a segment of path is designed and constructed to the same standard and uses a consistent amount of labour and materials for its construction type.

CRC for paths was calculated by reference to asset linear and area specifications, estimated labour and material inputs, services costs, and overhead allocations. Council assumes that concrete pavements are constructed to a depth of 100mm using 25 Mpa reinforced concrete.

Road assets were valued by Council's Chief Executive Officer, Mr Andrew Johnson ((MIEAust, CPEng, RPEQ). Road assets were valued as at 30 June 2024. Mr Johnson relied on dimensional, condition, costing and other data collected during the period to assess the values of road assets and their components.

Roads were valued at fair value being current replacement cost.

Replacement costs were assessed based on unit rates which were supported by the council's experience in carrying out its own road construction activities. During 2023/2024, Council obtained data in respect of the condition of its road assets. This data was used as a basis for assessing the condition of road assets at 30 June 2024 unless alternate information was available.

Council has collected and inspected imagery and pavement roughness data for all constructed road segments. A consumption assessment was undertaken based on the International Roughness Index (IRI) and observation and inspection of the assets. The measurements and inspection outcomes were used to provide an estimate of current asset health, the proportion of health remaining and the remaining useful lives of assets.

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Council has relied on external data in forming the views about the overall condition of its road assets. The local government area was subject to two natural disaster declarations during 2021/2022 relating to floods that impacted the condition of road assets. All roads were open to traffic as at 30 June 2024 however restoration work was occurring to road assets to improve their condition.

This external data is as follows:

Engineering consultants Shepherd Services Pty Ltd were engaged to collect and report on sealed and unsealed road condition data.

Shepherd Services Pty Ltd obtained road condition data during June 2024, capturing data for all sealed and unsealed constructed roads

The assessed condition of each road segment has been based on an analysis of indicators from this dataset except where other condition information was available.

Remaining lives of assets were assessed based on both condition and year of construction.

Average current replacement costs (\$ per sqm of road area) for each of the key components were:

	2024		2023		Percentage increase
Pavement (sealed and unsealed roads)	\$ 36.290	per square metre	\$ 33.190	per square metre	9.34%
Bitumen seal (wearing course - 80%)	\$ 4.3360	per square metre	\$ 3.9680	per square metre	9.27%
Bitumen seal (wearing course - 20%)	\$ 1.0840	per square metre	\$ 0.9920	per square metre	9.27%
Bitumen seal (intermediate course)	\$ 5.4200	per square metre	\$ 4.9600	per square metre	9.27%
Subgrade	\$ 0.5300	per square metre	\$ 0.4870	per square metre	8.83%

Average current replacement costs (\$ per linear metre of underground drainage) for key pipe types by material, diameter and class were:

	2024		2023		Percentage increase
Concrete - 1500mm diameter- class 2	\$ 2,160.40	per linear meter	\$ 2,076.20	per linear meter	4.06%
Concrete - 375mm diameter- class 2	\$ 297.40	per linear meter	\$ 285.80	per linear meter	4.06%
Concrete - 1800mm diameter- class 2	\$ 2,925.00	per linear meter	\$ 2,811.00	per linear meter	4.06%
Concrete - 1350mm diameter- class 2	\$ 1,811.30	per linear meter	\$ 1,740.70	per linear meter	4.06%
Concrete - 750mm diameter- class 2	\$ 757.10	per linear meter	\$ 727.60	per linear meter	4.05%
Concrete - 600mm diameter- class 2	\$ 488.60	per linear meter	\$ 469.60	per linear meter	4.05%

Council's roads and underground drains were valued by Council's Chief Executive Officer, Mr Andrew Johnson (MIEAust, CPEng, RPEQ). Roads were valued at fair value being current replacement cost as at 30 June 2024. Mr Johnson relied on dimensional, condition, costing and other data collected during the period to assess the values as at this date. Council's roads consist of pavement, seal, subgrade and other components. Replacement costs for these assets were assessed based on unit rates which reflected the council's experiences in constructing roads and Council's labour cost increases pursuant to relevant industrial instruments. There was an active market for bitumen road sealing during the year and unit rates used are consistent with those previously achieved by the council. Underground drainage unit rates been indexed by reference to Australian Bureau of Statistics producer price index 3101 road and bridge construction Brisbane (A2333727L) for the year to 30 June 2024 at 4.06%. This was considered appropriate based on Council's recent experiences in underground pipe asset construction.

In determining the level of accumulated depreciation, roads were disaggregated into significant components which exhibited different useful lives.

Road conditions were assessed using the following table:

Definition	Rating	Percentage of design life remaining	Comment on any change from FY2023
Over 30% of the road requires reconstruction	1	20%	No change
10% to 30% of the road requires reconstruction	2	30%	No change
Less than 10% of the road requires reconstruction plus patching and surface correction	3	50%	No change
Minor patching and surface correction	4	70%	No change
No attention required	5	90%	No change

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All of Council's underground drainage network is relatively new and is in excellent condition. In determining the level of accumulated depreciation, remaining useful lives were calculated based on condition assessments. Underground drainage conditions were assessed using the following table:

Definition	Rating	Reduction in design life	Comment on any change from FY2023
Failed	1	90%	No change
Poor	2	70%	No change
Fair	3	30%	No change
Good	4	20%	No change
Excellent	5	0%	No change

Council's path network has an average age of 13 years and sealed paths have an average condition rating of 2.0 (good condition).

