

Annual Financial Statements

2020 - 2021



Shoalhaven City Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2021



Shoalhaven City Council

General Purpose Financial Statements

for the year ended 30 June 2021

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Overview

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

36 Bridge Road
Nowra NSW 2541

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

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

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

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

Shoalhaven City Council

General Purpose Financial Statements

for the year ended 30 June 2021

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2021.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's financial statements are required to be audited by the Audit Office of New South Wales.

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Shoalhaven City Council

General Purpose Financial Statements for the year ended 30 June 2021

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 02 November 2021.



Amanda Findley
Mayor
02 November 2021



Greg Watson
Deputy Mayor
02 November 2021



Stephen Dunshea
Chief Executive Officer
02 November 2021



Olena Tulubinska
Responsible Accounting Officer
02 November 2021

Shoalhaven City Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021 \$ '000		Notes	Actual 2021 \$ '000	Restated Actual 2020 \$ '000
Income from continuing operations				
154,270	Rates and annual charges	B2-1	153,519	148,819
79,595	User charges and fees	B2-2	85,590	72,139
3,955	Other revenue	B2-3	7,439	6,175
19,306	Grants and contributions provided for operating purposes	B2-4	21,164	19,370
35,082	Grants and contributions provided for capital purposes	B2-4	31,895	34,683
3,732	Interest and investment income	B2-5	2,603	5,020
–	Other income		148	–
295,940	Total income from continuing operations		302,358	286,206
Expenses from continuing operations				
85,441	Employee benefits and on-costs	B3-1	94,756	87,023
86,258	Materials and services	B3-2	90,493	98,502
5,303	Borrowing costs	B3-3	5,574	6,115
68,209	Depreciation, amortisation and impairment for non-financial assets	B3-4	70,507	66,000
14,445	Other expenses	B3-5	18,407	15,740
–	Net losses from the disposal of assets	B4-1	7	272
259,656	Total expenses from continuing operations		279,744	273,652
36,284	Operating result from continuing operations		22,614	12,554
36,284	Net operating result for the year attributable to Council		22,614	12,554
Net operating result for the year before grants and contributions provided for capital purposes				
1,202			(9,281)	(22,129)

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

Shoalhaven City Council

Statement of Comprehensive Income

for the year ended 30 June 2021

	Notes	2021 \$ '000	Restated 2020 \$ '000
Net operating result for the year – from Income Statement		22,614	12,554
Other comprehensive income:			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	498,007	2,199
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements		305	24
Total items which will be reclassified subsequently to the operating result when specific conditions are met		305	24
Total other comprehensive income for the year		498,312	2,223
Total comprehensive income for the year attributable to Council		520,926	14,777

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

Shoalhaven City Council

Statement of Financial Position

as at 30 June 2021

	Notes	2021 \$ '000	Restated 2020 \$ '000	Restated 1 July 2019 ¹ \$ '000
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	44,745	16,883	51,858
Investments	C1-2	140,775	135,368	116,046
Receivables	C1-4	22,979	21,428	20,071
Inventories	C1-5	2,562	3,522	3,207
Other		930	1,103	845
Non-current assets classified as 'held for sale'	C1-6	3,381	–	586
Total current assets		215,372	178,304	192,613
Non-current assets				
Investments	C1-2	34,000	36,000	42,665
Receivables	C1-4	6,042	6,044	5,488
Inventories	C1-5	5,810	4,916	6,687
Infrastructure, property, plant and equipment	C1-7	3,386,861	2,865,226	2,829,516
Investment property	C1-8	3,000	1,650	1,700
Intangible Assets	C1-9	558	561	512
Right of use assets	C2-1	76	222	–
Total non-current assets		3,436,347	2,914,619	2,886,568
Total assets		3,651,719	3,092,923	3,079,181
LIABILITIES				
Current liabilities				
Payables	C3-1	30,868	21,548	20,779
Income received in advance	C3-1	–	–	5,633
Contract liabilities	C3-2	11,638	7,922	–
Lease liabilities	C2-1	83	146	–
Borrowings	C3-3	17,460	12,277	13,826
Employee benefit provisions	C3-4	34,092	32,647	32,754
Provisions	C3-5	1,273	14,353	450
Total current liabilities		95,414	88,893	73,442
Non-current liabilities				
Lease liabilities	C2-1	–	84	–
Borrowings	C3-3	157,488	125,808	138,023
Employee benefit provisions	C3-4	1,162	1,082	928
Provisions	C3-5	4,999	5,326	5,823
Total non-current liabilities		163,649	132,300	144,774
Total liabilities		259,063	221,193	218,216
Net assets		3,392,656	2,871,730	2,860,965
EQUITY				
Accumulated surplus	C4-1	1,591,760	1,568,841	1,560,668
IPPE revaluation reserve	C4-1	1,800,896	1,302,889	1,300,690
Other reserves	C4-1	–	–	(393)
Total equity		3,392,656	2,871,730	2,860,965

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

Shoalhaven City Council

Statement of Changes in Equity

for the year ended 30 June 2021

	Notes	as at 30/06/21				as at 30/06/20			
		Accumulated surplus	IPPE revaluation reserve	Financial assets at FVOCI	Total equity	Accumulated surplus	IPPE revaluation reserve	Financial assets at FVOCI	Total equity
		\$ '000	\$ '000	\$ '000	\$ '000	Restated \$ '000	Restated \$ '000	Restated \$ '000	Restated \$ '000
Opening balance at 1 July		1,576,560	1,302,889	–	2,879,449	1,565,701	1,300,690	(393)	2,865,998
Changes due to AASB 1058 and AASB 15 adoption		–	–	–	–	(4,012)	–	–	(4,012)
Voluntary changes in accounting policies	G4-1	(7,719)	–	–	(7,719)	(5,033)	–	–	(5,033)
Restated opening balance		1,568,841	1,302,889	–	2,871,730	1,556,656	1,300,690	(393)	2,856,953
Net operating result for the year		22,614	–	–	22,614	15,240	–	–	15,240
Voluntary changes in accounting policies	G4-1	–	–	–	–	(2,686)	–	–	(2,686)
Other comprehensive income									
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	498,007	–	498,007	–	2,199	–	2,199
– Other movements – inclusion of management committees retained earnings		305	–	–	305	24	–	–	24
Other comprehensive income		305	498,007	–	498,312	24	2,199	–	2,223
Total comprehensive income		22,919	498,007	–	520,926	12,578	2,199	–	14,777
Transfers between equity items		–	–	–	–	(393)	–	393	–
Equity – balance at 30 June		1,591,760	1,800,896	–	3,392,656	1,568,841	1,302,889	–	2,871,730

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

Shoalhaven City Council

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021 \$ '000		Notes	Actual 2021 \$ '000	Actual 2020 \$ '000
Cash flows from operating activities				
Receipts:				
153,948	Rates and annual charges		153,116	150,980
79,595	User charges and fees		89,393	72,194
3,732	Investment and interest revenue received		3,075	5,489
54,388	Grants and contributions		55,794	44,937
–	Bonds, deposits and retention amounts received		863	1,496
3,955	Other		17,910	20,321
Payments:				
(85,441)	Employee benefits and on-costs		(95,058)	(86,250)
(86,517)	Materials and services		(101,608)	(79,151)
(5,303)	Borrowing costs		(5,578)	(6,167)
–	Bonds, deposits and retention amounts refunded		(1,126)	(1,929)
–	Waste Levy		(12,830)	(11,317)
(14,445)	Other		(14,117)	(30,613)
103,912	Net cash provided from (or used in) operating activities	G1-1a	89,834	79,990
Cash flows from investing activities				
Receipts:				
32,000	Sale of investment securities		184,334	147,652
2,400	Sale of real estate assets		1,620	–
3,033	Sale of infrastructure, property, plant and equipment		3,256	7,592
–	Distributions received from joint ventures and associates		304	–
–	Deferred debtors receipts		–	17
Payments:				
–	Purchase of investment securities		(187,598)	(160,183)
–	Purchase of investment property		(1,202)	(50)
(165,583)	Purchase of infrastructure, property, plant and equipment		(99,124)	(95,423)
(8,213)	Purchase of real estate assets		(99)	(371)
–	Purchase of intangible assets		(263)	(399)
–	Deferred debtors and advances made		(62)	(44)
(136,363)	Net cash flows from investing activities		(98,834)	(101,209)
Cash flows from financing activities				
Receipts:				
40,131	Proceeds from borrowings		50,457	–
Payments:				
(13,239)	Repayment of borrowings		(13,595)	(13,764)
–	Principal component of lease payments		–	8
26,892	Net cash flows from financing activities		36,862	(13,756)
(5,559)	Net change in cash and cash equivalents		27,862	(34,975)
42,566	Cash and cash equivalents at beginning of year		16,883	51,858
37,007	Cash and cash equivalents at end of year	C1-1	44,745	16,883
77,446	plus: Investments on hand at end of year	C1-2	174,775	171,368
114,453	Total cash, cash equivalents and investments		219,520	188,251

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

Shoalhaven City Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 2 November 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the Office of Local Government directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (Act)*, *Local Government (General) Regulation 2005 (Regulation)s*, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not-for-profit entity.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note B5-1 – Material budget variations

and are clearly marked.

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of investment properties – refer Note C1-8
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-7
- (iii) estimated tip remediation provisions – refer Note C3-5
- (iv) employee benefit provisions – refer Note C3-4.

Significant judgements in applying the Council's accounting policies

- (i) Impairment of receivables - refer note C1-4
- (ii) assessment of asset impairment - refer note C1-7
- (iii) estimated tip remediation provisions - refer Note C3-5
- (iv) employee benefit provisions - refer Note C3-4.

A1-1 Basis of preparation (continued)

Monies and other assets received by Council

The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

The Consolidated Fund has been included in the financial statements of Shoalhaven City Council.

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

- general purpose operations
- water service
- sewer service
- domestic waste management
- southern water services
- Council's S355 management committees

The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these reports.

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council has about 1,400 volunteers who work across several Council departments including bush care, park committees, community care, cultural heritage and tourism, and library services. Their services are vital to the success of Shoalhaven City Council with many Council programs and initiatives relying heavily on assistance from local volunteers. The volunteer service provided around 22,400 hours at an estimated cost of \$672,000 for the year ended 30 June 2021 if the services had to be purchased.

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2021 reporting period.

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

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

New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2021.

Those newly adopted standards which had no material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures are further discussed in Note G4-1.

B Financial Performance

B1 Functions or activities

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

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

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000
Functions or activities										
Buildings and Property	2,984	1,656	14,033	8,972	(11,049)	(7,316)	2,043	135	363,754	139,232
Commercial Undertakings	37,350	25,771	32,594	32,654	4,756	(6,883)	103	–	137,786	149,495
Community and Culture	3,750	2,480	8,559	8,639	(4,809)	(6,159)	3,232	1,736	58,871	29,437
Economic Development	1,213	357	(410)	585	1,623	(228)	1,214	64	7,611	12,501
Environmental Management	2,351	722	2,375	2,048	(24)	(1,326)	2,320	696	74,162	85,938
Fire Protection and Emergency Services	1,305	1,170	3,961	5,744	(2,656)	(4,574)	1,335	1,162	14,414	19,702
Governance and Civic	972	26	5,985	7,004	(5,013)	(6,978)	–	–	1	691
Internal Corporate Services	106,023	112,234	38,360	19,416	67,663	92,818	22,133	27,254	23,811	113,013
Land Use Planning	614	712	3,439	3,035	(2,825)	(2,323)	6	6	–	1,366
Open Space, Sport and Recreation	3,825	5,053	16,153	16,167	(12,328)	(11,114)	3,445	3,588	89,441	292,212
Regulatory Services	8,292	7,287	16,868	16,982	(8,576)	(9,695)	336	162	17	3,275
Roads and Transport	12,965	13,778	42,687	41,177	(29,722)	(27,399)	12,830	12,754	1,729,299	1,092,758
Waste and Recycling Program	38,400	38,466	31,762	37,423	6,638	1,043	98	424	52,858	49,077
Water and Sewer Services	82,314	76,494	63,378	73,806	18,936	2,688	3,964	6,072	1,099,694	1,104,226
Total functions and activities	302,358	286,206	279,744	273,652	22,614	12,554	53,059	54,053	3,651,719	3,092,923

B1-2 Components of functions or activities

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

Buildings and Property

Management, operations, maintenance and construction of community, residential, commercial and corporate buildings and property.

Commercial Undertakings

Management, operations, maintenance and construction of the category 1 and category 2 business units: bereavement services, entertainment centre, mechanical services, aquatic recreation facilities, holiday haven tourist parks.

Community and Culture

Community services, arts centre operations and maintenance, family day care, library operations, maintenance and capital and tourism and events.

Economic Development

Promotion of economic development within the Shoalhaven and the construction and sale of industrial land.

Environmental Management

Maintenance and capital expenditure on coastal areas, estuaries, floodplains, natural areas and noxious weeds.

Fire Protection and Emergency Services

Emergency services levy payment, Rural Fire Service maintenance and station construction and emergency events.

Governance and Civic

Chief Executive Officer's duties, customer service, councillors, council meetings, elections, governance and council donations.

Internal Corporate Services

Asset planning and development management, financial planning and management, internal fleet management, human resources and organisation development, information technology, insurance and risk management and other management and support provided to the organisation.

Land Use Planning

Strategic planning for town planning and social and infrastructure planning.

Open Space, Sport and Recreation

Management, operations, maintenance and construction of recreation areas (active and passive), tree management and beach patrol.

Regulatory Services

Development, building, regulatory compliance (including rangers), companion animals, environmental and public health regulations.

Roads and Transport

Management, operations, maintenance and construction of roads, car parks, footpaths, stormwater, street lighting, streetscapes, traffic management and waterway infrastructure.

Waste and Recycling Program

Domestic waste management and land fill and transfer station operation.

Water and Sewer Services

Management, operations, maintenance and construction of water and sewer infrastructure.

B2 Sources of income

B2-1 Rates and annual charges

	Timing	2021 \$ '000	2020 \$ '000
Ordinary rates			
Residential	2	71,758	69,014
Farmland	2	2,086	2,100
Business	2	4,954	5,204
Less: pensioner rebates	2	(2,102)	(2,129)
Rates levied to ratepayers		76,696	74,189
Pensioner rate subsidies received	2	1,130	1,173
Total ordinary rates		77,826	75,362
Special rates			
Town improvement	2	16	16
Town planning	2	451	957
Rates levied to ratepayers		467	973
Total special rates		467	973
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	2	23,624	21,691
Stormwater management services	2	1,145	1,137
Water supply services	2	4,134	4,777
Sewerage services	2	46,478	45,348
Waste management services (non-domestic)	2	992	876
Less: pensioner rebates (mandatory)	2	(2,528)	(2,747)
Annual charges levied		73,845	71,082
Pensioner subsidies received:			
– Water	2	499	517
– Sewerage	2	493	497
– Domestic waste management	2	389	388
Total annual charges		75,226	72,484
Total rates and annual charges		153,519	148,819

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

Accounting policy

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

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

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

B2-2 User charges and fees

	2021 \$ '000	2020 \$ '000
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Water supply services	18,957	17,919
Sewerage services	3,731	3,184

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B2-2 User charges and fees (continued)

	2021 \$ '000	2020 \$ '000
Waste management services (non-domestic)	13,474	13,258
Total specific user charges	36,162	34,361
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	5,796	4,896
Private works	1,365	1,480
Section 10.7 certificates (EPA Act)	538	566
Section 603 certificates	353	221
Total fees and charges – statutory/regulatory	8,052	7,163
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Cemeteries	1,897	1,796
Communication charges	1,911	1,240
Entertainment centre	401	1,018
Family day care	33	170
Health licence fees	145	109
Leaseback fees – Council vehicles	1,444	1,326
Library	98	64
Tourism	135	192
Animal charges	303	156
Food inspection fees	162	83
Swimming / leisure centres	4,606	3,625
Hire of council property	893	623
Tourist parks	29,042	20,013
Other	306	200
Total fees and charges – other	41,376	30,615
Total user charges and fees	85,590	72,139
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time (1)	–	–
User charges and fees recognised at a point in time (2)	85,590	72,139
Total user charges and fees	85,590	72,139

Accounting policy

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

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

Where an upfront fee is charged such as membership fees for the leisure centre the fee is recognised on a straight-line basis over the expected life of the membership. Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence.