In determining the level of accumulated depreciation, remaining useful lives were calculated based on condition assessments. Path conditions were assessed using the following table:

Definition	Rating	Percentage of design life remaining	Comment on any change from FY2023
Very good	1	90%	No change
Good	2	70%	No change
Fair	3	50%	No change
Poor	4	30%	No change
Very poor	5	20%	No change

As detailed above Council's road network has been valued using written down current replacement cost. This method utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care, and based upon years of experience, different judgements could result in a different valuation. The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

Significant unobservable input

Estimated life
Estimated remaining life
Condition rating
Standard construction unit rate per square metre (road)
Standard construction unit rate per linear metre (underground drainage)

Range of inputs

10 years to 200 years
1 year to 200 years
1 to 5 as above
\$0.5300 to \$36.29 as above
\$297.40 to \$2,925.00 as above

Relationship of unobservable inputs to fair value

The longer the estimated life, the higher the fair value
The longer the estimated remaining life, the higher the fair value
The better the condition rating, the higher the fair value
The higher the standard construction unit rate, the higher the fair value
The higher the standard construction unit rate, the higher the fair value

Council bridges were fair valued using written down current replacement cost. This valuation comprises the asset's current replacement cost (CRC) less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and then adjusted this amount to take account of the expired service potential of the asset.

CRC was measured by reference to the lowest cost at which the gross future economic benefits of the asset could currently be obtained in the normal course of business. Where existing assets were over designed, had excess capacity, or were redundant an adjustment was made so that the resulting valuation reflected the cost of replacing the existing economic benefits based on an efficient set of modern equivalent assets to achieve the required level of service output within the council's planning horizon.

The unit rates (labour and materials) and quantities applied to determine the CRC of an asset or asset component were based on a "Greenfield" assumption meaning that the CRC was determined as the full cost of replacement with a new asset including components that may not need to be replaced, such as earthworks.

Council categorises its bridges into steel, concrete, timber and concrete/timber composite hydraulic structures. Council assumes that environmental factors such as soil type, climate and topography are consistent across each bridge. Council also assumes a bridge is designed and constructed to the same standard and uses a consistent amount of labour and materials for its construction type.

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CRC was calculated by reference to asset linear and area specifications, estimated labour and material inputs, services costs, and overhead allocations.

Council's bridges and hydraulic structures were valued by Council's Chief Executive Officer, Mr Andrew Johnson (MIEAust, CPEng, RPEQ). Bridges were valued at fair value being current replacement cost as at 30 June 2024. Mr Johnson relied on dimensional, condition, costing and other data collected during the period to assess the values as at this date. Council's bridges primarily consist of either all timber structures, all concrete structures or composite structures that include both concrete and timber components. Replacement costs for these assets were assessed based on unit rates which reflected the council's experiences in constructing bridges. Condition data for bridges was obtained through regular inspection activities including taking core samples of major timber components and level two inspection reports prepared for Council by consulting engineers in respect of a number of bridges. Remaining lives of assets were assessed based on both condition and year of construction. No residual value was applied in respect of any bridge.

Average gross replacement costs (\$ per sqm of deck area) for major bridge types were:

	2024		2023		Percentage change
All concrete	\$	8,579 per square metre	\$	6,990 per square metre	22.73%
Composite concrete and timber	\$	3,776 per square metre	\$	3,080 per square metre	22.60%

Unit rates applied for 2024 were higher compared to rates applied for 2023. This was considered appropriate based on Council's recent experiences in bridge construction activities. Council contracted to construct two bridges during the financial year following open market competitive processes at significantly greater cost per square metre of deck area than had previously been experienced.

In determining the level of accumulated depreciation, remaining useful lives were calculated based on condition assessments.

Conditions were assessed using the following table:

Definition	Rating	Reduction in design life	Comment on any change from FY2023
Timber or part-timber bridge with measured girder stress of 60 Mpa or greater	5	90%	No change
Timber or part-timber bridge with measured girder stress of between 40 Mpa and 60 Mpa	4	50%	No change
Timber or part-timber bridge with measured girder stress of between 30 Mpa and 40 Mpa	3	30%	No change
Timber or part-timber bridge with measured girder stress of between 20 Mpa and 30 Mpa	2	15%	No change
Good	1	5%	No change
All-concrete or part-concrete bridge requiring no maintenance	0	0%	No change

As detailed above Council's bridge network has been valued using written down current replacement cost. This method utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care, and based upon years of experience, different judgements could result in a different valuation. The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Estimated life	30 years to 100 years	The longer the estimated life, the higher the fair value
Estimated remaining life	0 years to 100 years	The longer the estimated remaining life, the higher the fair value
Condition rating	0 to 5 as above	The lower the condition rating, the higher the fair value
Standard construction unit rate per square metre of deck	\$3,776 to \$8,579 as above	The higher the standard construction unit rate, the higher the fair value

(vi) Plant and equipment

Plant and equipment are shown in the statements at historical cost less accumulated depreciation.

2024
(\$ 000's)

2023
(\$ 000's)

17. Leases and finance cost on leases

Council has leases in place over vehicles and equipment. Where Council assesses that an agreement contains a lease, a right of use asset and lease liability is recognised on inception of the lease. Council does not separate lease and non-lease components for any class of assets and has accounted for lease payments as a single component.

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 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 whether 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.

Terms and conditions of leases

Vehicles - Council leases sedans and utilities which are used for operational purposes, they generally have a lease term of between 3 and 5 years. The lease payments are generally fixed for the term of the lease.

Equipment - Council leases a number of items of office equipment which are considered low value and are therefore not subject to lease accounting. The items have lease terms ranging up to 3 years and fixed payments for the term of the leases.

Right of use assets

Please refer to the right of use asset class in note 16.

Lease liabilities

The table below shows the maturity analysis of the lease liabilities based on contractual cashflows and therefore the amounts may not be the same as the recognised lease liability in the statement of financial position.

Remaining term		
Not later than 1 year	391	369
Later than 1 year, but not later than 2 years	261	232
Later than 2 years, but not later than 3 years	175	126
Later than 3 years, but not later than 4 years	113	75
Later than 4 years, but not later than 5 years	73	27
Total	<u>1,013</u>	<u>829</u>
Current lease liabilities per statement of financial position	325	324
Non-current lease liabilities per statement of financial position	459	373
Total per statement of financial position	<u>785</u>	<u>698</u>

2024
(\$ 000's)

2023
(\$ 000's)

Amounts included in the statement of comprehensive income related to leases

The following amounts have been recognised in the statement of comprehensive income for leases where Council is the lessee

Interest on lease liabilities (finance costs)	91	152
Depreciation of right of use assets	359	319
	<u>451</u>	<u>471</u>
Total cash outflows for leases	<u>450</u>	<u>438</u>

Leases at significantly below market value - Concessionary / peppercorn leases

Council has a small number of leases at significantly below market for land and buildings which are used for community purposes.

Council does not believe that any of the leases in place are individually material.

Council as a lessor

Council has a small number of low value operating leases in place as a lessor, mostly over land.

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. If the lease contains lease and non-lease components then 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.

Where Council retains the risks and rewards relating to a lease, they are classified as operating leases. Rent from property is recognised as income on a periodic straight line basis over the lease term.

18. Payables

Current

Trade creditors	1,087	280
Sundry accruals	9,071	7,096
Prepaid rates	1,283	1,091
Other liabilities	1,273	1,314
Employee entitlements - annual leave	1,469	1,365
Employee entitlements - accrued hours	131	122
	<u>14,313</u>	<u>11,268</u>

Non-Current

Other liabilities	1,463	2,286
	<u>1,463</u>	<u>2,286</u>

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/ contract price net of applicable discounts other than contingent discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

A liability for annual leave is recognised. Amounts expected to be settled within 12 months are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values.

No part of the employee entitlements for annual leave or accrued hours is considered to be non-current based on recent rates achieved in the taking of annual leave. As Council does not have an unconditional right to defer this liability beyond 12 months, annual leave is classified as a current liability.

Lump sum annual payments received prior to 30 June 2024 (reflecting three years of annual payments (2024–25 – 2026–27) that were prescribed by the Waste Reduction and Recycling Regulation 2011) have been treated as either current or non-current liabilities depending on the period they are for.

2024
(\$ 000's)

2023
(\$ 000's)

19. Provisions

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the council's employment or other associated employment which would result in the council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value.

Where employees have met the prerequisite length of service and Council does not have an unconditional right to defer this liability beyond 12 months, long service leave is classified as a current liability. Otherwise it is classified as non-current.

A provision is made for the cost of restoring refuse dumps and quarries where it is probable the Council will be liable, or required, to do this when the use of the facilities is complete.

A provision is made for future costs of restoration of gravel pits where it is probable the council will be liable, or required, to incur such a cost on the cessation of use of the facility. This liability is provided in respect of roadside gravel pits. Management estimates that the restoration will occur in 2027.

The provision is measured at the expected cost of the work required, discounted to current day values using the interest rates attaching to Commonwealth Government guaranteed securities with a maturity date corresponding to the anticipated date of the restoration. Gravel pits are on State reserves which the council does not control. The cost of the provisions for restoration of these is therefore treated as an expense in the year the provision is first recognised. Changes in the provision not arising from the passing of time are treated as an expense or income.

The provision for refuse restoration is calculated as the present value of anticipated future costs associated with the closure of the dump sites, decontamination and monitoring of historical residues and leaching on these sites. The calculation of this provision requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The provision recognised for dump sites is reviewed at least annually and updated based on the facts and circumstances available at the time.

This is the present value of the estimated cost of restoring the refuse disposal sites to a useable state at the end of their useful life. Landfills in Kilcoy and Jimna have closed and management estimates that restoration of these sites will occur over the next five years at a cost of \$1,492,669. Council has resolved an intention to replicate the existing regional landfill in Esk at the current site prior to the end of life of landfill cell stage 4. It is intended that the replicated landfill will be located adjacent to the current landfill and will use common leachate facilities, sediment ponds, drainage and other infrastructure to the current landfill. The current landfill is expected to require rehabilitation after 2032 at a cost of \$5,546,067 (in 2024 dollars).

Estimates have been prepared for Council by consulting engineers, ATC Williams Pty Ltd. Shave and Brett Local Government Specialists supplied guidance in respect of forecast cost index factors averaging 8.05% and discount rates averaging 4.44%.

Changes to the restoration provisions resulting from the passing of time (the unwinding of the discount) are treated as a finance cost.

	2024 (\$ 000's)	2023 (\$ 000's)
Current		
Long service leave	2,253	2,043
Restoration of refuse sites	1,204	-
	<u>3,456</u>	<u>2,043</u>
Non-Current		
Long service leave	367	380
Restoration of refuse sites	10,960	10,601
Restoration of gravel pits	446	391
	<u>11,772</u>	<u>11,371</u>
Details of movements in provisions:		
Long service leave		
Balance at beginning of financial year	2,423	2,518
Long service leave entitlement arising	2,449	1,948
Long service leave entitlement paid	(2,253)	(2,043)
Balance at end of financial year	<u>2,619</u>	<u>2,423</u>
Restoration of gravel pits		
Balance at beginning of financial year	391	298
Additional provisions	12	22
Increase in the discounted amount arising from the passage of time and the effect of any change in the discount rate - gravel pits	44	70
Balance at end of financial year	<u>446</u>	<u>391</u>
Restoration of refuse sites		
Balance at beginning of financial year	10,601	8,721
Additional provisions	1,333	285
Amounts used	(468)	-
Increase in the discounted amount arising from the passage of time and the effect of any change in the discount rate - refuse sites	698	1,595
Balance at end of financial year	<u>12,163</u>	<u>10,601</u>
20. Asset revaluation surplus		
The asset revaluation surplus consists of the following components:		
Land	16,186	14,361
Buildings and other structures	30,432	30,432
Road assets	136,653	90,156
Balance of asset revaluation surplus (note 16)	<u>183,270</u>	<u>134,948</u>

The asset revaluation surplus comprises adjustments relating to changes in value of property, plant and equipment that do not result from the use of those assets. Net incremental changes in the carrying value of classes of non-current assets since their initial recognition are accumulated in the asset revaluation surplus.