B2-3 Other revenue

	2021 \$ '000	2020 \$ '000
Fines – parking	255	422
Discounts received	5	17
Fines – other	1,985	1,425
Legal fees recovery – rates and charges (extra charges)	–	152
Commissions and agency fees	38	22
Insurance claims recoveries	2,324	1,747

B2-3 Other revenue (continued)

	2021	2020
	\$ '000	\$ '000
Legal fees recovery – other	30	19
Miscellaneous sales	21	10
Recovery of Bad Debts Written Off	–	1
Recovery of other costs	1,052	308
Credit card service fees	72	71
Rental income – investment property	147	85
Fuel tax credit	317	317
Rental income – other council properties	823	1,136
Library – other councils	25	60
Other	345	383
Total other revenue	7,439	6,175

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)	7,439	6,175
Total other revenue	7,439	6,175

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
General purpose grants and non-developer contributions (untied)				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	4,284	4,474	–	–
Financial assistance – local roads component	1,745	1,705	–	–
Payment in advance - future year allocation				
Financial assistance – general component	4,583	4,738	–	–
Financial assistance – local roads component	1,873	1,811	–	–
Amount recognised as income during current year	12,485	12,728	–	–
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Previously specific grants:				
Bushfire and emergency services	621	301	157	601
Community care	1,095	1,210	44	112
Community centres	5	–	693	38
Economic development	92	50	165	226
Environmental programs	1,449	277	3	322
Heritage and cultural	371	32	3	–
Library	305	318	–	–
Library – special projects	36	9	–	–
LIRS subsidy	151	134	–	–
Noxious weeds	229	169	–	–
Recreation and culture	201	328	4,271	5,348
Sewerage services	–	–	202	–
Storm/flood damage	–	560	1,083	–
Street lighting	265	265	–	–
Transport (other roads and bridges funding)	294	2	8,316	8,262
Water supplies	–	–	147	–
Transport (roads to recovery)	–	–	2,142	2,133
Other specific grants	277	158	36	–
Previously contributions:				
Kerb and gutter	–	–	–	3
Transport for NSW contributions (regional roads, block grant)	2,345	2,562	–	–
Other contributions	943	267	332	238
Total special purpose grants and non-developer contributions – cash	8,679	6,642	17,594	17,283
Non-cash contributions				
Dedications – subdivisions (other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA)	–	–	–	6,227
Sewerage (excl. section 64 contributions)	–	–	1,603	1,216
Water supplies (excl. section 64 contributions)	–	–	1,128	1,773
Total other contributions – non-cash	–	–	2,731	9,216
Total special purpose grants and non-developer contributions (tied)	8,679	6,642	20,325	26,499
Total grants and non-developer contributions	21,164	19,370	20,325	26,499
Comprising:				
– Commonwealth funding	14,083	14,457	8,133	4,644
– State funding	4,058	1,971	9,141	12,383
– Other funding	3,023	2,942	3,051	9,472
	21,164	19,370	20,325	26,499

continued on next page ...

B2-4 Grants and contributions (continued)

Developer contributions

	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
Notes				
Developer contributions:				
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):				
Cash contributions				
S 7.11 – contributions towards amenities/services	–	–	7,956	4,307
S 64 – water supply contributions	–	–	1,742	1,828
S 64 – sewerage service contributions	–	–	1,872	2,049
Total developer contributions – cash	–	–	11,570	8,184
Total developer contributions	–	–	11,570	8,184
Total contributions	–	–	11,570	8,184
Total grants and contributions	21,164	19,370	31,895	34,683
Timing of revenue recognition for grants and contributions				
Grants and contributions recognised over time (1)	313	–	7,729	–
Grants and contributions recognised at a point in time (2)	20,851	19,370	24,166	34,683
Total grants and contributions	21,164	19,370	31,895	34,683

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
Unspent grants and contributions				
Unspent funds at 1 July	520	669	1,643	2,618
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	6,864	—	14,271	—
Add: Funds received and not recognised as revenue in the current year	230	520	5,718	1,149
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(5,811)	—	(13,053)	—
Less: Funds received in prior year but revenue recognised and funds spent in current year	(299)	(669)	(659)	(2,124)
Unspent funds at 30 June	1,504	520	7,920	1,643
Contributions				
Unspent funds at 1 July	—	—	31,517	28,883
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	—	—	5,181	2,634
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	—	—	(1,814)	—
Unspent contributions at 30 June	—	—	34,884	31,517

Accounting policy

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 obligation is satisfied.

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

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

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.

Capital grants

B2-4 Grants and contributions (continued)

Capital grants received to enable Council to acquire or construct an item of infrastructure, 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.

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

Contributions

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

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

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

B2-5 Interest and investment income

	2021 \$ '000	2020 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	–	543
– Cash and investments	2,399	4,231
Dividend income (other)	–	199
Fair value adjustments		
– Movements in investments at fair value through profit and loss	201	43
Amortisation of premiums and discounts		
– Interest free (and interest reduced) loans provided	3	4
Total interest and investment income (losses)	2,603	5,020

Interest and investment income is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	–	226
General Council cash and investments	1,148	1,993

Restricted investments/funds - external:

Development contributions		
– Section 7.11	189	227
– Section 64	259	401
Water fund operations	436	1,202
Sewerage fund operations	433	744
Domestic waste management operations	138	227

Total interest and investment income

2,603 **5,020**

Accounting policy

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

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

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2021 \$ '000	2020 \$ '000
Salaries and wages	75,072	68,496
Employee termination costs	239	39
Travel expenses	253	169
Employee leave entitlements (ELE)	14,840	13,544
Employee leave entitlement discounting adjustment	565	1,810
Superannuation	8,602	8,420
Workers' compensation insurance	596	601
Workers' compensation provision adjustment	1,167	196
Fringe benefit tax (FBT)	90	111
Payroll tax	976	1,045
Training costs (other than salaries and wages)	821	1,183
Other	898	327
Total employee costs	104,119	95,941
Less: capitalised costs	(9,363)	(8,918)
Total employee costs expensed	94,756	87,023

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

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

B3-2 Materials and services

	Notes	2021 \$ '000	2020 \$ '000
Raw materials and consumables		13,861	12,456
Contractor and consultancy costs		47,073	47,655
Audit Fees	F2-1	323	164
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	530	462
Advertising		1,197	1,013
Bank charges		762	710
Insurance		3,566	2,995
Postage		372	365
Printing and stationery		490	759
Street lighting		1,727	1,866
Subscriptions and publications		1,244	1,061
Telephone and communications		1,144	1,223
Valuation fees		409	429
Computer software, equipment and maintenance		3,322	2,565
Light, power and heating		5,918	5,474

B3-2 Materials and services (continued)

	2021	2020
	\$ '000	\$ '000
Motor vehicle registrations	504	434
Other expenses	3,290	506
COVID-19 financial assistance to ratepayers	219	13,974
Fuel	2,622	2,715
Legal expenses:		
Expenses from leases of low value assets	460	534
– Legal expenses: planning and development	454	596
– Legal expenses: debt recovery	2	167
– Legal expenses: other	1,004	379
Total materials and services	90,493	98,502
Total materials and services	90,493	98,502

Accounting policy

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

Software-as-a-Service (SaaS) arrangement

A SaaS arrangement is a service contract that provides Council with access to Technology One's application software for the life of the contract. Costs incurred to configure or customise, and the ongoing access fees, are recognised as operating expenses when the services are received.

B3-3 Borrowing costs

	Notes	2021 \$ '000	2020 \$ '000
(i) Interest bearing liability costs			
Interest on leases		–	8
Interest on loans		5,519	6,037
Interest on advances		16	20
Total interest bearing liability costs		5,535	6,065
Total interest bearing liability costs expensed		5,535	6,065
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Interest free (or favourable) loans and advances made by Council		39	48
– Remediation liabilities	C3-5	–	2
Total other borrowing costs		39	50
Total borrowing costs expensed		5,574	6,115

Accounting policy

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

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

	Notes	2021 \$ '000	2020 \$ '000
Depreciation and amortisation			
Plant and equipment		6,788	6,745
Office equipment		594	1,034
Furniture and fittings		292	530
Land improvements (depreciable)		48	59
Infrastructure:	C1-7		
– Buildings – non-specialised		39	92
– Buildings – specialised		7,993	7,530
– Other structures		1,276	1,469
– Roads		19,461	19,562
– Bridges		1,350	997
– Footpaths		1,646	1,340
– Stormwater drainage		2,742	2,488
– Water supply network		8,401	8,212
– Sewerage network		14,066	10,149
– Swimming pools		338	261
– Other open space/recreational assets		2,171	1,988
– Other infrastructure		2,402	2,993
Other assets:			
– Library books		254	380
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5, C1-7	380	62
Intangible assets	C1-9	266	109
Total gross depreciation and amortisation costs		70,507	66,000
Total depreciation and amortisation costs		70,507	66,000
Total depreciation, amortisation and impairment for non-financial assets		70,507	66,000

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-7 for IPPE assets and Note C1-9 for intangible assets.

Depreciation is capitalised where in-house assets have contributed to new assets.

B3-5 Other expenses

	Notes	2021 \$ '000	2020 \$ '000
Impairment of receivables			
Other		38	619
Total impairment of receivables	C1-4	38	619
Fair value decrement on investment properties			
Fair value decrement on investment properties		–	50
Total fair value decrement on investment properties	C1-8	–	50
Other			
Contributions/levies to other levels of government			
– NSW fire brigade levy		523	469
– NSW rural fire service levy		1,755	1,230
– State Emergency Services levy		202	160
– Waste levy		12,831	11,317

B3-5 Other expenses (continued)

	Notes	2021 \$ '000	2020 \$ '000
– Other contributions/levies		2,257	937
Donations, contributions and assistance to other organisations (Section 356)		801	958
Total other		18,369	15,071
Total other expenses		18,407	15,740

Accounting policy

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

Impairment expenses are recognised when identified.

B4 Gains or losses

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

	Notes	2021 \$ '000	2020 \$ '000
Gain (or loss) on disposal of property (excl. investment property)	C1-7		
Proceeds from disposal – property		598	2,875
Less: carrying amount of property assets sold/written off		(2,879)	(3,203)
Gain (or loss) on disposal		(2,281)	(328)
Gain (or loss) on disposal of plant and equipment	C1-7		
Proceeds from disposal – plant and equipment		2,658	2,063
Less: carrying amount of plant and equipment assets sold/written off		(1,726)	(2,707)
Gain (or loss) on disposal		932	(644)
Gain (or loss) on disposal of real estate assets held for sale	C1-5		
Proceeds from disposal – real estate assets		1,620	–
Less: carrying amount of real estate assets sold/written off		(219)	–
Gain (or loss) on disposal		1,401	–
Gain (or loss) on disposal of investments	C1-2		
Proceeds from disposal/redemptions/maturities – investments		98,817	147,652
Less: carrying amount of investments sold/redeemed/matured		(98,876)	(147,569)
Gain (or loss) on disposal		(59)	83
Gain (or loss) on disposal of non-current assets classified as ‘held for sale’	C1-6		
Proceeds from disposal – non-current assets ‘held for sale’		–	632
Less: carrying amount of ‘held for sale’ assets sold/written off		–	(15)
Gain (or loss) on disposal		–	617
Net gain (or loss) on disposal of assets		(7)	(272)

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 29/06/2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
REVENUES				
Rates and annual charges	154,270	153,519	(751)	0% U
User charges and fees	79,595	85,590	5,995	8% F
Other revenues	3,955	7,439	3,484	88% F
The favourable variance in other revenue is due to insurance claims received during the year, additional recovery of costs and fines received.				
Operating grants and contributions	19,306	21,164	1,858	10% F
The favourable variance is due to receiving disaster recovery funding during the year.				
Capital grants and contributions	35,082	31,895	(3,187)	(9)% U
Interest and investment revenue	3,732	2,603	(1,129)	(30)% U
The unfavourable variance in interest and investment revenue is due to lower than expected interest rates.				
Other income	—	148	148	∞ F
EXPENSES				
Employee benefits and on-costs	85,441	94,756	(9,315)	(11)% U
The unfavourable variance is mainly due to a misalignment of the budget between labour and materials, this was corrected during the year. Other considerations for the variance include: additional workers compensations expense, resulting from an increase to the provision for self insurance and additional COVID labour costs related to additional cleaning and COVID marshals at Council's facilities, amenities and administration buildings.				
Materials and services	86,258	90,493	(4,235)	(5)% U
Borrowing costs	5,303	5,574	(271)	(5)% U
Depreciation, amortisation and impairment of non-financial assets	68,209	70,507	(2,298)	(3)% U
Other expenses	14,445	18,407	(3,962)	(27)% U
This unfavourable variance is due to an increase in the Waste Levy \$2.9M and the levy paid to the department of lands for tourist park income \$991K. Both of these increases have been offset by additional revenue in these businesses.				
Net losses from disposal of assets	—	7	(7)	∞ U

B5-1 Material budget variations (continued)

	2021	2021	2021	
\$ '000	Budget	Actual	Variance	

STATEMENT OF CASH FLOWS

Cash flows from operating activities	103,912	89,834	(14,078)	(14)%	U
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The unfavourable variance is due to additional employee costs and other expenses as explained above.

Cash flows from investing activities	(136,363)	(98,834)	37,529	(28)%	F
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Cash outflow from investing activities is lower than budgeted due to timing of payments for capital projects.

Cash flows from financing activities	26,892	36,862	9,970	37%	F
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This is a favourable cash variance due to additional Low Cost Loan Initiative loans being approved by Council and received.

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2021 \$ '000	2020 \$ '000
Cash and cash equivalents		
Cash on hand and at bank	40,593	12,769
Cash-equivalent assets		
– Deposits at call	4,152	4,114
Total cash and cash equivalents	44,745	16,883

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	44,745	16,883
Balance as per the Statement of Cash Flows	44,745	16,883

Accounting policy

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

C1-2 Financial investments

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Financial assets at fair value through the profit and loss				
NCD's, FRN's (with maturities > 3 months)	64,964	–	49,451	–
Total	64,964	–	49,451	–
Debt securities at amortised cost				
Long term deposits	75,811	34,000	85,917	36,000
Total	75,811	34,000	85,917	36,000
Total financial investments	140,775	34,000	135,368	36,000
Total cash assets, cash equivalents and investments	185,520	34,000	152,251	36,000

Equity securities designated as at fair value through other comprehensive income

The investments shown below are designated as financial assets as at fair value through other comprehensive income because these financial assets represent investments that the Council intends to hold for the long-term for strategic purposes.

C1-2 Financial investments (continued)

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

Fair value through other comprehensive income – equity instruments

Council had a number of strategic investments in entities over which they do not have significant influence nor control. Council made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they were not held for trading purposes.

These investments were carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve).

On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss. In FY2019/20, Council sold these investments and the net gains excluding dividends were recognised in Other Comprehensive Income Statement.

Financial assets through profit or loss

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

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

C1-3 Restricted cash, cash equivalents and investments

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Total cash, cash equivalents and investments	185,520	34,000	152,251	36,000
attributable to:				
External restrictions	131,973	34,000	81,694	36,000
Internal restrictions	49,732	–	61,477	–
Unrestricted	3,815	–	9,080	–
	185,520	34,000	152,251	36,000

	2021 \$ '000	2020 \$ '000
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	7,153	166
Specific purpose unexpended loans – general	38,478	4,156
Specific purpose unexpended loans – sewer	–	1,815
Self insurance claims	2,880	1,713
External restrictions – included in liabilities	48,511	7,850

External restrictions – other

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

Developer contributions – general	15,764	12,875
Developer contributions – water fund	19,120	18,642
Specific purpose unexpended grants (recognised as revenue) – general fund	2,271	1,997
Water fund	39,855	36,907
Sewer fund	29,835	29,080
Stormwater management	196	382
Other special levies	2,391	2,218
Domestic waste management	8,030	7,743
External restrictions – other	117,462	109,844
Total external restrictions	165,973	117,694

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

	2021	2020
	\$ '000	\$ '000
Internal restrictions		
Council has internally restricted cash, cash equivalents and investments as follows:		
Plant and vehicle replacement	2,266	2,486
Employees leave entitlement	7,050	7,924
Deposits, retentions and bonds	2,873	3,018
Arts collection	70	62
Committed capital works	3,940	2,670
Communication towers	702	879
Critical asset compliance	1,060	1,454
Economic development projects	966	1,693
Financial assistance grant ¹	–	6,549
General insurance	–	469
Land decontamination	304	392
Land development reserve	4,039	5,582
North Nowra link road	–	28
Plant replacement cemeteries	165	138
S7.11 matching funds	311	311
Sporting facilities	163	162
Strategic projects	1,214	1,109
Strategic property acquisition	4	1,302
Coastal Management	1,023	690
S7.11 recoupment funds ²	22,322	23,369
Jetty Licensing	19	19
Shoalhaven Foreshore Development	1,171	1,171
Dog off leash	70	–
Total internal restrictions	49,732	61,477
Total restrictions	215,705	179,171

Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

- (1) This year the Financial Assistance grant received in advance (\$6.5M) was used to partially fund the grant projects for which Council has delivered works in advance of receiving grants (\$8.8M) with the remainder funded from Unrestricted Cash.
- (2) S7.11 recoupment funds are the balances from S7.11 projects that are no longer in the S7.11 contributions plan or contributions received on projects that have already been completed and the works were funded from the General Fund. The S7.11 recoupment funds are used as Council's matching funds on S7.11 construction projects.