Increases and decreases on revaluation are offset within a class of assets. Where a class of assets is decreased on revaluation, that decrease is offset first against the amount remaining in the asset revaluation surplus in respect of that class. Any excess is treated as an expense. When an asset is disposed of the amount in the surplus in respect of that asset is retained in the asset revaluation surplus and is not transferred to retained surplus. The balance of the asset revaluation surplus is not available for distribution to any person because it is represented by non-current assets including infrastructure that is required to provide services to the community.

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2024

21. Reserves

	Opening balance (\$ 000's)	Transfer from retained surplus for future expected expenditure (\$ 000's)	Transfers to retained surplus, amount expended in the period (\$ 000's)	Closing balance (\$ 000's)
2024				
A. Reserves held for future capital expenditure				
Self insurance reserve	43,804	10,000	-	53,804
Constrained works reserve	389	-	(356)	33
Total reserves held for future capital expenditure	44,193	10,000	(356)	53,837
B. Reserves held for future recurrent expenditure				
Land Sales Reserve	10,831	-	-	10,831
Total reserves held for future recurrent expenditure	10,831	-	-	10,831
Grand total	55,024	10,000	(356)	64,668
2023				
A. Reserves held for future capital expenditure	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)
Self insurance reserve	43,804	-	-	43,804
Constrained works reserve	543	-	(155)	389
Total reserves held for future capital expenditure	44,347	-	(155)	44,193
B. Reserves held for future recurrent expenditure				
Land Sales Reserve	10,831	-	-	10,831
Total reserves held for future recurrent expenditure	10,831	-	-	10,831
Grand total	55,178	-	(155)	55,024

The above reserves represent funds that are accumulated within the council to meet anticipated future needs. The reserves are either cash backed reserves or backed by non-current receivables from Urban Utilities. In each case the amount relates to a perceived future requirement which is not currently a liability.

The Australian Accounting Standards Board "Framework for the Preparation and Presentation of Financial Statements" discusses the potential legal or other restrictions that may exist in some places in respect of cash backed reserves. There are no legal restrictions on the council in respect of funds identified as represented by cash backed reserves per se.

- The self insurance reserve and is held for managing Council's uninsured risk
- The constrained works reserve was created to ensure sufficient funds are available to carry out future capital works which the council is potentially obliged to perform together with non-binding commitments. It represents unspent infrastructure charges, capital grants and similar items.
- The land sales reserve was established to represent the sale proceeds of properties sold by Council.

	2024 (\$ 000's)	2023 (\$ 000's)
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22. Contingent Liabilities

Various claims may be made against Council in the ordinary course of its business activities.

After consulting legal advisers, Council considers that there are no claims against Council as at balance date that required a provision to be recognised or a contingent liability to be disclosed in the financial report.

Memberships of Insurance Schemes

Somerset Regional Council is a member of the local government self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise.

The Council's maximum exposure is:

994	832
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Somerset Regional Council is a member of the local government mutual liability self-insurance pool, LGM Queensland. In the event of the pool being wound up or being unable to meet its debts as they fall due, the trust deed and rules provide that any accumulated deficit will be met by the individual pool members in the same proportion as their contribution is to the total pool contributions in respect to any year that a deficit arises. As at 30 June 2024 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

23. Superannuation

Council contributes to the Brighter Super Regional Defined Benefits Fund (the scheme), at the rate of 12% for each standard permanent employee who is a defined benefit member. This rate is set in accordance with the Brighter Super trust deed and may be varied on the advice of an actuary. The Regional Defined Benefits Fund is a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation and is also governed by the Local Government Act 2009. The scheme is managed by the Brighter Super trustee.

The scheme is a pooled defined benefit plan and it is not in accordance with the deed to allocate obligations, plan assets and costs at the council level.

Any amount by which the scheme is over or under funded may affect future contribution rate obligations, but has not been recognised as an asset or liability of the Council.

Technically council can be liable to the scheme for a portion of another local government's obligations should that local government be unable to meet them. However the risk of this occurring is extremely low and in accordance with the Brighter Super trust deed changes to council's obligations will only be made on the advice of an actuary.

The last completed triennial actuarial assessment of the scheme was undertaken as at 1 July 2021. The actuary indicated that "At the valuation date of 1 July 2021, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." The measure of vested benefits represents the value of benefit entitlements should all participating employees voluntarily exit the scheme. The Council is not aware of anything that has happened since that time that indicates the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date.

No changes have been made to prescribed employer contributions which remain at 12% of employee salary or wages and there are no known requirements to change the rate of contributions.

The next triennial actuarial review is due on 1 July 2024.

The most significant risks that may result in Brighter Super increasing the contribution rate, on the advice of the actuary, are:

Investment risk - The risk that the scheme's investment returns will be lower than assumed and additional contributions are needed to fund the shortfall.

Salary growth risk - The risk that wages or salaries will rise more rapidly than assumed, increasing vested benefits to be funded.

	2024 (\$ 000's)	2023 (\$ 000's)
Superannuation contributions made to the Regional Defined Benefits Fund	90	95
Other superannuation contributions for employees	1,906	1,783
Total superannuation contributions paid by Council for employees:	<u>1,996</u>	<u>1,878</u>
24. Reconciliation of net result to net cash inflows from operating activities		
Net result for year	13,500	10,243
Non-cash operating items :		
Contribution of non-monetary non-current assets at fair value	5 (2,822)	(163)
Share of the profit of associated entity accounted for using the equity method not adjusted for distributions received	15 (2,195)	(1,579)
Add back distributions received from the profits of associated entity	991	1,074
Depreciation	16 <u>12,664</u> 8,638	<u>10,964</u> 10,296
Investing and development activities :		
Add back lease interest	17 91	152
Net (gain)/ loss on disposal of non current assets	7 <u>(215)</u> (124)	<u>827</u> 979
Changes in operating assets and liabilities :		
(Increase)/ decrease in receivables	(494)	1,280
(Increase)/ decrease in inventories	(34)	(221)
(Increase)/ decrease in contract assets	(17,556)	1,287
Increase/ (decrease) in provisions	1,814	1,877
Increase/ (decrease) in contract liabilities	(6,796)	3,209
Increase/ (decrease) in payables	<u>2,222</u> (20,845)	<u>1,901</u> 9,333
Net cash inflow from operating activities	<u>1,170</u>	<u>30,851</u>
25. Trust Funds		
Monies collected or held on behalf of another entity yet to be paid out to or on behalf of that entity	<u>810</u>	<u>950</u>

Funds held in the trust account on behalf of outside parties include those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies (e.g. wages) paid into the trust account by the council. The council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements.

26. Commitments and contracts

(a) Operating leases where Council is lessor (revenue)

Council leases commercial premises under operating leases.

The minimum lease receipts are as follows:

Not later than 1 year	240	199
Later than 1 year, but not later than 2 years	122	141
Later than 2 years, but not later than 3 years	114	50
Later than 3 years, but not later than 4 years	93	45
Later than 4 years, but not later than 5 years	84	39
Later than 5 years	<u>306</u>	<u>181</u>
	<u>959</u>	<u>655</u>

2024
(\$ 000's)

2023
(\$ 000's)

(b) Contractual commitments – capital expenditure

At the reporting date, the Council had the following obligations under contract and which have not been recognised as liabilities:

Buildings	2,294	1,220
Plant and equipment	911	1,798
Infrastructure assets	2,306	5,451
	<u>5,511</u>	<u>8,469</u>

These expenditures are payable within the next 12 months.

27. Related parties

Transactions with associates - please refer to note 15 (Urban Utilities)

(a) Transactions with key management personnel (KMP)

KMP include the mayor, councillors, the chief executive officer and directors. The compensation paid to KMP comprises:

Short term employee benefits	1,372	1,288
Short term non-employee benefits (Councillor remuneration)	746	728
Post employment benefits	176	177
Long term benefits	25	(36)
Termination benefits	-	-
Total	<u>2,319</u>	<u>2,157</u>

Detailed remuneration disclosures of councillors are provided in the annual report. Comparative information has been revised to reflect certain non-cash benefits.

(b) Transactions with other related parties

Other related parties include close family members of KMP and any entities controlled or jointly controlled by KMP or their close family members. These include a spouse, child, dependent, parent or sibling of a KMP.

Details of transactions between council and other related parties are disclosed below:

Purchases of civil contracting services from an entity that is controlled by close family members of Mayor Cr Jason Wendt, at arm's length and in the normal course of council operations.	12,506	7,672
Purchases of civil contracting services from an entity that employs close family members of Councillor Helen Brieschke, at arm's length and in the normal course of council operations.	1,253	783
Purchases of road making materials from an entity that employs a close family member of Councillor Kylee Isidro, at arm's length and in the normal course of council operations.	29	47
Purchases of road making materials from an entity that employs a close family member of Councillor Kylee Isidro, at arm's length and in the normal course of council operations where Councillor Isidro was in a close personal relationship with Director Operations, Mr Craig Young.	29	-
Purchases of materials and services from an entity that is closely controlled by close family members of Council's Director Corporate and Community Services, Mr Daniel Rowe, at arms length and in the normal course of council operations.	535	-
Investment with Bendigo and Adelaide Bank Ltd - interest received Council acquired a term deposit with Bendigo and Adelaide Bank Ltd at arm's length and in the normal course of operations. Councillor Brett Freese is a Director of Somerset Region Community Enterprises Limited which owns the Lowood Bendigo Bank branch as a franchise.	33	-

	2024 (\$ 000's)	2023 (\$ 000's)
Investment with Bendigo and Adelaide Bank Ltd - interest received Council acquired a term deposit with Bendigo and Adelaide Bank Ltd at arm's length and in the normal course of operations. A close family member of Mayor Cr Jason Wendt is a Director of Somerset Region Community Enterprises Limited which owns the Lowood Bendigo Bank branch as a franchise.	33	27
Investment with Bendigo and Adelaide Bank Ltd - interest received Council acquired a term deposit with Bendigo and Adelaide Bank Ltd at arm's length and in the normal course of operations. Councillor Michael Bishop is a Director of Bendigo Community Bank Nanango, Yarraman, and Blackbutt.	33	-

(c) Outstanding balances

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

Cash and Cash Equivalents	-	1,000
Receivables	-	-
Payables	13	-
Loans and guarantees	-	-
Commitments	-	-

The cash equivalents balance is an investment with Bendigo and Adelaide Bank Ltd referred to in (b) Transactions with other related parties in respect of Cr Wendt, Cr Freese and Cr Bishop.

The payable balance is for the purchase of civil contracting services from an entity that is controlled by close family members of Councillor Jason Wendt, at arm's length and in the normal course of council operations.

(d) Transactions with related parties that have not been disclosed

Most of the entities and people that are related parties of council live and operate within the Somerset Regional Council area. Therefore on a regular basis ordinary citizen transactions occur between council and related parties including payment of rates and charges, dog registration and use of council facilities and services at the standard rates scheduled by council. Council also performs maintenance and construction work on public assets that are used by related parties as ordinary citizens. Council has not included these types of transactions in its disclosure where they are made on the same terms and conditions available to the general public.

28. Executive remuneration

Disclosed remuneration under S 201 of the Local Government Act 2009 represents the total of:

1. Gross salary paid to relevant employees as detailed on the statements of earnings issued by Council for the income year.
2. Reportable superannuation contributions in favour of the relevant employees as detailed on the statements of earnings issued by Council for the income year to those employees.
3. Reportable fringe benefits provided to relevant employees at the value detailed on the statements of earnings issued by Council for the income year to those employees.