C1-4 Receivables

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Purpose				
Rates and annual charges	8,525	4,140	8,129	3,559
Interest and extra charges	470	1,199	268	1,749
User charges and fees	7,307	619	6,443	678
Accrued revenues				
– Interest on investments	647	–	975	–
– Other income accruals	615	–	362	–
Deferred debtors	18	84	18	58
Government grants and subsidies	3,477	–	3,952	–
Net GST receivable	1,894	–	1,267	–
Other debtors	699	–	722	–
Total	23,652	6,042	22,136	6,044
Less: provision of impairment				
Rates and annual charges	(3)	–	(38)	–
User charges and fees	(670)	–	(670)	–
Total provision for impairment – receivables	(673)	–	(708)	–
Total net receivables	22,979	6,042	21,428	6,044
Externally restricted receivables				
Water supply				
– Rates and availability charges	312	61	535	40
– Other	2,570	412	2,568	665
Sewerage services				
– Rates and availability charges	4,786	974	3,905	752
– Other	1,619	97	1,434	457
Domestic waste management	810	731	788	711
Total external restrictions	10,097	2,275	9,230	2,625
Unrestricted receivables	12,882	3,767	12,198	3,419
Total net receivables	22,979	6,042	21,428	6,044

	2021 \$ '000	2020 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	708	403
+ new provisions recognised during the year	92	321
– amounts already provided for and written off this year	(13)	(15)
– amounts provided for but recovered during the year	(114)	(1)
Balance at the end of the year	673	708

C1-4 Receivables (continued)

Accounting policy

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

Impairment

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

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

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

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

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 2 years past due, whichever occurs first.

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

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
(i) Inventories at cost				
Real estate for resale	654	5,810	1,668	4,916
Stores and materials	1,908	–	1,852	–
Other	–	–	2	–
Total inventories at cost	2,562	5,810	3,522	4,916
Total inventories	2,562	5,810	3,522	4,916

Externally restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Water				
Stores and materials	1,207	–	1,237	–
Total water	1,207	–	1,237	–
Total externally restricted assets	1,207	–	1,237	–
Total unrestricted assets	1,355	5,810	2,285	4,916
Total inventories	2,562	5,810	3,522	4,916

C1-5 Inventories (continued)

(i) Other disclosures

	Notes	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
(a) Details for real estate development					
Industrial/commercial		654	5,810	1,668	4,916
Total real estate for resale		654	5,810	1,668	4,916
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		36	232	100	180
Development costs		618	5,578	1,568	4,736
Total costs		654	5,810	1,668	4,916
Total real estate for resale		654	5,810	1,668	4,916
Movements:					
Real estate assets at beginning of the year		1,668	4,916	1,548	6,687
– Purchases and other costs		50	49	135	236
– WDV of sales (expense)	B4-1	(219)	–	(15)	15
Transfer out to IPP&E		–	–	–	(2,022)
Transfer in from IPP&E		–	–	–	–
Re-classification between Current and Non-current		(845)	845	–	–
Total real estate for resale		654	5,810	1,668	4,916

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Land held for resale

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

C1-6 Non-current assets classified as held for sale

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Non-current assets held for sale				
Land	2,025	–	–	–
Buildings	1,356	–	–	–
Total non-current assets held for sale	3,381	–	–	–
Total non-current assets classified as held for sale	3,381	–	–	–

C1-6 Non-current assets classified as held for sale (continued)

Reconciliation of non-current assets 'held for sale'

	2021 Assets 'held for sale' \$ '000	2020 Assets 'held for sale' \$ '000
Opening balance	—	586
Balance still unsold after 12 months:	—	586
Less: assets no longer classified as held for sale	—	(586)
Plus new transfers in:		
– Assets held for sale	3,381	—
Closing balance of 'held for sale' non-current assets	3,381	—

Accounting policy

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

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

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period								At 30 June 2021		
	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP Capitalised \$ '000	Adjustments and transfers \$ '000	Revaluation decrements/ impairment to equity (ARR) \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000
Capital work in progress	185,119	–	185,119	–	98,761	–	–	(204,782)	–	–	–	79,098	–	79,098
Plant and equipment	68,728	(25,069)	43,659	–	10,917	(1,726)	(6,788)	–	–	–	–	75,344	(29,333)	46,011
Office equipment	14,460	(11,365)	3,095	–	–	–	(594)	–	(51)	–	–	14,261	(11,811)	2,450
Furniture and fittings	4,842	(2,143)	2,699	–	106	–	(292)	–	–	–	–	4,948	(2,435)	2,513
Land:														
– Crown land	–	–	–	–	–	–	–	–	25,820	–	–	25,820	–	25,820
– Operational land	173,469	–	173,469	–	990	(2,443)	–	–	(12,074)	–	24,648	184,590	–	184,590
– Community land	129,226	–	129,226	–	1,636	–	–	–	(15,771)	–	–	115,091	–	115,091
– Land under roads (post 30/6/08)	1,708	–	1,708	–	36	–	–	–	–	–	–	1,744	–	1,744
Land improvements – non-depreciable	127,740	–	127,740	–	–	–	–	–	–	–	–	127,740	–	127,740
Land improvements – depreciable	1,829	(1,401)	428	–	–	–	(48)	–	–	–	–	1,829	(1,449)	380
Infrastructure:														
– Buildings – non-specialised	2,035	(92)	1,943	–	347	(443)	(39)	–	–	–	–	1,909	(101)	1,808
– Buildings – specialised	408,100	(122,470)	285,630	10,265	3,235	–	(7,993)	–	(2,569)	(1,313)	–	415,479	(128,224)	287,255
– Other structures	39,216	(22,435)	16,781	–	591	–	(1,276)	–	–	–	–	39,993	(23,897)	16,096
– Roads	1,098,631	(400,282)	698,349	10,959	239	–	(19,461)	–	–	–	236,213	1,384,719	(458,420)	926,299
– Bridges	103,014	(42,086)	60,928	–	2,344	–	(1,350)	–	–	(100)	1,269	114,688	(51,597)	63,091
– Footpaths	72,883	(24,204)	48,679	1,064	–	–	(1,646)	–	–	(90)	–	73,859	(25,852)	48,007
– Bulk earthworks (non-depreciable)	109,696	–	109,696	–	418	–	–	–	–	–	181,859	291,973	–	291,973
– Stormwater drainage	193,426	(87,228)	106,198	1,470	–	–	(2,742)	–	–	–	49,187	261,047	(106,934)	154,113
– Water supply network	661,031	(319,979)	341,052	11,041	–	–	(8,401)	–	–	–	3,134	678,238	(331,412)	346,826
– Sewerage network	721,518	(284,048)	437,470	8,952	140,000	–	(14,066)	–	(14)	(971)	4,123	875,640	(300,146)	575,494
– Swimming pools	22,588	(13,243)	9,345	–	717	–	(338)	–	–	–	–	23,372	(13,648)	9,724
– Other open space/recreational assets	45,883	(23,855)	22,028	914	376	–	(2,171)	–	–	–	–	47,305	(26,158)	21,147
– Other infrastructure	108,915	(51,438)	57,477	2,193	301	–	(2,402)	–	–	(2)	50	117,664	(60,047)	57,617
Other assets:														
– Library books	9,201	(8,194)	1,007	–	382	–	(254)	–	–	–	–	9,583	(8,448)	1,135
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Tip assets	2,824	(1,324)	1,500	–	–	–	(380)	–	(281)	–	–	2,542	(1,703)	839
Total infrastructure, property, plant and equipment	4,306,082	(1,440,856)	2,865,226	46,858	261,396	(4,612)	(70,241)	(204,782)	(4,940)	(2,476)	500,483	4,968,476	(1,581,615)	3,386,861

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

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

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period									At 30 June 2020		
	Gross carrying amount \$ '000	Accumulated depreciation and impairment ² \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Tfrs from/(to) 'held for sale' category \$ '000	Revaluation decrements to equity (ARR) \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation and impairment ² \$ '000	Net carrying amount \$ '000
Capital work in progress	169,119	–	169,119	44,775	30,655	–	–	(60,679)	1,249	–	–	–	185,119	–	185,119
Plant and equipment	79,180	(37,091)	42,089	–	9,203	(2,443)	(6,745)	1,560	(56)	–	–	–	68,728	(25,069)	43,659
Office equipment	22,353	(18,522)	3,831	–	625	(410)	(1,034)	83	–	–	–	–	14,460	(11,365)	3,095
Furniture and fittings	4,926	(2,526)	2,400	–	288	(12)	(530)	551	2	–	–	–	4,842	(2,143)	2,699
Land:															
– Operational land	167,758	–	167,758	20	6,687	(1,579)	–	34	(37)	586	–	–	173,469	–	173,469
– Community land	125,548	–	125,548	–	3,773	(132)	–	–	37	–	–	–	129,226	–	129,226
– Land under roads (post 30/6/08)	1,609	–	1,609	–	98	–	–	1	–	–	–	–	1,708	–	1,708
Land improvements – non-depreciable	127,740	–	127,740	–	–	–	–	–	–	–	–	–	127,740	–	127,740
Land improvements – depreciable	1,829	(1,342)	487	–	–	–	(59)	–	–	–	–	–	1,829	(1,401)	428
Infrastructure:															
– Buildings – non-specialised	2,035	–	2,035	–	–	–	(92)	–	–	–	–	–	2,035	(92)	1,943
– Buildings – specialised	388,954	(115,109)	273,845	290	2,313	(287)	(7,530)	16,990	63	–	(54)	–	408,100	(122,470)	285,630
– Other structures	38,872	(21,022)	17,850	–	94	(25)	(1,469)	331	–	–	–	–	39,216	(22,435)	16,781
– Roads	1,077,395	(380,713)	696,682	–	595	–	(19,562)	20,641	–	–	(7)	–	1,098,631	(400,282)	698,349
– Bridges	101,005	(36,750)	64,255	–	–	–	(997)	2,008	–	–	(4,338)	–	103,014	(42,086)	60,928
– Footpaths	72,175	(22,860)	49,315	–	–	–	(1,340)	709	–	–	(5)	–	72,883	(24,204)	48,679
– Bulk earthworks (non-depreciable)	109,674	–	109,674	–	–	–	–	22	–	–	–	–	109,696	–	109,696
– Stormwater drainage	191,127	(84,740)	106,387	–	–	–	(2,488)	2,299	–	–	–	–	193,426	(87,228)	106,198
– Water supply network	652,961	(309,335)	343,626	–	1,082	(295)	(8,212)	1,861	19	–	–	2,971	661,031	(319,979)	341,052
– Sewerage network	712,351	(272,282)	440,069	–	1,216	(738)	(10,149)	3,461	(21)	–	(494)	4,126	721,518	(284,048)	437,470
– Swimming pools	22,618	(12,982)	9,636	–	–	–	(261)	–	(30)	–	–	–	22,588	(13,243)	9,345
– Other open space/recreational assets	41,831	(21,867)	19,964	9	1,241	–	(1,988)	2,805	(3)	–	–	–	45,883	(23,855)	22,028
– Other infrastructure	100,713	(48,445)	52,268	–	1,241	–	(2,993)	6,938	23	–	–	–	108,915	(51,438)	57,477
Other assets:															
– Library books	8,816	(7,814)	1,002	–	–	–	(380)	385	–	–	–	–	9,201	(8,194)	1,007
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):															
– Tip assets	3,589	(1,262)	2,327	–	–	–	(62)	–	(765)	–	–	–	2,824	(1,324)	1,500
Total infrastructure, property, plant and equipment	4,224,178	(1,394,662)	2,829,516	45,094	59,111	(5,921)	(65,891)	–	481	586	(4,898)	7,097	4,306,082	(1,440,856)	2,865,226

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

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

Accounting policy

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

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	indefinite
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Road pavements	60		
Kerb, gutter and footpaths	40		

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

Land under roads

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

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

Crown reserves

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

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

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

Rural Fire Service assets

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

Council's position remains that it controls and recognises the land and buildings but it doesn't control the plant and equipment.

Externally restricted infrastructure, property, plant and equipment

	as at 30/06/21			as at 30/06/20		
	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000
Water supply						
WIP	12,667	–	12,667	10,084	–	10,084
Plant and equipment	8,422	2,874	5,548	7,036	2,516	4,520
Office equipment	2,572	1,800	772	2,567	1,689	878
Furniture and fittings	798	402	396	906	450	456
Land						
– Operational land	10,066	–	10,066	8,331	–	8,331
– Community land	128	–	128	128	–	128
Buildings	16,810	5,608	11,202	16,763	5,356	11,407
Other structures	1,550	1,252	298	1,668	987	681
Infrastructure	678,238	327,362	350,876	661,031	319,977	341,054
Total water supply	731,251	339,298	391,953	708,514	330,975	377,539
Sewerage services						
WIP	153,563	–	153,563	150,152	–	150,152
Plant and equipment	8,497	4,097	4,400	8,377	4,129	4,248
Office equipment	1,001	761	240	1,001	728	273
Furniture and fittings	79	–	79	80	–	80
Land						
– Operational land	18,875	–	18,875	16,775	–	16,775
– Community land	1,022	–	1,022	1,022	–	1,022
Buildings	23,007	4,914	18,093	17,531	4,615	12,916
Other structures	105	90	15	105	90	15
Infrastructure	875,587	299,599	575,988	721,466	266,177	455,289
Total sewerage services	1,081,736	309,461	772,275	916,509	275,739	640,770
Total restricted infrastructure, property, plant and equipment	1,812,987	648,759	1,164,228	1,625,023	606,714	1,018,309

Infrastructure, property, plant and equipment – current year impairments

	2021 \$ '000	2020 \$ '000
(iii) Impairment losses recognised direct to equity (ARR):		
– Details of each impaired asset incl. circumstances of impairment	1,940	4,898
Total impairment losses	1,940	4,898
Impairment of assets – direct to equity (ARR)	1,940	4,898

C1-8 Investment properties

	2021 \$ '000	2020 \$ '000
Owned investment property		
Investment property on hand at fair value	3,000	1,650
Total owned investment property	3,000	1,650

Owned investment property

At fair value

Opening balance at 1 July	1,650	1,700
Net gain/(loss) from fair value adjustments	148	(50)
Other movements	1,202	—
Closing balance at 30 June	3,000	1,650

Accounting policy

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as a separate line item.

Properties that are under construction for future use as investment properties are regarded as investment property. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

C1-9 Intangible assets

Intangible assets are as follows:

	2021 \$ '000	2020 \$ '000
Software ¹		
Opening values at 1 July		
Gross book value	785	627
Accumulated amortisation	(224)	(115)
Net book value – opening balance	561	512
Movements for the year		
Purchases	–	158
Development costs	263	–
Amortisation charges	(266)	(109)
Closing values at 30 June		
Gross book value	1,048	785
Accumulated amortisation	(490)	(224)
Total software – net book value	558	561

(1) The Opening Accumulated Amortisation has been adjusted to include Riteq software, previously included in Office Equipment.

Total intangible assets – net book value	558	561
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Accounting policy

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

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

C2 Leasing activities

C2-1 Council as a lessee

Council has leased building assets. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Depot building: 3 year lease

Mobile building: 2 year lease

Buildings

Council leases buildings during the year; the leases are generally between 2 - 3 years and some of them include renewal options to allow Council to renew for up to twice the non-cancellable lease term at their discretion.

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

(a) Right of use assets

	Buildings \$ '000	Total \$ '000
2021		
Opening balance at 1 July	222	222
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	(146)	(146)
Balance at 30 June	76	76
2020		
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	222	222
Balance at 30 June	222	222

C2-1 Council as a lessee (continued)

(b) Lease liabilities

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Lease liabilities	83	–	146	84
Total lease liabilities	83	–	146	84

(c) (i) The maturity analysis

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

	< 1 year \$ '000	1 – 5 years \$ '000	> 5 years \$ '000	Total \$ '000	Total per Statement of Financial Position \$ '000
2021					
Cash flows	83	–	–	83	83
2020					
Cash flows	146	84	–	230	230

(d) Income Statement

	2021 \$ '000	2020 \$ '000
Interest on lease liabilities	–	8
Expenses relating to low-value leases	460	534
	460	542

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

Accounting policy

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

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

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

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

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

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

C2-1 Council as a lessee (continued)

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.

C3 Liabilities of Council

C3-1 Payables

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Payables				
Goods and services	11,500	—	5,312	—
Accrued expenses:				
– Borrowings	1,398	—	1,441	—
– Salaries and wages	797	—	2,624	—
– Other expenditure accruals	10,451	—	5,795	—
Security bonds, deposits and retentions	2,792	—	3,055	—
Prepaid rates	3,930	—	3,321	—
Total payables	30,868	—	21,548	—
Total payables	30,868	—	21,548	—

Payables relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Externally restricted assets				
Water	2,212	—	3,908	—
Sewer	2,715	—	5,833	—
Domestic waste management	4,465	—	2,643	—
Payables relating to externally restricted assets	9,392	—	12,384	—
Total payables relating to restricted assets	9,392	—	12,384	—
Total payables relating to unrestricted assets	21,476	—	9,164	—
Total payables	30,868	—	21,548	—

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

		2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
	Notes				
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	6,702	—	1,643	—
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	452	—	520	—

C3-2 Contract Liabilities (continued)

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Total grants received in advance	7,154	—	2,163	—
User fees and charges received in advance:				
Deposits received in advance of services provided	4,484	—	5,759	—
Total user fees and charges received in advance	4,484	—	5,759	—
Total contract liabilities	11,638	—	7,922	—

Notes

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

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

(iii) Upfront membership fees for the leisure centre meets the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue over the expected average membership life.