Total senior management remuneration as per statements of earnings:	1,536	1,317
The number of relevant employees was:		
Employees with a total remuneration package in the range of \$100000–\$199999	3	2
Employees with a total remuneration package in the range of \$200000–\$299999	3	3
Employees with a total remuneration package in the range of \$300000–\$399999	1	1

29. Events after balance date

There were no material subsequent events after the balance date.

30. Financial instruments

Somerset Regional Council's activities expose it to a variety of financial risks including interest rate risk, credit risk and liquidity risk.

Risk management framework

Somerset Regional Council is responsible for the establishment and oversight of the risk management framework, together with developing and monitoring risk management policies.

Council approves policies for overall risk management, as well as specifically for managing credit, liquidity and interest rate risk. Management approves a financial management risk framework that provides additional guidance for managing these risks.

The council's risk management policies are established to identify and analyse the risks faced, to set appropriate limits and controls and to monitor these risks and adherence against limits. The council aims to manage volatility to minimise potential adverse effects on the financial performance of the council.

The council's audit committee oversees how management monitors compliance with the council's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the council. The council audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. These obligations arise principally from the council's investments and receivables. Exposure to credit risk is managed through regular analysis of credit counterparty ability to meet payment obligations.

Investments in financial instruments are required to be made with Queensland Treasury Corporation (QTC) or similar state/ commonwealth bodies or financial institutions in Australia, in line with the requirements of the *Statutory Bodies Financial Arrangements Act 1982*.

The council minimises its exposure to financial risk on investments in the ways outlined in its investment policy.

Under this policy and applicable legislation, risk management strategies include:

- restrictions on what types of financial institutions and products council will invest in as outlined below.
- the council does not invest in derivatives or other high risk investments.
- when the council borrows, it borrows from the Queensland Treasury Corporation unless another financial institution can offer a more beneficial rate, taking into account any risk.

The Statutory Bodies Financial Arrangements Act 1982 regulates the council's investment activities.

The council's financial instruments consist mainly of at call deposits with banks, short-term deposit investments, contract assets and liabilities and accounts receivables and payables.

Liquidity risk

Liquidity risk is the risk that the Council will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Council held no interest bearing debt at balance date.

The Council's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Council's reputation.

The Council manages its exposure to liquidity risk by maintaining sufficient cash deposits to cater for unexpected volatility in cash flows.

The most significant liquidity risk to Somerset Regional Council is the completion of flood restoration work pursuant to Commonwealth State Disaster Recovery Funding Arrangements (DRFA). Works undertaken during 2023-2024 under DRFA are outlined in Note 6 (Natural disaster recovery arrangements costs) which exceeded cash funding received for those works during 2023-2024. DRFA recurrent expenditure represented 40% of total recurrent expenses during 2023-2024 (2022-2023 - 11%).

While it is not considered that any credit facility will be required, Council's debt policy provides that "Council may have need for short term working capital facilities to manage large cash outflows associated with natural disaster relief and recovery arrangements related projects". Council has experience in successfully establishing a short term working capital facility with Queensland Treasury Corporation for similar purposes in previous years.

Interest rate risk

The Council's exposure to interest rate risk, which is the risk that the value of a financial instrument will fluctuate as a result of changes in market rates and the weighted average interest rate by maturity periods is set out in the table below. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposure arises predominantly from assets and liabilities bearing variable interest rates. At 30 June 2024, Council has no fixed rate or variable rate borrowings and interest rate risk on borrowings is managed through the absence of borrowings. Borrowing by the Council is constrained by the provisions of the Statutory Bodies Financial Arrangements Act 1982.

Council has an investment policy which sets an objective to maximise earnings on cash investments within approved risk guidelines and to ensure the security of funds.

Interest rate risk relating to investments has been managed through the use of both Queensland Treasury Corporation (QTC) Cash Fund investments so that Council achieves Queensland State Government investment returns and through investment in term deposits with fixed interest rates where appropriate. Council does not undertake any hedging of interest rate risk.

In terms of Standard and Poor's ratings, all investments were A plus-rated products with A plus-rated institutions or better other than \$1 million which was invested in BBB plus-rated products or better through certain qualifying banks with local branches.

As at 30 June 2024 all cash investments complied with the investment policy.

In assessing whether to invest in A plus-rated products other than Queensland Government investments, Council officers assess whether the investment product would have a more advantageous rate of interest available at the time, for that investment type, and in a way that is considered most appropriate given the circumstances.

Council also holds an equity participant loans receivable with Urban Utilities with interest rates as described in note 14.

Actual cash and investment balances as at balance date were as follows:

	2024 (\$ 000's)	2023 (\$ 000's)
Working cash, trust funds and cash on hand	1,123	3,429
Less cheques drawn on operating fund but not presented at balance date	(30)	(3,572)
BBB plus-rated products at BBB plus-rated financial institutions or better	1,000	1,000
QTC Pooled Cash Management Fund	27,145	57,528
Equity participant loan - Urban Utilities	53,804	53,804
Total	83,042	112,189

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2024

Interest rate risk has been measured using sensitivity analysis.

The sensitivity analysis used and described below is unchanged on the method reported in the financial statements for the year ended 30 June 2023.

If market interest rates increased or decreased by 1%, the net result attributable to the Council in respect of cash assets and cash equivalents would be increased or decreased as follows:

Interest rate risk sensitivity analysis	2024 (\$ 000's)	2023 (\$ 000's)
Impact on net result of 1% market interest rate increase on financial assets	282	589
Impact on equity of 1% market interest rate increase on financial assets	282	589

The above interest rate sensitivity analysis depicts the outcome to net result should there be a 1% increase in market interest rates. The calculations assume that the rate would be held constant over the next financial year, with the change occurring at the beginning of that year. It is assumed that interest rates on overdue rates would not change. If the rates decreased by 1% the impact would be equal in amount in the reverse direction. Because Council holds no interest bearing liabilities, there is no interest rate risk in respect of financial liabilities and no sensitivity analysis is required.