Contract liabilities relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Externally restricted assets				
Unspent grants held as contract liabilities (excl. Water & Sewer)	7,153	—	166	—
Contract liabilities relating to externally restricted assets	7,153	—	166	—
Total contract liabilities relating to restricted assets	7,153	—	166	—
Total contract liabilities relating to unrestricted assets	4,485	—	7,756	—
Total contract liabilities	11,638	—	7,922	—

Significant changes in contract liabilities

Contract liabilities increased in line with the significant grants that Council received this financial year.

Accounting policy

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

C3-3 Borrowings

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
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C3-3 Borrowings (continued)

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Loans – secured ¹	17,283	157,310	12,218	125,473
Ratepayers' advances	177	178	59	335
Total borrowings	17,460	157,488	12,277	125,808

(1) Loans are secured over the general rating income of Council. Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note E1-1.

Borrowings relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Externally restricted assets				
Sewer	6,510	84,455	7,175	90,965
Borrowings relating to externally restricted assets	6,510	84,455	7,175	90,965
Total borrowings relating to restricted assets	6,510	84,455	7,175	90,965
Total borrowings relating to unrestricted assets	10,950	73,033	5,102	34,843
Total borrowings	17,460	157,488	12,277	125,808

C3-3 Borrowings (continued)

(a) Changes in liabilities arising from financing activities

	2020		Non-cash movements				2021
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	137,691	36,863	–	39	–	–	174,593
Ratepayers' advances	394	(55)	–	–	–	16	355
Lease liability (Note C2-1b)	230	(147)	–	–	–	–	83
Total liabilities from financing activities	138,315	36,661	–	39	–	16	175,031

	2019		Non-cash movements				2020
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	151,392	(13,749)	–	48	–	–	137,691
Ratepayers' advances	457	(63)	–	–	–	–	394
Lease liability (Note C2-1b)	–	230	–	–	–	–	230
Total liabilities from financing activities	151,849	(13,582)	–	48	–	–	138,315

(b) Financing arrangements

	2021 \$ '000	2020 \$ '000
Total facilities		
Credit cards/purchase cards	550	550
Total financing arrangements	550	550
Drawn facilities		
– Credit cards/purchase cards	140	90
Total drawn financing arrangements	140	90
Undrawn facilities		
– Credit cards/purchase cards	410	460
Total undrawn financing arrangements	410	460

Additional financing arrangements information

Breaches and defaults

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

Security over loans

Loans are secured by a charge on the income of Council pursuant to Section 623 of the Local Government Act and clause 229 of the Local Government Regulations.

Accounting policy

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

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

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or

C3-3 Borrowings (continued)

transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or borrowing costs.

C3-4 Employee benefit provisions

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Annual leave	9,094	–	8,277	–
Sick leave	10,344	–	10,867	–
Long service leave	14,654	1,162	13,503	1,082
Total employee benefit provisions	34,092	1,162	32,647	1,082

Employee benefit provisions relating to restricted assets

Total employee benefit provisions relating to restricted assets	–	–	–	–
Total employee benefit provisions relating to unrestricted assets	34,092	1,162	32,647	1,082
Total employee benefit provisions	34,092	1,162	32,647	1,082

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

	2021 \$ '000	2020 \$ '000
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	22,439	17,653
	22,439	17,653

C3-4 Employee benefit provisions (continued)

Description of and movements in provisions

	ELE provisions			Total \$ '000
	Annual leave \$ '000	Sick leave \$ '000	Long service leave \$ '000	
2021				
At beginning of year	8,277	10,867	14,585	33,729
Additional provisions	8,636	3,942	2,585	15,163
Amounts used (payments)	(8,076)	(4,130)	(1,996)	(14,202)
Remeasurement effects	257	(335)	642	564
Total ELE provisions at end of year	9,094	10,344	15,816	35,254
2020				
At beginning of year	6,237	12,729	14,716	33,682
Additional provisions	9,265	2,674	1,691	13,630
Amounts used (payments)	(7,372)	(4,456)	(2,064)	(13,892)
Remeasurement effects	147	(80)	242	309
Total ELE provisions at end of year	8,277	10,867	14,585	33,729

Accounting policy

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

C3-5 Provisions

Notes	2021 Current \$ '000	2021 Non-Current \$ '000	2020 Current \$ '000	2020 Non-Current \$ '000
Other provisions				
Self insurance – workers compensation	596	2,284	379	1,334
COVID-19 financial assistance to ratepayers	1	–	13,974	–

C3-5 Provisions (continued)

	2021 Current \$ '000	2021 Non-Current \$ '000	2020 Current \$ '000	2020 Non-Current \$ '000
Sub-total – other provisions	596	2,284	14,353	1,334
Asset remediation/restoration:				
Asset remediation/restoration (future works)	677	2,715	–	3,992
Sub-total – asset remediation/restoration	677	2,715	–	3,992
Total provisions	1,273	4,999	14,353	5,326

Provisions relating to restricted assets

Externally restricted assets

Self insurance	596	2,284	379	1,334
Provisions relating to externally restricted assets	596	2,284	379	1,334
Total provisions relating to restricted assets	596	2,284	379	1,334
Total provisions relating to unrestricted assets	677	2,715	13,974	3,992
Total provisions	1,273	4,999	14,353	5,326

Description of and movements in provisions

	Other provisions		
	Self insurance \$ '000	Asset remediation \$ '000	Net carrying amount \$ '000
2021			
At beginning of year	1,713	3,992	5,705
Changes to provision:			
– Revised costs	1,167	–	1,167
Amounts used (payments)	–	(600)	(600)
Total other provisions at end of year	2,880	3,392	6,272
2020			
At beginning of year	1,517	4,756	6,273
– Revised costs	196	(766)	(570)
Unwinding of discount	–	2	2
Total other provisions at end of year	1,713	3,992	5,705

Nature and purpose of provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council's waste management land fill sites.

Self-insurance

To recognise liabilities for outstanding claims (uninsured losses) arising from Council's decision to undertake self-insurance for certain risks faced.

C3-5 Provisions (continued)

Accounting policy

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

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

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

Asset remediation – tips and quarries

Restoration

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date, and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process, and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

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

Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Self-insurance

Council has decided to self-insure for workers compensation.

A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note C1-3.

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Fair value through other comprehensive income reserve (FVOCI)

Changes in the fair value of financial assets are taken through the fair value through other comprehensive income revaluation reserve. The accumulated changes in fair value are transferred to profit or loss when the financial asset is derecognised or impaired.

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

	General 2021 \$ '000	Water 2021 \$ '000	Sewer 2021 \$ '000
Income from continuing operations			
Rates and annual charges	102,646	5,548	46,529
User charges and fees	101,241	23,028	6,241
Interest and investment revenue	1,473	953	433
Other revenues	23,802	363	104
Grants and contributions provided for operating purposes	21,164	–	–
Grants and contributions provided for capital purposes	25,201	3,017	3,677
Net gains from disposal of assets	–	245	128
Other income	148	–	–
Total income from continuing operations	275,675	33,154	57,112
Expenses from continuing operations			
Employee benefits and on-costs	79,590	7,287	9,363
Materials and services	122,816	13,602	16,058
Borrowing costs	1,474	–	4,358
Depreciation, amortisation and impairment of non-financial assets	45,051	10,177	15,279
Other expenses	16,142	111	1
Net losses from the disposal of assets	385	–	–
Total expenses from continuing operations	265,458	31,177	45,059
Operating result from continuing operations	10,217	1,977	12,053
Net operating result for the year	10,217	1,977	12,053
Net operating result attributable to each council fund	10,217	1,977	12,053
Net operating result for the year before grants and contributions provided for capital purposes	(14,984)	(1,040)	8,376

D1-2 Statement of Financial Position by fund

	General 2021 \$ '000	Water 2021 \$ '000	Sewer 2021 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	26,642	12,021	6,082
Investments	83,823	37,820	19,132
Receivables	13,692	3,934	6,405
Inventories	1,355	1,207	–
Other	930	–	–
Non-current assets classified as held for sale	3,381	–	–
Total current assets	129,823	54,982	31,619
Non-current assets			
Investments	20,245	9,134	4,621
Receivables	4,499	2,782	1,071
Inventories	5,810	–	–
Infrastructure, property, plant and equipment	2,378,078	380,554	628,229
Investment property	3,000	–	–
Intangible assets	475	30	53
Right of use assets	76	–	–
Total non-current assets	2,412,183	392,500	633,974
TOTAL ASSETS	2,542,006	447,482	665,593
LIABILITIES			
Current liabilities			
Payables	25,941	2,212	2,715
Contract liabilities	11,638	–	–
Lease liabilities	83	–	–
Borrowings	10,950	–	7,562
Employee benefit provision	34,092	–	–
Provisions	1,273	–	–
Total current liabilities	83,977	2,212	10,277
Non-current liabilities			
Borrowings	73,034	–	86,764
Employee benefit provision	1,162	–	–
Provisions	4,999	–	–
Total non-current liabilities	79,195	–	86,764
TOTAL LIABILITIES	163,172	2,212	97,041
Net assets	2,378,834	445,270	568,552
EQUITY			
Accumulated surplus	935,754	229,140	426,866
Revaluation reserves	1,443,080	216,130	141,686
Council equity interest	2,378,834	445,270	568,552
Total equity	2,378,834	445,270	568,552

D1-3 Details of internal loans

(in accordance with s410(3) of the *Local Government Act 1993*)

Details of individual internal loans	Min9/542
Borrower (by purpose)	Sewer Fund
Lender (by purpose)	Water Fund
Date of Minister's approval	11/06/2009
Date raised	30/06/2009
Term years	15
Dates of maturity	30/06/2024
Rate of interest (%)	6.28%
Amount originally raised (\$'000)	12,000

D2 Interests in other entities

D2-1 Subsidiaries

Council's consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 10 and the accounting policy described below.

Name of Operation/Entity	Principal activity
Southern Water Services Pty Ltd	Provision of water, sewerage and related services

Interests in Subsidiary	Ownership 2021	Ownership 2020	Voting rights 2021	Voting rights 2020
Council's interest in Subsidiary	100%	100%	100%	100%

The nature and extent of significant restrictions relating to the Subsidiary

Southern Water Services is limited by shares under the Corporations Act (2001)

As sole shareholder Council controls full voting rights over Southern Water Services.

Dividends paid by Southern Water Services to Council are restricted by S254T of Corporations Act (2001)

The nature of risks associated with Council's interests in the Subsidiary

Council's liability is limited to the value of its fully paid shares.

Summarised financial information for the Subsidiary

	2021 \$ '000	2020 \$ '000
--	-----------------	-----------------

Summarised statement of comprehensive income

Revenue	2	6
Expenses	–	(1)
Profit for the period	2	5
Total comprehensive income	2	5

Summarised statement of financial position

Current assets	467	465
Total assets	467	465
Net assets	467	465

Summarised statement of cash flows

Cash flows from operating activities	2	5
Net increase (decrease) in cash and cash equivalents	2	5

Name of Operation/Entity	Principal activity
Shoalhaven City Council Management Committees	Use and management of community land and assets

D2-1 Subsidiaries (continued)

Interests in Subsidiary				Ownership 2021	Ownership 2020	Voting rights 2021	Voting rights 2020
2021	2020	2021	2020	Ownership	Ownership	Voting rights	Voting rights
Council's interest in Subsidiary				100%	100%	100%	100%

The nature and extent of significant restrictions relating to the Subsidiary

Established under S355 of the Local Government Act (1993). Management Committees have delegated authority to use and manage community land under S377 of the Local Government Act (1993).

Council retains full access to management committee cash, investments and other assets.

The nature of risks associated with Council's interests in the Subsidiary

Council is exposed to the risks and rewards of management committee activities.

Council provides low interest loans to management committees in order to fund capital projects.

Council provides subsidies in order to maintain committee operations.

Summarised financial information for the Subsidiary

	2021 \$ '000	2020 \$ '000
--	-----------------	-----------------

Summarised statement of comprehensive income

Revenue	516	371
Expenses	(458)	(581)
Profit for the period	58	(210)
Total comprehensive income	58	(210)

Summarised statement of financial position

Current assets	339	264
Non-current assets	1	1
Total assets	340	265
Current liabilities	1	10
Total liabilities	1	10
Net assets	339	255

Summarised statement of cash flows

Cash flows from operating activities	(58)	(172)
Cash flows from investing activities	–	3
Cash flows from financing activities	–	(13)
Net increase (decrease) in cash and cash equivalents	(58)	(182)

Accounting policy for subsidiaries

Subsidiaries are all entities (including structured entities) over which the Council has control. Control is established when the Council is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost. Intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements. Appropriate adjustments have been made to a controlled entity's financial position, performance and

D2-1 Subsidiaries (continued)

cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

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

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

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

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

	Carrying value 2021 \$ '000	Carrying value 2020 \$ '000	Fair value 2021 \$ '000	Fair value 2020 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	44,745	16,883	44,745	16,883
Receivables	29,021	27,472	29,021	27,472
Investments				
– Debt securities at amortised cost	109,811	121,917	109,811	121,917
Fair value through profit and loss				
Cash and cash equivalents	–	–	–	–
Investments				
– Held for trading	64,964	49,451	64,964	49,451
Total financial assets	248,541	215,723	248,541	215,723
Financial liabilities				
Payables	30,868	18,227	30,868	18,227
Loans/advances	174,948	138,085	174,948	138,085
Total financial liabilities	205,816	156,312	205,816	156,312

Fair value is determined as follows:

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

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

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

The risks associated with the instruments held are:

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

- **Price risk** – the risk that the capital value of investments may fluctuate due to changes in market prices, whether they are changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

(a) Market risk – interest rate and price risk

	2021 \$ '000	2020 \$ '000
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	2,485	2,173
Impact of a 10% movement in price of investments		
– Equity / Income Statement	6,496	4,945

(b) Credit risk

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

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

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

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

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

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

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

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

Credit risk profile

Receivables – rates and annual charges

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

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

	Not yet overdue \$ '000	< 1 year overdue \$ '000	1 - 2 years overdue \$ '000	2 - 5 years overdue \$ '000	> 5 years overdue \$ '000	Total \$ '000
2021						
Gross carrying amount	3,483	4,206	2,149	2,075	752	12,665
2020						
Gross carrying amount	2,615	4,547	1,607	1,464	1,455	11,688

Receivables - non-rates and annual charges and contract assets

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

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

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
2021						
Gross carrying amount	11,995	587	645	401	3,401	17,029
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	10.02%	2.00%
ECL provision	—	—	—	—	341	341
2020						
Gross carrying amount	12,411	654	183	220	3,024	16,492
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	14.34%	2.63%
ECL provision	—	—	—	—	434	434

(c) Liquidity risk

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

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

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

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

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

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

	Weighted average interest rate %	Subject to no maturity \$ '000	≤ 1 Year \$ '000	payable in: 1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
2021							
Trade/other payables	0.00%	2,792	28,070	—	—	30,862	26,938
Loans and advances	4.02%	—	17,427	59,855	97,666	174,948	174,948
Lease liabilities	0.00%	—	83	—	—	83	83

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

	Weighted average interest rate %	Subject to no maturity \$ '000	≤ 1 Year \$ '000	payable in: 1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
Total financial liabilities		2,792	45,580	59,855	97,666	205,893	201,969
2020							
Trade/other payables	0.00%	3,055	15,172	—	—	18,227	18,227
Loans and advances	4.07%	—	12,277	43,990	81,818	138,085	138,085
Lease liabilities	0.00%	—	146	84	—	230	230
Total financial liabilities		3,055	27,595	44,074	81,818	156,542	156,542

Loan agreement breaches

There have been no breaches in loan agreements during the 2020/21 financial year.

E2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets
- Non-current assets classified as 'held for sale'

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

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

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

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

Cost Approach: A valuation technique that reflects the amount that would be required to replace the service capacity of an asset (current replacement cost)

Income Approach: Valuation technique that converts future amounts (cash inflows/outflows) to signal the current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

Market Approach: A valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as business.

		Fair value measurement hierarchy					
\$ '000	Notes	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020
Recurring fair value measurements							
Financial assets							
Financial investments	C1-2						
– 'Fair value through profit and loss' / 'Held for trading'		–	–	64,964	49,451	64,964	49,451
– 'Financial assets at fair value through other comprehensive income' / 'Available for sale'		–	–	–	–	–	–
Total financial assets		–	–	64,964	49,451	64,964	49,451
Investment property							
Shops, 37-43 Kinghorne Street, Nowra	C1-8	1,550	1,650	–	–	1,550	1,650
Shops, 3 Schofields Lane, Nowra		1,450	–	–	–	1,450	–
Total investment property		3,000	1,650	–	–	3,000	1,650

E2-1 Fair value measurement (continued)

		Fair value measurement hierarchy					
\$ '000	Notes	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020
Infrastructure, property, plant and equipment	C1-7						
Plant and equipment		—	—	46,011	43,659	46,011	43,659
Office equipment		—	—	2,450	3,095	2,450	3,095
Furniture and fittings		—	—	2,513	2,699	2,513	2,699
Crown land		—	—	25,820	—	25,820	—
Operational land		—	—	184,590	173,469	184,590	173,469
Community land		—	—	115,091	129,226	115,091	129,226
Land under roads (post 30/06/08)		—	—	1,744	1,708	1,744	1,708
Land improvements – non-depreciable		—	—	127,740	127,740	127,740	127,740
Land improvements – depreciable		—	—	380	428	380	428
Buildings – non-specialised		1,808	1,943	—	—	1,808	1,943
Buildings – specialised		—	—	287,255	285,630	287,255	285,630
Other structures		—	—	16,096	16,781	16,096	16,781
Roads		—	—	926,299	698,349	926,299	698,349
Bridges		—	—	63,091	60,928	63,091	60,928
Footpaths		—	—	48,007	48,679	48,007	48,679
Bulk earthworks (non-depreciable)		—	—	291,973	109,696	291,973	109,696
Stormwater drainage		—	—	154,113	106,198	154,113	106,198
Water supply network		—	—	346,826	341,052	346,826	341,052
Sewerage network		—	—	575,494	437,470	575,494	437,470
Swimming pools		—	—	9,724	9,345	9,724	9,345
Other open space / recreational assets		—	—	21,147	22,028	21,147	22,028
Other infrastructure		—	—	57,617	57,477	57,617	57,477
Library books		—	—	1,135	1,007	1,135	1,007
Tip asset		—	—	839	1,500	839	1,500
Total infrastructure, property, plant and equipment		1,808	1,943	3,305,955	2,678,164	3,307,763	2,680,107

Non-recurring fair value measurements

Non-current assets classified as held for sale

C1-6

Operational Land	2,025	—	—	—	2,025	—
Buildings	1,356	—	—	—	1,356	—
Total NCA's classified as held for sale	3,381	—	—	—	3,381	—

Valuation techniques

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

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

Financial assets

Investments - "At fair value through profit or loss" is represented by Floating Rate Notes. Council obtains valuations from its Safe Custody Operations on a monthly basis and at the end of each reporting period to ensure that the financial statements reflect the most up-to-date valuation.

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

E2-1 Fair value measurement (continued)

Investment property

Council obtains independent valuations every year for all investment properties. The valuation for this financial year was undertaken by Mr Adam Hopcroft, AAPI, of Walsh & Monaghan Pty Ltd as at 30 June 2021.

The valuation has been determined by the "capitalisation of net rental" approach where the net market rental of the property is capitalised at an appropriate market rate determined from the analysis of comparable sales.

This result was compared to the "rate per square metre of building area" method of similar building sales.

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

Infrastructure, property, plant and equipment (IPPE)

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Examples of assets within these classes are as follows:

- Plant and Equipment - Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment - Computers, photocopiers, calculators, etc.
- Furniture & Fittings - Chairs, desks and display boards.

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

Operational Land

This asset class comprises all of Council's land and Council managed land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre.

The last valuation was undertaken by Mr Adam Hopcroft, AAPI, of Walsh & Monaghan effective 30th June 2021.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from the future use and disposal.

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

Community Land

Valuations of all Council's Community Land and Council managed land were based on either the land values provided by the Valuer-General or an average unit rate based on the land values for similar properties where the Valuer-General did not provide a land value having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as level 3.

The last valuation was undertaken effective 30th June 2020.

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

Land Under Roads

Council has elected to recognise Land Under Roads where the road was acquired on or after 1 July 2008. 'Land under Roads' have been valued using the square metres rates applicable for all of the valued land within the Shoalhaven local government area and a discount for restricted use applied. This was the first year that the discount has been applied and has resulted in a revaluation decrement to the income statement.

Land Improvements - depreciable and non-depreciable

This asset class comprises land improvements such as spectator mounds, swales, berms, gardens, mulched areas, streetscaping and landscaping. These assets may be located on parks, reserves and also within road reserves.

E2-1 Fair value measurement (continued)

'Land Improvements' were valued in-house using the cost approach by experienced Council engineers and asset management staff.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using level 3 valuation inputs.

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

Buildings – Non specialised and Specialised

The fair value of buildings were determined by independent valuer, APV Valuers and Asset Management effective 30 June 2019. Where there is a market for Council building assets, fair value has been derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach were price per square metre.

Where Council buildings are of a specialist nature and there is no active market for the assets, fair value has been determined on the basis of replacement cost of the modern equivalent (or cost of reproduction where relevant) and then adjusting for the level of consumed future economic benefit and impairment. To assess the level of remaining service potential, the separate components of the building are assessed considering both holistic factors (functionality, capacity, utilisation, obsolescence) and component specific factors such as physical condition.

The gross current values have been derived from reference to market data for recent projects and costing guides issued by the Australian Institute of Quantity Surveyors, Rawlinson's (Australian Construction Handbook). Where a depth in market can be identified, the net current value of a building asset is the difference between the market value of the asset as a whole (including land) and the market value of the land component. Where there is no depth of market, the net current value of a building asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset.

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component, residual value at the time the asset is considered to be no longer available for use and the condition of the asset. Condition was assessed taking into account both physical characteristics as well as holistic factors such as functionality, capability, utilisation and obsolescence.

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

Other Structures

This asset class comprises Boardwalks, Viewing platforms, Floodlighting Systems, Pedestrian bridges and fencing.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using level 3 valuation inputs.

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

Roads

Roads comprise road carriageway, roadside shoulders & kerb & gutter. The cost approach using level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken externally by Morrison Low Consultants P/L. No market based evidence (level 2) inputs are available therefore level 3 valuation inputs were used for this asset class.

The last full valuation of road infrastructure was undertaken effective 30 June 2021.

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

Bridges

The last full valuation of bridges was undertaken effective 30th June 2021.

The revaluation was undertaken externally by Morrison Low Consultants P/L. Each bridge was assessed individually, with the valuation varying according to the material type used for construction, the deck area, condition and size. Construction estimates were determined on a similar basis to roads.

E2-1 Fair value measurement (continued)

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

Footpaths

Council's footpath register consists of all pedestrian walkways and cycleways within the Council area.

Council's Engineering Department completed the valuation of the Footpath assets internally based on actual costs and assumptions and the last valuation was completed effective 30th June 2021.

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

Bulk earthworks (non-depreciable)

The 'Cost Approach' estimated the replacement cost for each asset. Morrison Low Consulting P/L completed the valuation externally based on actual costs and assumptions and the last valuation was completed effective 30th June 2021.

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

Stormwater Drainage

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices.

The cost approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

Morrison Low Consultants P/L completed the valuation externally based on actual costs and assumptions and the last valuation was completed effective 30th June 2021.

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

Water Supply Network

Assets within this class comprise dams, treatment works, pumping stations and water mains.

The cost approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (level 2) other inputs (such as estimates of pattern of consumption and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water (Department of Primary Industries). According to this manual, the calculation of sewerage projects within NSW, supplemented by published rates for water supply, sewerage and stormwater works and also rates obtained from a number of Local Water Utilities and other agencies".

The last full valuation of the water supply network was undertaken effective 30 June 2018.

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

Sewerage Network

Assets within this class comprise treatment works, pumping stations and, sewerage mains.

The cost approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (level 2) other inputs (such as estimates of pattern of consumption and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water (Department of Primary Industries). According to this manual, the calculation of reference rates is based on "competitive contract prices obtained by NSW Public Works for water supply and sewerage projects within NSW, supplemented by published rates for water supply, sewerage and stormwater works and also rates obtained from a number of Local Water Utilities and other agencies".

E2-1 Fair value measurement (continued)

The last full valuation of the sewerage network was undertaken effective 30 June 2018.

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

Swimming Pools

Assets within this class comprise Council's rock pools, outdoor swimming pools and indoor swimming pools (component of Aquatic Centre). The swimming pools were valued in-house by experienced staff in Council's Engineering Department using the cost approach. The approach estimated the replacement cost for each pool by componentising its significant parts.

While some elements of gross replacement values may be supported from market evidence (level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

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

Other Open Space / Recreational Assets

Assets within this class include playground equipment, BBQs and outdoor fitness facilities.

These were valued in-house by experienced staff in Council's Engineering Department using the cost approach. The approach estimated the replacement cost for asset by componentising its significant parts.

While some elements of gross replacement values may be supported from market evidence (level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

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

Other Infrastructure

Assets within this class include jetties, boat ramps, sea/rock/retaining walls.

These were valued externally by Morrison Low Consultants P/L using the cost approach. The approach estimated the replacement cost for asset by componentising its significant parts.

While some elements of gross replacement values may be supported from market evidence (level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

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

Library Books

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value.

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

Non-current assets classified as 'held for sale'

This comprises operational land and buildings.

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

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

The valuation process for level 3 fair value measurements

Valuation Decision

- the whole valuation process is undertaken with all the relevant staff consulted. This includes: Asset Management Units (Assets and Works and Shoalhaven Water) , Finance and the Asset Custodians
- each asset class is investigated as to whether there is any evidence to suggest that the carrying value does not materially reflect the fair value at the reporting date.
- an asset class will be revalued if there is evidence identified or if the asset class is required to be revalued due to it being more than five years since the previous revaluation.

Valuation Process

- obtain a full list of assets to be valued, in consultation with the Asset Management Units, Finance and the Asset Custodians
- decide if the valuation will be performed internally or externally, this is dependant if Council has the resources, knowledge, skills and measurement base available.

External Valuations

- request a quotation or tender based on the expected cost of the valuation, following Council's procurement procedure
- evaluate and engage to successful valuer
- meet the valuer to discuss their approach and inspection schedule
- receive weekly updates from the valuer during the process
- Finance receives and reviews the valuation report and working papers with the relevant Council staff
- any concerns are communicated back to the valuer
- the values in the asset registers are amended according to the final reports received

Internal Valuations

- review unit rates, considering cost of constructing new assets since the previous revaluation
- apply these unit rates to the assets and amend the value accordingly in the asset registers
- the valuation movements are analysed by the Asset Accountant, Finance Manager and other staff with expertise in that Asset category

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

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

	Valuation technique/s	Unobservable inputs
Financial assets		
Investments	Advisor Reports	<ul style="list-style-type: none"> • Unit price
Infrastructure, property, plant and equipment		
Plant and equipment	Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life • Residual value
Office equipment	Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life • Residual value
Furniture and fittings	Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life • Residual value
Operational land	External Valuer	<ul style="list-style-type: none"> • Land value (price per square metre)
Community land	Land values obtained from the NSW Valuer - General and External Valuer where Valuer- General values were not available	<ul style="list-style-type: none"> • Land value (price per square metre)

E2-1 Fair value measurement (continued)

	Valuation technique/s	Unobservable inputs
Land under roads (post 30/06/08)	Valuation of road segments at the average unit value of valued land within the Shoalhaven local government area with a discount for restricted use	<ul style="list-style-type: none"> • Average value of valued land within the Shoalhaven local government area • discount rate for restricted use
Land improvements and other infrastructure	Replacement Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life • Residual value • Asset condition
Buildings – specialised	External Valuer - Replacement Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life • Residual value • Asset condition
Other structures	Replacement Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life • Residual value • Asset condition
Roads	Replacement Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life • Residual value • Asset condition
Bridges	Replacement Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life • Residual value • Asset condition
Footpaths	Replacement Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life • Residual value • Asset condition
Bulk earthworks (nondepreciable)	Cost approach	<ul style="list-style-type: none"> • Replacement cost
Stormwater drainage	Unit rate per m2 or length	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life • Residual value • Asset condition
Water supply network	Unit rate per m2 or length	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life
Sewerage network	Unit rate per m2 or length	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life
Swimming pools – other open space / recreational assets	Replacement Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life • Residual value • Asset condition
Library books	Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life • Residual value • Asset condition
Tip asset	Present value of future expenditures expected to be incurred on waste depot sites restoration	<ul style="list-style-type: none"> • Estimated restoration costs
Other open space / recreational assets		
Other infrastructure		
Non-current assets classified as 'held for sale'		
Operational Land	External Valuer	<ul style="list-style-type: none"> • Land value (price per square metre)
Buildings	External Valuer - Replacement Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life • Residual value • Asset condition

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

E2-1 Fair value measurement (continued)

	Investments		IPP&E		Held for Sale		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
	2021	2020	2021	2020	2021	2020	2021	2020
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Opening balance	49,451	46,910	2,678,113	2,658,362	–	586	2,727,564	2,705,858
Total gains or losses for the period								
Recognised in profit or loss – realised (refer to Note B4-1)	(59)	50	–	–	–	–	(59)	50
Other movements								
Purchases (GBV)	28,872	10,642	208,479	111,283	–	–	237,351	121,925
Disposals (WDV)	(13,300)	(8,151)	(10,918)	(5,910)	–	(586)	(24,218)	(14,647)
Depreciation and impairment	–	–	(70,202)	(83,423)	–	–	(70,202)	(83,423)
Asset revaluation reserve	–	–	500,483	(2,199)	–	–	500,483	(2,199)
Closing balance	64,964	49,451	3,305,955	2,678,113	–	–	3,370,919	2,727,564

Highest and best use

All of Council's non-financial assets are considered as being utilised for their highest and best use.

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

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

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

* For 180 Point Members, Employers are required to contribute 7% of salaries for the year ending 30 June 2021 (increasing to 7.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million per annum for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities. The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

Description of the extent to which the entity can be liable to the plan for other entities' obligations under the terms and conditions of the multi-employer

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

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

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

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

The expected contributions to the plan for the next annual reporting period are \$1,401,522.24.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2021 is:

E3-1 Contingencies (continued)

Defined Benefit reserves only*	\$millions	Asset Coverage
Assets	2,620.5	
Past Service Liabilities	2,445.6	107.2%
Vested Benefits	2,468.7	106.2%

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

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

Investment return	5.75% per annum
Salary inflation	3.5% per annum
Increase in CPI	2.5% per annum

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review, which will be a triennial actuarial investigation will be completed by December 2021.

An indication of the level of participation of the entity in the plan compared with other participating

An employer's past service contribution per annum was 2.05% as a percentage of the total past service contributions for all Pooled Employers (of \$40m for each year from 1 July 2019 to 30 June 2021) provides an indication of the level of participation of that employer compared with other employers in the Pooled Employer sub-group.

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

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

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

(iii) Potential Insurance Losses

Council is a multi-purpose organisation providing a large range of building, parks, infrastructure, playgrounds and other facilities accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled. Council insures against all known insurable risks using a range of insurance policies, each of which is subject to a deductible insurance excess, the amount of which varies according to the class of insurance.

(iv) Other guarantees

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

E3-1 Contingencies (continued)

2. Other liabilities

(i) Legal Expenses

Council is the planning consent authority for its area under the Environmental Planning and Assessment Act (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal to the Land and Environmental Court. It is the Court's normal practice that parties bear their own legal costs. At the date of these reports, Council had notice of three appeals against planning decisions made prior to the reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

(ii) Third party claims

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

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

Contingent liabilities: Council has estimated the sum of \$370,000 as a potential liability that could arise due to ongoing legal cases with different parties. Council believes that the liabilities are appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

(iii) S7.11 and S64 Developer Contributions Plans

Council levies Section 7.11 and Section 64 Contributions upon various developments across the Council area through the required Contributions Plans. As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans. As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General, Water or Sewer Funds. These future exposures do not qualify as liabilities as of the Reporting Date, but represents Council's intention to spend funds in the manner and timing set out in those plans.

ASSETS NOT RECOGNISED

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau. Council's revenue recognition policy for such income is to account for it as revenue on receipt. Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices. Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

(iii) Rural Fire Fighting Assets

Council has vested title to, and is the registered owner of rural fire appliances and associated fire fighting equipment. These assets are under the control of the Rural Fire Services to enable that Department to provide the bushfire protection defences set out in their Service Level Agreement with Council, and accordingly have not been recognised in these reports.

(iv) S7.11 and S64 Developer Contributions

Council calculates the amount of the Developer Contributions applicable for each Development Application at the time of application and Council recognises this revenue over a period of time.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

(a) Mayor, (b) Councillors, (c) CEO (d) Directors and (e) Senior Managers.