The above analysis does not include the equity participant loan with an interest rate setting mechanism described in note 14.

Interest rate and maximum credit risk disclosures						Weighted average effective interest rate %
Financial Instrument	Note	Floating Interest Rate (\$ 000's)	Fixed Interest Rate (\$ 000's)	Non- interest Bearing (\$ 000's)	Total (\$ 000's)	
As at 30 June 2024						
Financial Assets						
Cash assets and cash equivalents 1	10	-	-	1,060	1,060	0.00%
Cash assets and cash equivalents 2	10	27,179	-	-	27,179	4.73%
Cash assets and cash equivalents 3	10	-	1,000	-	1,000	5.20%
Receivables 1	11	-	3,178	-	3,178	11.64%
Receivables 2	11	-	-	3,359	3,359	0.00%
Investments	14	-	53,804	-	53,804	3.65%
Total financial assets		27,179	57,982	4,419	89,579	
Weighted average interest rate		4.73%	4.11%	0.00%	4.10%	
Financial liabilities						
Payables		-	-	14,313	14,313	0.00%
Lease liabilities		-	785	-	785	6.95%
Provisions		-	-	15,228	15,228	0.00%
Total financial liabilities		-	785	29,542	30,326	
		0.00%	6.95%	0.00%	0.18%	
Net financial assets		27,179	57,198	(25,123)	59,253	

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2024

Financial Instrument	Note	Floating Interest Rate (\$ 000's)	Fixed Interest Rate (\$ 000's)	Non- interest Bearing (\$ 000's)	Total (\$ 000's)	Weighted average effective interest rate %
As at 30 June 2023						
Financial Assets						
Cash assets and cash equivalents 1	10	-	-	(532)	(532)	0.00%
Cash assets and cash equivalents 2	10	57,917	-	-	57,917	4.14%
Cash assets and cash equivalents 3	10	-	1,000	-	1,000	4.30%
Receivables 1	11	-	2,360	-	2,360	8.17%
Receivables 2	11	-	-	3,683	3,683	0.00%
Investments	14	-	53,804	-	53,804	3.27%
Total financial assets		57,917	57,164	3,151	118,232	
Weighted average interest rate		4.14%	3.49%	0.00%	3.71%	
Financial liabilities						
Payables		-	-	11,268	11,268	0.00%
Lease liabilities		-	698	-	698	6.24%
Provisions		-	-	13,414	13,414	0.00%
Total financial liabilities		-	698	24,682	25,380	
		0.00%	6.24%	0.00%	0.17%	
Net financial assets		57,917	56,466	(21,531)	92,852	

(b) Net fair value

Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The fair value of trade and other receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

SOMERSET REGIONAL COUNCIL
MANAGEMENT CERTIFICATE
For the year ended 30 June 2024

These general purpose financial statements have been prepared pursuant to Sections 176 and 177 of the *Local Government Regulation 2012* (the Regulation) and other prescribed requirements.

In accordance with Section 212 (5) of the Regulation we certify that:

(i) the prescribed requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and

(ii) the general purpose financial statements present a true and fair view, in accordance with Australian Accounting Standards, of the Council's transactions for the financial year and financial position at the end of the year.



Cr Jason Wendt
Mayor

Date: 24 October 2024



Andrew Johnson
Chief Executive Officer

Date: 24 October 2024

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Somerset Regional Council

Report on the audit of the financial report

Opinion

I have audited the financial report of Somerset Regional Council.

The financial report comprises the statement of financial position as at 30 June 2024, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including material accounting policy information and the certificate given by the Mayor and Chief Executive Officer.

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2024, and of its financial performance for the year then ended; and
- b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of my report.

I am independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*.

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

Other information

The councillors are responsible for the other information.

The other information comprises the information included in the entity's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

At the date of this auditor's report, the available other information in Somerset Regional Council's annual report for the year ended 30 June 2024 was the current-year financial sustainability statement (audited ratios), current-year financial sustainability statement - contextual ratios (unaudited) and long-term financial sustainability statement.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government Regulation 2012, I have formed a separate opinion on the current year financial sustainability statement.

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

If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the councillors for the financial report

The councillors are responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards, and for such internal control as the councillors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The councillors are also responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the council or to otherwise cease operations of the council.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of my auditor's report.

Report on other legal and regulatory requirements

In accordance with s. 40 of the *Auditor-General Act 2009*, for the year ended 30 June 2024:

- a) I received all the information and explanations I required
- b) I consider that, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Local Government Act 2009*, and the Local Government Regulation 2012. The applicable requirements include those for keeping financial records that correctly record and explain the council's transactions and account balances to enable the preparation of a true and fair financial report.

Jacques Coetzee

Jacques Coetzee
as delegate of the Auditor-General

29 October 2024

Queensland Audit Office
Brisbane

Somerset Regional Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2024

Type	Measure	Target (Tier 4)	Actual Current Year	5-Year Average	Council Narrative
Audited ratios					
Liquidity	Unrestricted Cash Expense Cover Ratio	Greater than 4 months	4	16	Target achieved
Operating Performance	Operating Surplus Ratio	Greater than 0%	(8%)	(3%)	Target not achieved
Operating Performance	Operating Cash Ratio	Greater than 0%	8%	16%	Target achieved
Asset Management	Asset Sustainability Ratio	Greater than 80%	98%	104%	Target achieved
Asset Management	Asset Consumption Ratio	Greater than 60%	71%	67%	Target achieved
Debt Servicing Capacity	Leverage Ratio	0 to 3 times	N/A	N/A	Nil debt held

The current year financial sustainability statement is prepared in accordance with the requirements of the Local Government Regulation 2012 and the Financial Management (Sustainability) Guideline 2024. The amounts used to calculate the 6 reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2024.