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

	2021 \$ '000	2020 \$ '000
Compensation:		
Short-term benefits	5,899	5,502
Post-employment benefits	596	336
Other long-term benefits	215	446
Termination benefits	365	284
Total	7,075	6,568

F1-2 Councillor and Mayoral fees and associated expenses

	2021	2020
	\$ '000	\$ '000

The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:

Mayoral fee	54	45
Councillors' fees	318	265
Other Councillors' expenses (including Mayor)	158	152
Total	530	462

F1-3 Other related parties

	Ref	Transactions during the year \$ '000	Outstanding balances including commitments \$ '000	Terms and conditions	Impairment provision on outstanding balances \$ '000	Impairment expense \$ '000
2021						
Management committee subsidy 2020		133	6	Management Committees are paid a subsidy to assist in operating and maintaining the facility they are managing	—	—
Management committee subsidy		26	5	Management Committees are paid a subsidy to assist in operating and maintaining the facility they are managing	—	—

F2 Other relationships

F2-1 Audit fees

	2021 \$ '000	2020 \$ '000
a. The following fees will be incurred for services provided by the NSW Auditor-General for the Audit of the 2020/21 Financial Statements: \$167,000		
b. During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	167	124
Remuneration for audit and other assurance services	167	124
Total Auditor-General remuneration	167	124
Non NSW Auditor-General audit firms		
(ii) Non-assurance services		
Other services	156	40
Remuneration for non-assurance services	156	40
Total remuneration of non NSW Auditor-General audit firms	156	40
Total audit fees	323	164

G Other matters

G1-1 Statement of Cash Flows information

(a) Step 6(ii) - Reconciliation of Operating Result

	2021 \$ '000	2020 \$ '000
Net operating result from Income Statement	22,614	12,554
Adjust for non-cash items:		
Depreciation and amortisation	70,507	66,190
Net losses/(gains) on disposal of assets	7	272
Non-cash capital grants and contributions	(2,731)	(9,217)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	(201)	(43)
– Investment property	(148)	50
– Interest-free advances made by Council (deferred debtors)	39	48
– Other (Management Committees)	–	24
Amortisation of premiums, discounts and prior period fair valuations		
– Interest on all fair value adjusted interest free advances made by Council	(3)	(4)
– Financial asset at fair value through other comprehensive income / available for sale (2018)	–	–
Unwinding of discount rates on reinstatement provisions	–	2
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	(1,488)	(2,235)
Increase/(decrease) in provision for impairment of receivables	(35)	305
Decrease/(increase) in inventories	(54)	(195)
Decrease/(increase) in other current assets	173	(258)
Increase/(decrease) in payables	6,188	(878)
Increase/(decrease) in accrued interest payable	(43)	(102)
Increase/(decrease) in other accrued expenses payable	2,829	(1,139)
Increase/(decrease) in other liabilities	346	(2,745)
Increase/(decrease) in contract liabilities	3,716	3,910
Increase/(decrease) in provision for employee benefits	1,525	47
Increase/(decrease) in other provisions	(13,407)	13,404
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	89,834	79,990

(b) Non-cash investing and financing activities

Other dedications	2,731	9,217
Total non-cash investing and financing activities	2,731	9,217

G2-1 Commitments

Capital commitments (exclusive of GST)

	2021 \$ '000	2020 \$ '000
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Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Buildings	3,149	1,723
Plant and equipment	15,434	1,978
Swimming pools	3,520	26
Roads	366	8,183
Water assets	17,306	2,299
Sewer assets	8,290	2,172
Other	5,001	4,652
Total commitments	53,066	21,033

These expenditures are payable as follows:

Within the next year	53,066	21,033
Total payable	53,066	21,033

Sources for funding of capital commitments:

Unrestricted general funds	10,562	2,873
Future grants and contributions	2,297	4,137
Section 7.11 and 64 funds/reserves	15	298
Externally restricted reserves	18,754	6,133
Internally restricted reserves	14,273	7,009
Unexpended loans	7,165	583
Total sources of funding	53,066	21,033

Details of capital commitments

Below is a list of the 10 largest capital commitments totalling almost \$25M, expressed in \$'000:

Flinders Roadworks - Stage 10 \$6,197
 Nowra North surcharge main upgrade - Stage 1 \$4,603
 Albatross Aviation Technology Park - Stage 5 \$2,595
 Currarong Road rehabilitation \$2,149
 BTU Road \$2,037
 Water main replacements \$1,769
 Moss Vale Road expansion area (Water) \$1,525
 Basin Walking Track Stage 2 \$1,421
 Boongaree - Stage 1 \$1,353
 Sewer pump stations emergency storage upgrade program \$1,230

G3-1 Events occurring after the reporting date

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

G4 Changes from prior year statements

G4-1 Changes in accounting policy

Voluntary changes in accounting policies

Nature of changes in accounting policies

Software-as-a-Service Arrangement

Implementation of IFRS Interpretation Committee agenda decision and new accounting policy

In 2017 Shoalhaven Council entered into a 'Software-as-a-Service' (SaaS) arrangement with Technology One Limited to provide its ERP system. Up until now, Council has recognised its configuration and customisation costs as an intangible asset.

In April 2021 the IFRS Interpretation Committee issued a final agenda decision on how a customer should account for upfront configuration and customisation costs associated with a SaaS arrangement where an intangible asset is not recognised. As a result of this decision, Council has changed its accounting policy in relation to upfront configuration, data migration and customisation costs. The new accounting policy is presented below.

Software-as-a-Service (SaaS) arrangement

A SaaS arrangement is a service contract that provides Council with access to Technology One's application software for the life of the contract. Costs incurred to configure or customise, and the ongoing access fees, are recognised as operating expenses when the services are received.

Key judgements

Does the Council control the software?

Based on analysis of the contract with Technology One, management concluded that Council does not have control over the software and customised elements of it. Council has access to the software as long as the annual license is apid, and only to the version of software that Technology One provides.

Are the configuration and customisation costs distinct from the SaaS access fees?

The accounting treatment of configuration and customisation costs depends on whether they are distinct from the fees paid to access the software. Judgement was applied in determining that the customisation and configuration costs are distinct from the SaaS fees. In this case, if the costs meet the requirements of recognition as an intangible asset, they can be capitalised.

Can the configuration and customisation costs be capitalised?

There is the potential for implementation activities to result in code written by Council which may meet the definition of an intangible asset under AASB 138 – *Intangible Assets*. An example of this is an interface between an on-premise Council system and a Technology One application. Judgement was applied in determining that no, or an immaterial amount of, expenditure meets the definition and therefore no intangible assets have been recognised.

Retrospective restatement

The accounting policy change identified above has been applied by restating the balances at the beginning of the earliest period presented (1 July 2019) and taking the adjustment through to accumulated surplus at that date.

Comparatives have been changed to reflect the accounting policy changes. The impact on each line item is shown in the tables below.

Changes to the opening Statement of Financial Position at 1 July 2019

Statement of Financial Position

	Restated Balance 1 July 2019 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 1 July 2019 \$ '000
Intangible Assets	5,545	(5,033)	512
Total assets	3,084,214	(5,033)	3,079,181
Accumulated Surplus	1,565,701	(5,033)	1,560,668
Total equity	2,939,440	(5,033)	2,934,407

G4-1 Changes in accounting policy (continued)

Adjustments to the comparative figures for the year ended 30 June 2020

	Original Balance 30 June 2020 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June 2020 \$ '000
Intangible Assets	8,280	(7,719)	561
Total assets	3,100,642	(7,719)	3,092,923
Total liabilities	2,879,449	–	2,879,449
Accumulated Surplus	1,576,560	(7,719)	1,568,841
Total equity	221,193	(7,719)	213,474

Income Statement

	Original Balance 30 June 2020 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June 2020 \$ '000
Total income from continuing operations	286,206	–	286,206
Materials and services	95,626	2,876	98,502
Depreciation, amortisation and impairment for non-financial assets	66,190	(190)	66,000
Total expenses from continuing operations	270,966	2,686	273,652
Net operating result for the year	15,240	(2,686)	12,554
Net operating result for the year	15,240	(2,686)	12,554
Total comprehensive income for the year	15,240	(2,686)	12,554

G5 Statement of developer contributions as at 30 June 2021

G5-1 Summary of developer contributions

	Opening balance at 1 July 2020 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2021 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					
Drainage	178	–	–	2	–	–	180	–
Roads	4,611	1,365	–	68	(376)	–	5,668	–
Parking	1,088	464	–	17	–	–	1,569	–
Open space	1,986	455	–	27	(158)	–	2,310	–
Community facilities	3,586	1,784	–	50	(1,388)	–	4,032	–
Other	351	794	–	3	(497)	–	651	–
Active recreation	1,075	1,959	–	21	(1,702)	–	1,353	–
S7.11 contributions – under a plan	12,875	6,821	–	188	(4,121)	–	15,763	–
Total S7.11 and S7.12 revenue under plans	12,875	6,821	–	188	(4,121)	–	15,763	–
S64 contributions	18,642	3,615	–	259	(3,395)	–	19,121	–
Total contributions	31,517	10,436	–	447	(7,516)	–	34,884	–

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

G5-2 Developer contributions by plan

	Opening balance at 1 July 2020 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2021 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					
Shoalhaven Contributions Plan								
Drainage	178	–	–	2	–	–	180	–
Roads	4,611	1,365	–	68	(376)	–	5,668	–
Parking	1,088	464	–	17	–	–	1,569	–
Open space	1,986	455	–	27	(158)	–	2,310	–
Community facilities	3,586	1,784	–	50	(1,388)	–	4,032	–
Active recreation	1,075	1,959	–	21	(1,702)	–	1,353	–
Other	351	794	–	3	(497)	–	651	–
Total	12,875	6,821	–	188	(4,121)	–	15,763	–

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020	Indicators 2019	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(9,585)	(3.55)%	(8.44)%	1.97%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	270,114				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	248,950	82.43%	81.11%	82.81%	> 60.00%
Total continuing operating revenue ¹	302,009				
3. Unrestricted current ratio					
Current assets less all external restrictions	72,095	1.53x	1.68x	2.54x	> 1.50x
Current liabilities less specific purpose liabilities	47,024				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	66,457	3.47x	2.56x	4.00x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	19,130				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	14,331	8.57%	8.44%	8.03%	< 10.00%
Rates and annual charges collectable	167,186				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	154,556	8.03	7.65	9.30	> 3.00
Monthly payments from cash flow of operating and financing activities	19,257	mths	mths	mths	mths

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

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

G6-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2021	2020	2021	2020	2021	2020	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	(5.96)%	(12.30)%	(4.26)%	(16.99)%	15.44%	12.52%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	83.16%	76.95%	90.90%	85.82%	93.56%	94.09%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	1.53x	1.67x	16.21x	8.09x	3.08x	2.17x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	4.02x	2.58x	∞	∞	2.23x	2.05x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	6.88%	7.60%	12.33%	10.23%	11.70%	9.96%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	2.51 mths	5.56 mths	39.03 mths	32.09 mths	7.03 mths	6.73 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities							

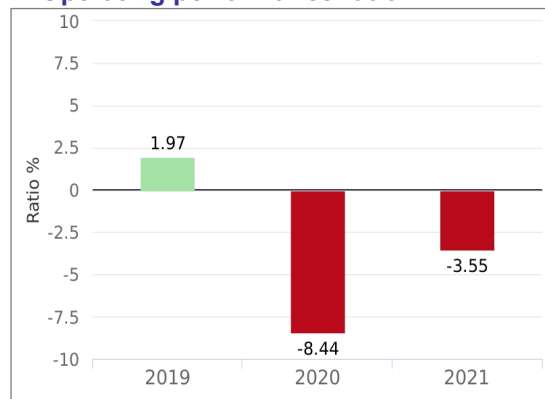
(1) - (2) Refer to Notes at Note 30a above.

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

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2020/21 result

2020/21 ratio (3.55)%

Whilst Operating Performance ratio improved in 2020/21 financial year, it remains negative due to loss of revenue and additional expenditures associated with COVID-19 restrictions and financial assistance for the community provided by Council.

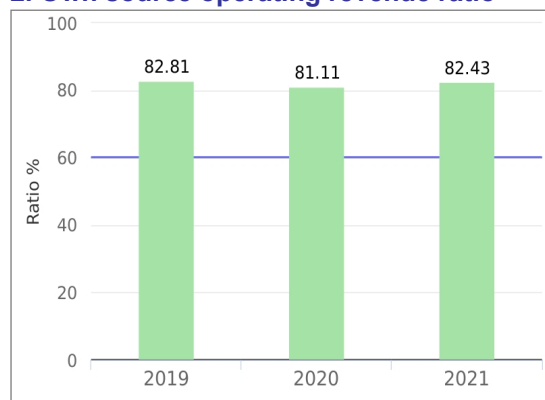
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2020/21 result

2020/21 ratio 82.43%

Council's Own Source Operating Revenue ratio has remained above the benchmark of 60%. Council has sufficient level of fiscal flexibility in the event of being faced with unforeseen events.

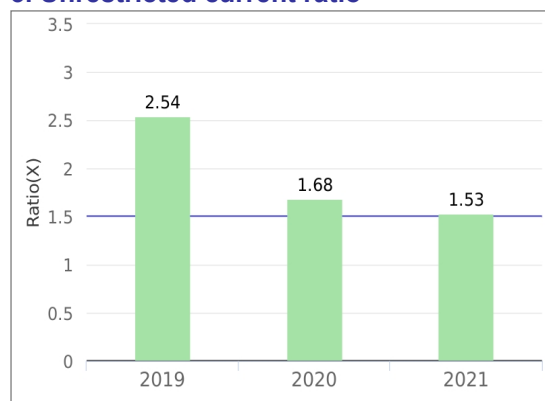
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2020/21 result

2020/21 ratio 1.53x

The ratio indicates that Council currently projects to have \$1.53 (excluding restricted funds such as developer contribution, Water, Sewer and Grant monies) available to service every \$1 of debt as it falls due at the end of the year.

It is important to note that Council is yet to receive compensation for costs associated with the bushfires and other natural disasters which will significantly improve the ratio.

Benchmark: — > 1.50x

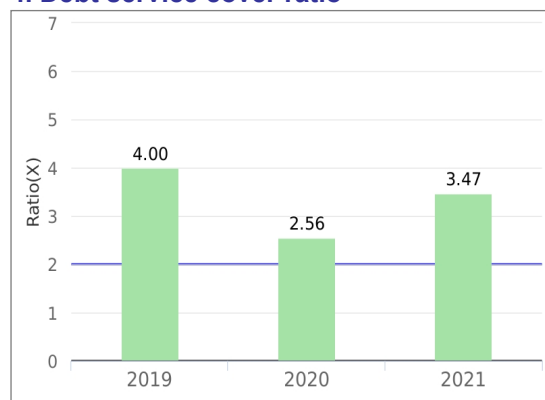
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 3.47x

A ratio of 3.47 x indicates that Council has sound ability of operating cash to service debt including interest and principle repayments which is well above industry benchmark of greater than 2 x. The ratio has improved in line with Council operational results this year.

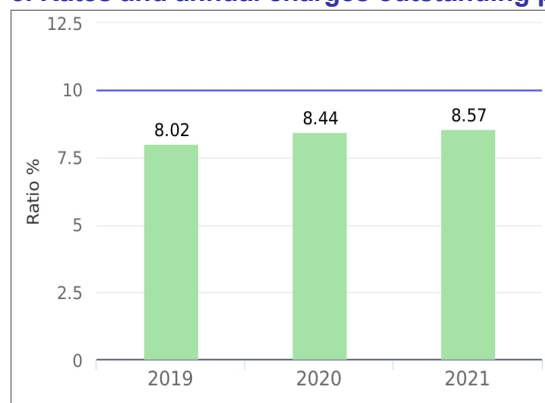
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2020/21 result

2020/21 ratio 8.57%

The percentage of outstanding rates and annual charges has slightly increased from 8.44x to 8.57x and is under the benchmark of 10%.

Council did not charge interest on outstanding rates and annual charges during the year and this policy has impacted the ratio.

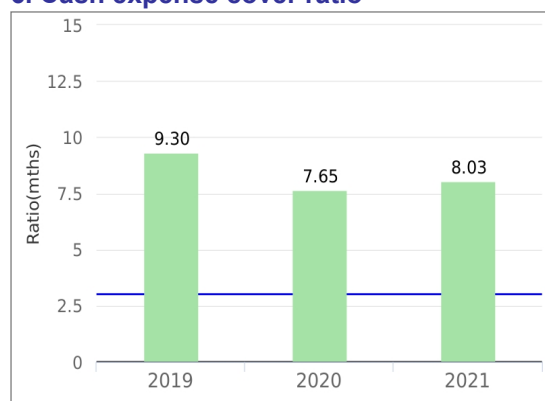
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on 2020/21 result

2020/21 ratio 8.03 mths

This ratio is calculated by dividing a Council's Cash and Cash Equivalents as per the Statement of Cash Flows by the net of the operational expenses less depreciation and borrowing costs and multiplying the result by 12. The benchmark for this ratio is greater than 3 months. For 2020/21, Council exceeded the benchmark with a ratio of 7.63.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Shoalhaven City Council

To the Councillors of the Shoalhaven City Council

Opinion

I have audited the accompanying financial statements of Shoalhaven City Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information. The financial statements include the consolidated financial statements of the Council and the entities it controlled at the year's end or from time to time during the year.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2021, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule - Permissible income for general rates.

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

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf . The description forms part of my auditor's report.

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note B5-1 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Lisa Berwick
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

18 November 2021
SYDNEY



Councillor Amanda Findley
Mayor
Shoalhaven City Council
PO Box 42
NOWRA NSW 2541

Contact: Lisa Berwick
Phone no: 02 9275 7165
Our ref: D2125285/1785

17 November 2021

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2021
Shoalhaven City Council**

I have audited the general-purpose financial statements (GPFS) of the Shoalhaven City Council (the Council) for the year ended 30 June 2021 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2021 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2021	2020*	Variance
	\$m	\$m	%
Rates and annual charges revenue	153.5	148.8	↑ 3.2
Grants and contributions revenue	53.1	54.1	↓ 1.8
Operating result from continuing operations*	22.6	12.6	↑ 79.4
Net operating result before capital grants and contributions*	(9.3)	(22.1)	↑ 57.9

* The 2020 comparatives have been restated as a result of a change in accounting policy. Note G4-1 of the financial statements provides details of the change in accounting policy.

The Council's operating result from continuing operations of \$22.6 million including depreciation and amortisation expense of \$70.5 million, was \$10.0 million higher than the 2019–20 result. This year's result was primarily driven by an increase in user charges and fees relating to the Tourist Parks of \$9.0 million which was impacted by closures in the prior year due to COVID-19 and bushfires.

The net operating result before capital grants and contributions was deficit \$9.3 million, an increase of \$12.8 million from the previous year, also largely driven by the increase in user charges and fees from Tourist Parks.

Rates and annual charges revenue were \$153.5 million compared with \$148.8 million in 2019–20. The 3.2 per cent increase from prior year is due to a general rate increase of 2.6 per cent and an increase in domestic waste management services of \$1.9 million.

STATEMENT OF CASH FLOWS

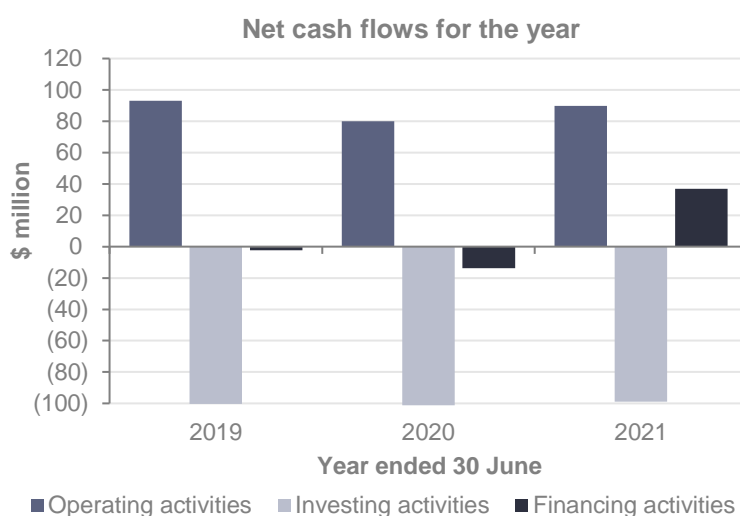
The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year.

The Council's cash increased by \$27.9 million at the close of the year.

Cash inflows from operating activities increased by \$9.8 million from \$80.0 million in 2019–20 to \$89.8 million in 2020–21.

Cash outflows from investing activities decreased by \$2.4 million, from \$101.2 million in 2019–20 to \$98.8 million in 2020–21.

Cash inflows from financing activities have increased by \$50.6 million from an outflow of \$13.8 million in 2019–20 to an inflow of \$36.9 million in 2020–21.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	219.5	188.3	<ul style="list-style-type: none"> External restrictions include unspent specific purpose grants, developer contributions, domestic waste management charges, levies and planning agreements. The externally restricted cash balance has increased by approximately \$48.3 million, mainly due to an increase in specific purpose loans and developer contributions.
Restricted cash and investments:			
• External restrictions	166.0	117.7	
• Internal restrictions	49.7	61.5	<ul style="list-style-type: none"> Balances are internally restricted to Council policy or decisions for forward plans including works program. Internal restrictions have decreased by \$11.8 million.
• Unrestricted	3.8	9.1	<ul style="list-style-type: none"> Unrestricted balances provide liquidity for day-to-day operations. There has been a decrease of \$5.3 million in the unrestricted cash balance.

PERFORMANCE

Performance measures

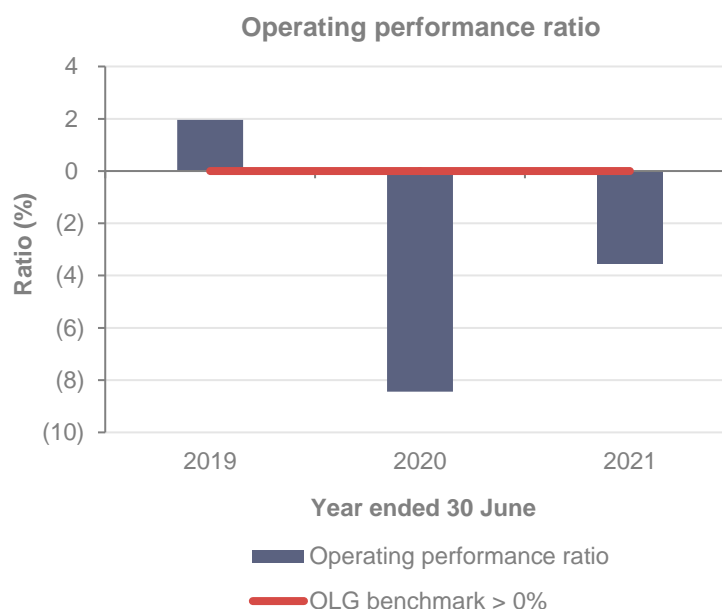
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

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

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

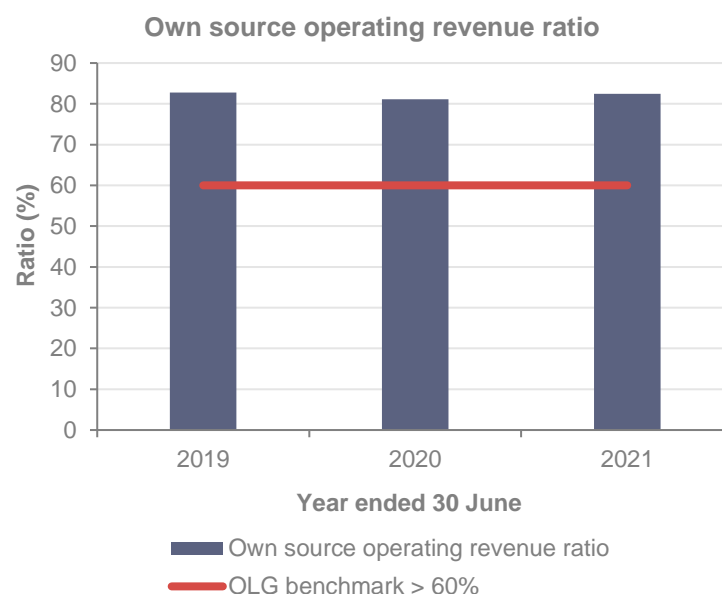
The 2020 ratio was restated because of a change in accounting policy.



Own source operating revenue ratio

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

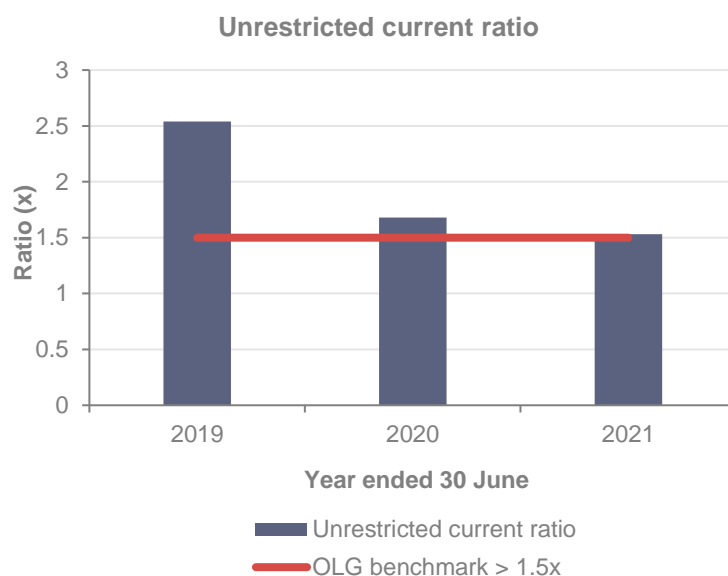
The Council met the OLG benchmark for the current reporting period.



Unrestricted current ratio

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

The Council met the OLG benchmark for the current reporting period.

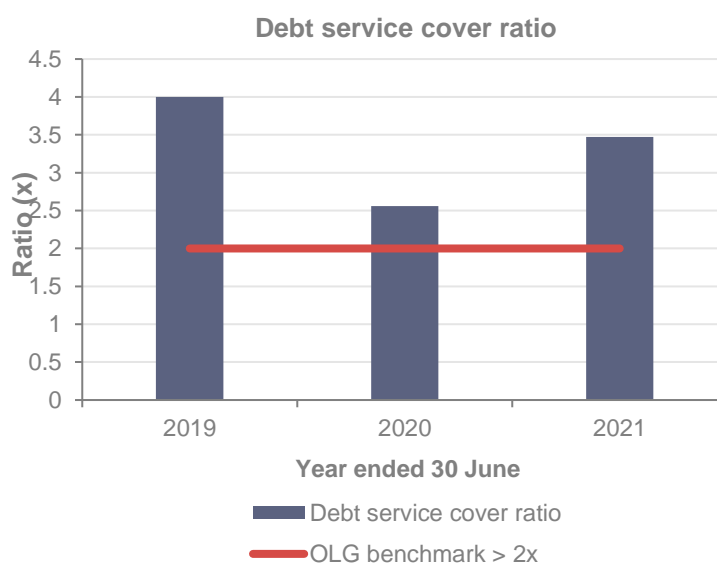


Debt service cover ratio

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

The Council met the OLG benchmark for the current reporting period.

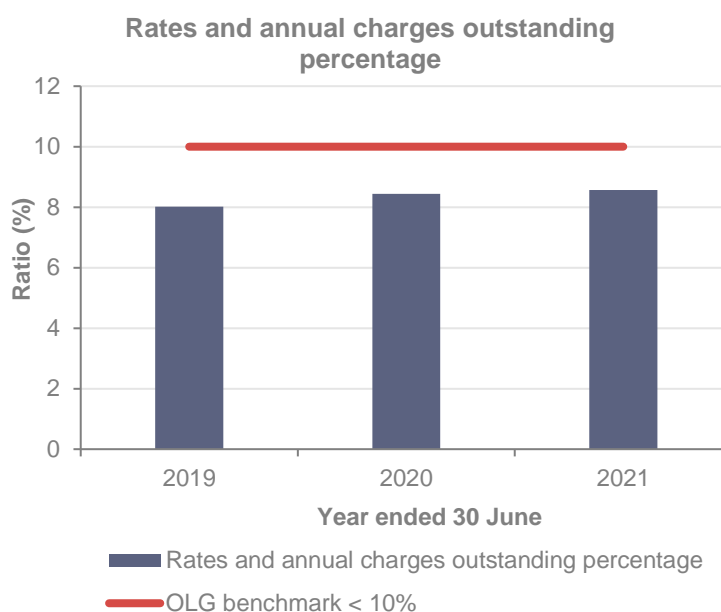
The 2020 ratio was restated because of a change in accounting policy.



Rates and annual charges outstanding percentage

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

The Council met the OLG benchmark for the current reporting period.

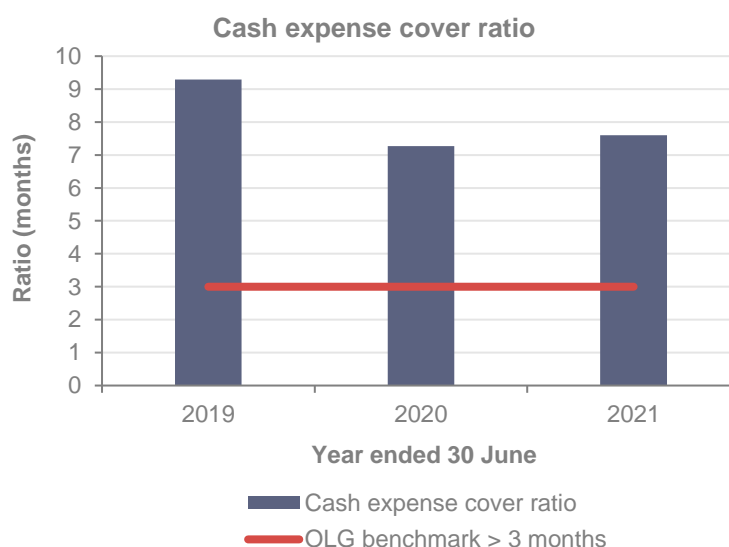


Cash expense cover ratio

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

The Council met the OLG benchmark for the current reporting period.

The 2020 ratio was restated because of a change in accounting policy.



Infrastructure, property, plant and equipment renewals

Infrastructure, property, plant and equipment renewals for 2020–21 amounted to \$73.0 million (2020: \$45.1 million). The increase was mainly due to the net effect of the following:

- decrease in capital works in progress of \$44.8 million
- increase in combined renewals for buildings, roads, footpaths, stormwater drainage, water supply network, sewerage network, open space/recreational assets and other infrastructure of \$72.6 million.

OTHER MATTERS

Legislative compliance

My audit procedures identified that Council did not perform a full comprehensive revaluation for the land improvements (depreciable and non-depreciable), other structures, footpaths, swimming pools and other open space/recreational assets, which means that it has been more than five years since these asset classes were subject to a comprehensive revaluation.

The Council's:

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



Lisa Berwick
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Mr Stephen Dunshea, Chief Executive Officer
Mr Peter McLean, Chair of Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Special Purpose Financial Statement

2020 - 2021



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Background

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

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

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

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

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

Shoalhaven City Council

Special Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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

The attached Special Purpose Financial Statements have been prepared in accordance with:

- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

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

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

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

Signed in accordance with a resolution of Council made on 02 November 2021.



Amanda Findley
Mayor
02 November 2021



Greg Watson
Deputy Mayor
02 November 2021



Stephen Dunshea
Chief Executive Officer
02 November 2021



Olena Tulubinska
Responsible Accounting Officer
02 November 2021

Shoalhaven City Council

Income Statement of water supply business activity

for the year ended 30 June 2021

	2021 \$ '000	2020 \$ '000
Income from continuing operations		
Access charges	5,548	4,843
User charges	17,953	18,062
Fees	5,075	6,170
Interest	953	1,519
Profit from the sale of assets	245	–
Other income	363	300
Total income from continuing operations	30,137	30,894
Expenses from continuing operations		
Employee benefits and on-costs	7,287	9,883
Materials and services	13,602	9,173
Depreciation, amortisation and impairment	10,177	10,658
Loss on sale of assets	–	420
Calculated taxation equivalents	173	105
Other expenses	111	3,353
COVID-19 financial assistance to ratepayers	–	3,076
Total expenses from continuing operations	31,350	36,668
Surplus (deficit) from continuing operations before capital amounts	(1,213)	(5,774)
Grants and contributions provided for capital purposes	3,017	5,105
Surplus (deficit) from continuing operations after capital amounts	1,804	(669)
Surplus (deficit) from all operations before tax	1,804	(669)
Surplus (deficit) after tax	1,804	(669)
Plus accumulated surplus	227,696	229,507
Plus/less: prior period adjustments	(428)	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	173	105
Less:		
– Tax equivalent dividend paid	(105)	(111)
– Surplus dividend paid	–	(1,136)
Closing accumulated surplus	229,140	227,696
Return on capital %	(0.3)%	(1.5)%
Subsidy from Council	6,883	6,588
Calculation of dividend payable:		
Surplus (deficit) after tax	1,804	(669)
Less: capital grants and contributions (excluding developer contributions)	(1,275)	(3,277)
Surplus for dividend calculation purposes	529	–
Potential dividend calculated from surplus	265	–

Shoalhaven City Council

Income Statement of sewerage business activity

for the year ended 30 June 2021

	2021 \$ '000	2020 \$ '000
Income from continuing operations		
Access charges	46,529	45,319
User charges	3,428	2,904
Liquid trade waste charges	401	334
Fees	2,412	2,508
Interest	433	744
Profit from the sale of assets	128	–
Other income	104	192
Total income from continuing operations	53,435	52,001
Expenses from continuing operations		
Employee benefits and on-costs	9,363	10,738
Borrowing costs	4,358	4,660
Materials and services	16,058	16,394
Depreciation, amortisation and impairment	15,279	11,090
Loss on sale of assets	–	829
Calculated taxation equivalents	367	356
Other expenses	1	7
COVID-19 financial assistance to ratepayers	–	2,601
Total expenses from continuing operations	45,426	46,675
Surplus (deficit) from continuing operations before capital amounts	8,009	5,326
Grants and contributions provided for capital purposes	3,677	3,266
Surplus (deficit) from continuing operations after capital amounts	11,686	8,592
Surplus (deficit) from all operations before tax	11,686	8,592
Less: corporate taxation equivalent [based on result before capital]	(2,082)	(1,465)
Surplus (deficit) after tax	9,604	7,127
Plus accumulated surplus	416,290	407,547
Plus/less: prior period adjustments	57	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	367	356
– Corporate taxation equivalent	2,082	1,465
Less:		
– Tax equivalent dividend paid	(157)	(205)
– Surplus dividend paid	(1,377)	–
Closing accumulated surplus	426,866	416,290
Return on capital %	2.0%	1.6%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	9,604	7,127
Less: capital grants and contributions (excluding developer contributions)	(1,805)	(1,217)
Surplus for dividend calculation purposes	7,799	5,910
Potential dividend calculated from surplus	3,899	2,955