Certificate of Accuracy
For the year ended 30 June 2024

This current-year financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (the regulation).

In accordance with Section 212(5) of the Regulation we certify that this current-year financial sustainability statement has been accurately calculated.

Cr Jason Wendt
Mayor

Date: 24 October 2024

Andrew Johnson
Chief Executive Officer

Date: 24 October 2024

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Somerset Regional Council

Report on the Current-Year Financial Sustainability Statement

Opinion

I have audited the accompanying current-year financial sustainability statement of Somerset Regional Council for the year ended 30 June 2024, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with s.212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current-year financial sustainability statement of Somerset Regional Council for the year ended 30 June 2024 has been accurately calculated.

Basis of opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the current year financial sustainability statement* section of my report.

I am independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the statement in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*.

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

Emphasis of matter – basis of accounting

I draw attention to the note which describes the basis of accounting. The current-year financial sustainability statement has been prepared in accordance with the Financial Management (Sustainability) Guideline 2024 for the purpose of fulfilling the council's reporting responsibilities under the Local Government Regulation 2012. As a result, the statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Other Information

The councillors are responsible for the other information.

The other information comprises the information included in the entity's annual report for the year ended 30 June 2024, but does not include the financial sustainability statement and our auditor's report thereon.

At the date of this auditor's report, the available other information in Somerset Regional Council's annual report for the year ended 30 June 2024 was the general-purpose financial statements, current-year financial sustainability statement - contextual ratios (unaudited) and the long-term financial sustainability statement.

My opinion on the current-year financial sustainability statement does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government Regulation 2012, I have formed a separate opinion on the general-purpose financial report.

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

If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the councillors for the current year financial sustainability statement

The councillors are responsible for the preparation and fair presentation of the current-year financial sustainability statement in accordance with the Local Government Regulation 2012. The councillors responsibility also includes such internal control as the councillors determine is necessary to enable the preparation and fair presentation of the statement that is accurately calculated and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the current year financial sustainability statement

My objectives are to obtain reasonable assurance about whether the current-year financial sustainability statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this statement.

My responsibility does not extend to forming an opinion on the appropriateness or relevance of the reported ratios, nor on the council's future sustainability.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control.
- Evaluate the appropriateness of material accounting policy information used and the reasonableness of accounting estimates and related disclosures made by the council.

I communicate with the council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Jacques Coetzee

29 October 2024

Jacques Coetzee
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Somerset Regional Council
Current-year Financial Sustainability Statement - Contextual Ratios
For the year ended 30 June 2024


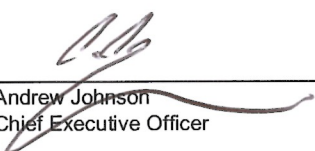
Type	Measure	Target (Tier 4)	Actual Current Year	5-Year Average	Council Narrative
Contextual ratios (unaudited)					
Financial Capacity	Council-Controlled Revenue	No target set	39%	48%	No target set
Financial Capacity	Population Growth	No target set	2%	1%	No target set

The current year financial sustainability statement - Contextual Ratios is prepared in accordance with the requirements of the Local Government Regulation 2012 and the Financial Management (Sustainability) Guideline 2024. The amounts used to calculate the 2 reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2024 or from Australian Bureau of Statistics published population data.

Certificate of Accuracy
For the year ended 30 June 2024

This current-year financial sustainability statement (contextual ratios) has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (the regulation).

In accordance with Section 212(5) of the Regulation we certify that this current-year financial sustainability statement has been accurately calculated.

 <hr/> Cr Jason Wendt Mayor Date: 24 October 2024	 <hr/> Andrew Johnson Chief Executive Officer Date: 24 October 2024
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Somerset Regional Council
Long term financial sustainability statement
Prepared in conjunction with the 2023/2024 financial statements

Measure	Council- Controlled Revenue	Population Growth	Asset Renewal Funding Ratio	Operating Surplus Ratio	Operating Cash Ratio	Unrestricted Cash Expense Cover Ratio	Asset Sustainability Ratio	Asset Consumption Ratio	Leverage Ratio
Target	N/A	N/A	N/A	Greater than 0%	Greater than 0%	Greater than 4 months	Greater than 80%	Greater than 60%	N/A
Year									
FY2025	67%	2%	N/A	(2%)	21%	10	172%	72%	N/A
FY2026	67%	1%	N/A	1%	24%	10	76%	72%	N/A
FY2027	67%	1%	N/A	1%	24%	10	38%	71%	N/A
FY2028	68%	1%	N/A	1%	24%	10	53%	71%	N/A
FY2029	68%	1%	N/A	1%	24%	9	61%	71%	N/A
FY2030	68%	1%	N/A	1%	24%	9	18%	70%	N/A
FY2031	68%	1%	N/A	1%	24%	9	36%	69%	N/A
FY2032	68%	1%	N/A	1%	24%	9	39%	69%	N/A
FY2033	68%	1%	N/A	1%	24%	8	12%	68%	N/A
FY2034	68%	1%	N/A	1%	24%	8	29%	67%	N/A

Council's financial management strategy comprises its budget, financial forecasts, investment policy, debt policy, procurement policy, revenue policy, revenue statement and its long-term asset management plan. The financial management strategy encompasses all the various actions that will result in the forecast measures of financial sustainability detailed above that were adopted by Council. Council's financial management strategy is consistent with its corporate plan and operational plan. Council's long term financial forecast demonstrates its financial sustainability by reference to the State Government's recommended targets.

Certificate of Accuracy
For the long-term financial sustainability statement prepared as at 30 June 2024

This long-term financial sustainability statement has been prepared pursuant to Section 178 of the Local Government Regulation 2012 (the regulation). In accordance with Section 212(5) of the Regulation we certify that this long-term financial sustainability statement has been accurately calculated.



Cr Jason Wendt
Mayor



Andrew Johnson
Chief Executive Officer