Shoalhaven City Council

Income Statement of Holiday Haven Tourist Parks

for the year ended 30 June 2021

	2021 Category 1 \$ '000	2020 Category 1 \$ '000
Income from continuing operations		
User charges	29,985	20,022
Other income	2,744	1,517
Total income from continuing operations	32,729	21,539
Expenses from continuing operations		
Employee benefits and on-costs	1,378	1,227
Borrowing costs	317	299
Materials and services	16,135	12,722
Depreciation, amortisation and impairment	3,303	3,292
Loss on sale of assets	–	130
Calculated taxation equivalents	67	67
Other expenses	1,508	849
Total expenses from continuing operations	22,708	18,586
Surplus (deficit) from continuing operations before capital amounts	10,021	2,953
Surplus (deficit) from continuing operations after capital amounts	10,021	2,953
Surplus (deficit) from all operations before tax	10,021	2,953
Less: corporate taxation equivalent [based on result before capital]	(2,605)	(812)
Surplus (deficit) after tax	7,416	2,141
Plus accumulated surplus	41,903	41,024
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	67	67
– Corporate taxation equivalent	2,605	812
Less:		
– Dividend paid	(10,087)	(2,141)
Closing accumulated surplus	41,904	41,903
Return on capital %	14.2%	4.7%

Shoalhaven City Council

Income Statement of Bereavement Services

for the year ended 30 June 2021

	2021 Category 2 \$ '000	2020 Category 2 \$ '000
Income from continuing operations		
User charges	1,905	1,794
Other income	48	30
Total income from continuing operations	1,953	1,824
Expenses from continuing operations		
Employee benefits and on-costs	1,222	1,138
Borrowing costs	24	7
Materials and services	776	856
Depreciation, amortisation and impairment	279	277
Calculated taxation equivalents	62	61
Other expenses	1	—
Total expenses from continuing operations	2,364	2,339
Surplus (deficit) from continuing operations before capital amounts	(411)	(515)
Surplus (deficit) from continuing operations after capital amounts	(411)	(515)
Surplus (deficit) from all operations before tax	(411)	(515)
Surplus (deficit) after tax	(411)	(515)
Plus accumulated surplus	208	662
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	62	61
– Subsidy paid/contribution to operations	141	—
– Dividend paid	—	—
Closing accumulated surplus	—	208
Return on capital %	(3.8)%	(4.1)%
Subsidy from Council	537	618

Shoalhaven City Council

Income Statement of Mechanical Services

for the year ended 30 June 2021

	2021 Category 1 \$ '000	2020 Category 1 \$ '000
Income from continuing operations		
User charges	2,155	16
Other income	4	3,262
Total income from continuing operations	2,159	3,278
Expenses from continuing operations		
Employee benefits and on-costs	740	2,014
Materials and services	1,725	1,331
Depreciation, amortisation and impairment	34	22
Calculated taxation equivalents	99	110
Total expenses from continuing operations	2,598	3,477
Surplus (deficit) from continuing operations before capital amounts	(439)	(199)
Surplus (deficit) from continuing operations after capital amounts	(439)	(199)
Surplus (deficit) from all operations before tax	(439)	(199)
Surplus (deficit) after tax	(439)	(199)
Plus accumulated surplus	2,242	2,331
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	99	110
Closing accumulated surplus	1,902	2,242
Return on capital %	(7.8)%	(3.6)%
Subsidy from Council	862	89

Shoalhaven City Council

Income Statement of Shoalhaven Entertainment Centre

for the year ended 30 June 2021

	2021 Category 2 \$ '000	2020 Category 2 \$ '000
Income from continuing operations		
User charges	452	1,025
Other income	5	180
Total income from continuing operations	457	1,205
Expenses from continuing operations		
Employee benefits and on-costs	937	1,308
Borrowing costs	–	275
Materials and services	1,280	1,515
Depreciation, amortisation and impairment	469	494
Calculated taxation equivalents	87	112
Other expenses	–	3
Total expenses from continuing operations	2,773	3,707
Surplus (deficit) from continuing operations before capital amounts	(2,316)	(2,502)
Surplus (deficit) from continuing operations after capital amounts	(2,316)	(2,502)
Surplus (deficit) from all operations before tax	(2,316)	(2,502)
Surplus (deficit) after tax	(2,316)	(2,502)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	87	112
Add:		
– Subsidy paid/contribution to operations	2,229	2,390
Closing accumulated surplus	–	–
Return on capital %	(8.8)%	(8.3)%
Subsidy from Council	2,706	2,625

Shoalhaven City Council

Income Statement of Aquatic Recreation Facilities

for the year ended 30 June 2021

	2021 Category 1 \$ '000	2020 Category 1 \$ '000
Income from continuing operations		
User charges	4,462	3,632
Other income	63	2
Total income from continuing operations	4,525	3,634
Expenses from continuing operations		
Employee benefits and on-costs	5,172	4,636
Borrowing costs	89	109
Materials and services	3,621	3,323
Depreciation, amortisation and impairment	1,368	1,209
Loss on sale of assets	–	37
Calculated taxation equivalents	295	281
Total expenses from continuing operations	10,545	9,595
Surplus (deficit) from continuing operations before capital amounts	(6,020)	(5,961)
Surplus (deficit) from continuing operations after capital amounts	(6,020)	(5,961)
Surplus (deficit) from all operations before tax	(6,020)	(5,961)
Surplus (deficit) after tax	(6,020)	(5,961)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	295	281
Add:		
– Subsidy paid/contribution to operations	5,725	5,680
Closing accumulated surplus	–	–
Return on capital %	(16.4)%	(16.7)%
Subsidy from Council	6,471	6,160

Shoalhaven City Council

Statement of Financial Position of water supply business activity

as at 30 June 2021

	2021 \$ '000	2020 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	12,021	4,982
Investments	37,820	39,944
Receivables	3,934	4,092
Inventories	1,207	1,237
Total current assets	54,982	50,255
Non-current assets		
Investments	9,134	10,623
Receivables	2,782	4,066
Infrastructure, property, plant and equipment	380,554	377,772
Intangible assets	30	166
Total non-current assets	392,500	392,627
Total assets	447,482	442,882
LIABILITIES		
Current liabilities		
Payables	2,212	3,908
Provision	—	—
Total current liabilities	2,212	3,908
Total liabilities	2,212	3,908
Net assets	445,270	438,974
EQUITY		
Accumulated surplus	229,140	227,696
Revaluation reserves	216,130	211,278
Total equity	445,270	438,974

Shoalhaven City Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

	2021 \$ '000	2020 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	6,082	2,771
Investments	19,132	22,216
Receivables	6,405	5,339
Total current assets	31,619	30,326
Non-current assets		
Investments	4,621	5,908
Receivables	1,071	1,209
Infrastructure, property, plant and equipment	628,229	623,571
Intangible assets	53	32
Total non-current assets	633,974	630,720
Total assets	665,593	661,046
LIABILITIES		
Current liabilities		
Payables	2,715	5,833
Borrowings	7,562	8,164
Total current liabilities	10,277	13,997
Non-current liabilities		
Borrowings	86,764	94,326
Total non-current liabilities	86,764	94,326
Total liabilities	97,041	108,323
Net assets	568,552	552,723
EQUITY		
Accumulated surplus	426,866	416,290
Revaluation reserves	141,686	136,433
Total equity	568,552	552,723

Shoalhaven City Council

Statement of Financial Position of Holiday Haven Tourist Parks

as at 30 June 2021

	2021 Category 1 \$ '000	2020 Category 1 \$ '000
ASSETS		
Current assets		
Receivables	601	112
Total current assets	601	112
Non-current assets		
Infrastructure, property, plant and equipment	72,898	69,021
Other	8,152	6,615
Total non-current assets	81,050	75,636
Total assets	81,651	75,748
LIABILITIES		
Current liabilities		
Payables	3,604	1,062
Borrowings	1,891	1,370
Total current liabilities	5,495	2,432
Non-current liabilities		
Borrowings	9,982	7,143
Total non-current liabilities	9,982	7,143
Total liabilities	15,477	9,575
Net assets	66,174	66,173
EQUITY		
Accumulated surplus	41,904	41,903
Revaluation reserves	24,270	24,270
Total equity	66,174	66,173

Shoalhaven City Council

Statement of Financial Position of Bereavement Services

as at 30 June 2021

	2021 Category 2 \$ '000	2020 Category 2 \$ '000
ASSETS		
Current assets		
Receivables	371	119
Total current assets	371	119
Non-current assets		
Receivables	–	158
Infrastructure, property, plant and equipment	10,095	12,504
Total non-current assets	10,095	12,662
Total assets	10,466	12,781
LIABILITIES		
Current liabilities		
Payables	43	5
Borrowings	29	28
Total current liabilities	72	33
Non-current liabilities		
Borrowings	137	167
Other Liabilities	7,545	9,661
Total non-current liabilities	7,682	9,828
Total liabilities	7,754	9,861
Net assets	2,712	2,920
EQUITY		
Accumulated surplus	–	208
Revaluation reserves	2,712	2,712
Total equity	2,712	2,920

Shoalhaven City Council

Statement of Financial Position of Mechanical Services

as at 30 June 2021

	2021 Category 1 \$ '000	2020 Category 1 \$ '000
ASSETS		
Current assets		
Receivables	—	22
Total current assets	—	22
Non-current assets		
Infrastructure, property, plant and equipment	5,639	5,469
Total non-current assets	5,639	5,469
Total assets	5,639	5,491
LIABILITIES		
Current liabilities		
Payables	100	—
Total current liabilities	100	—
Non-current liabilities		
Other Liabilities	1,078	690
Total non-current liabilities	1,078	690
Total liabilities	1,178	690
Net assets	4,461	4,801
EQUITY		
Accumulated surplus	1,902	2,242
Revaluation reserves	2,559	2,559
Total equity	4,461	4,801

Shoalhaven City Council

Statement of Financial Position of Shoalhaven Entertainment Centre

as at 30 June 2021

	2021 Category 2 \$ '000	2020 Category 2 \$ '000
ASSETS		
Current assets		
Receivables	47	32
Total current assets	47	32
Non-current assets		
Infrastructure, property, plant and equipment	26,179	26,682
Total non-current assets	26,179	26,682
Total assets	26,226	26,714
LIABILITIES		
Current liabilities		
Payables	94	46
Borrowings	822	630
Total current liabilities	916	676
Non-current liabilities		
Borrowings	6,710	2,726
Other Liabilities	18,600	23,312
Total non-current liabilities	25,310	26,038
Total liabilities	26,226	26,714
Net assets	—	—

Shoalhaven City Council

Statement of Financial Position of Aquatic Recreation Facilities

as at 30 June 2021

	2021 Category 1 \$ '000	2020 Category 1 \$ '000
ASSETS		
Current assets		
Receivables	288	82
Total current assets	288	82
Non-current assets		
Infrastructure, property, plant and equipment	36,244	34,948
Total non-current assets	36,244	34,948
Total assets	36,532	35,030
LIABILITIES		
Current liabilities		
Payables	211	135
Borrowings	508	494
Total current liabilities	719	629
Non-current liabilities		
Borrowings	1,688	2,196
Other Liabilities	29,103	27,184
Total non-current liabilities	30,791	29,380
Total liabilities	31,510	30,009
Net assets	5,022	5,021
EQUITY		
Revaluation reserves	5,022	5,021
Total equity	5,022	5,021

Note – Significant Accounting Policies

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

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

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

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993* (Act), the *Local Government (General) Regulation 2005* (Regulation) and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

- a. Shoalhaven Water**
Water Supply
- b. Shoalhaven Water**
Sewer Services
- c. Holiday Haven Tourist Parks**
Caravan Park Operations
- d. Shoalhaven Mechanical Services**
Mechanical Services
- e. Aquatic Recreation Facilities**
Swimming Pools and Aquatic Centres

Category 2

(where gross operating turnover is less than \$2 million)

- a. Bereavement Services**
Cemetery and Crematorium Services
- b. Shoalhaven Entertainment Centre**
Venue for entertainment, hire and community activities

Taxation equivalent charges

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

Note – Significant Accounting Policies (continued)

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

Notional rate applied (%)

Corporate income tax rate – **26%** (19/20 27.5%)

Land tax – the first \$755,000 of combined land values attracts **0%**. For the combined land values in excess of \$755,000 up to \$4,616,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$4,616,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **4.85%** on the value of taxable salaries and wages in excess of \$1,200,000.

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

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

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

Income tax

An income tax equivalent has been applied on the profits of the business activities.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

Income tax is only applied where a gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

Note – Significant Accounting Policies (continued)

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.49% at 30/6/21.

(iii) Dividends

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

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

Each dividend must be calculated and approved in accordance with the Department of Industry – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2021 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Department of Industry – Water guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the Department of Industry – Water.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Shoalhaven City Council

To the Councillors of the Shoalhaven City Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Shoalhaven City Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2021, the Statement of Financial Position of each Declared Business Activity as at 30 June 2021 and the Significant accounting policies note.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage
- Holiday Haven Tourist Parks
- Bereavement Services
- Mechanical Services
- Shoalhaven Entertainment Centre
- Aquatic Recreation Facilities.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2021, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code).

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

Basis for Opinion

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

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

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

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

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

- providing that only Parliament, and not the executive government, can remove an Auditor-General

- mandating the Auditor-General as the auditor of councils
- precluding the Auditor-General from providing non-audit services.

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 'Permissible income for general rates'.

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

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in the Significant accounting policies note to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Lisa Berwick
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

18 November 2021
SYDNEY

Special Schedules

2020 - 2021



Shoalhaven City Council

Special Schedules

for the year ended 30 June 2021

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Shoalhaven City Council

Permissible income for general rates

	Notes	Calculation 2020/21 \$ '000	Calculation 2021/22 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	77,640	79,547
Plus or minus adjustments ²	b	387	567
Notional general income	$c = a + b$	78,027	80,114
Permissible income calculation			
Special variation percentage ³	d	5.00%	0.00%
Or rate peg percentage	e	0.00%	2.00%
Plus special variation amount	$h = d \times (c + g)$	3,901	—
Or plus rate peg amount	$i = e \times (c + g)$	—	1,602
Sub-total	$k = (c + g + h + i + j)$	81,928	81,716
Plus (or minus) last year's carry forward total	l	2	2,383
Sub-total	$n = (l + m)$	2	2,383
Total permissible income	$o = k + n$	81,930	84,099
Less notional general income yield	p	79,547	81,713
Catch-up or (excess) result	$q = o - p$	2,383	2,387
Less unused catch-up ⁵	s	—	(3)
Carry forward to next year ⁶	$t = q + r + s$	2,384	2,384

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Shoalhaven City Council

To the Councillors of Shoalhaven City Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Shoalhaven City Council (the Council) for the year ending 30 June 2022.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2021'.

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

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

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

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

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

A handwritten signature in black ink, appearing to read 'Lisa Berwick', with a small horizontal line underneath the name.

Lisa Berwick
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

18 November 2021
SYDNEY

Shoalhaven City Council

Report on Infrastructure Assets

as at 30 June 2021

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard ^a	Estimated cost to bring to the agreed level of service set by Council ^{b, bl.}	2020/21 Required maintenance ^c	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1 ¹	2 ²	3 ³	4 ⁴	5 ⁵
Buildings	Buildings	6,136	4,676	11,816	10,499	289,063	418,918	23.5%	45.2%	26.6%	3.6%	1.1%
	Sub-total	6,136	4,676	11,816	10,499	289,063	418,918	23.5%	45.2%	26.6%	3.6%	1.1%
Other structures	Other structures	1,000	800	565	413	16,096	39,993	42.0%	30.0%	20.0%	6.0%	2.0%
	Sub-total	1,000	800	565	413	16,096	39,993	42.0%	30.0%	20.0%	6.0%	2.0%
Roads	Sealed roads	32,211	11,106	5,851	5,215	674,470	1,036,858	18.0%	27.0%	34.0%	18.0%	3.0%
	Unsealed roads	743	2,323	1,481	1,348	7,223	23,232	10.0%	10.0%	42.0%	28.0%	10.0%
	Bridges	2,715	2,484	1,411	868	63,091	114,688	42.6%	25.9%	24.3%	5.1%	2.1%
	Footpaths	1,043	754	653	338	48,007	73,859	26.2%	52.0%	17.1%	3.6%	1.1%
	Other road assets	10,550	9,739	5,086	4,549	244,606	324,629	26.0%	38.0%	26.0%	7.0%	3.0%
	Bulk earthworks	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Other road assets (incl. bulk earth works)	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	47,262	26,406	14,482	12,318	1,329,370	1,573,266	21.7%	30.1%	31.0%	14.3%	2.9%
Water supply network	Water supply network	6,530	65	13,701	13,657	346,826	678,238	18.0%	59.0%	20.0%	2.0%	1.0%
	Sub-total	6,530	65	13,701	13,657	346,826	678,238	18.0%	59.0%	20.0%	2.0%	1.0%
Sewerage network	Sewerage network	7,124	71	19,183	19,178	575,494	875,640	18.0%	59.0%	20.0%	2.0%	1.0%
	Sub-total	7,124	71	19,183	19,178	575,494	875,640	18.0%	59.0%	20.0%	2.0%	1.0%
Stormwater drainage	Stormwater drainage	7,789	2,596	2,721	1,322	154,113	261,047	43.3%	20.9%	24.9%	9.9%	1.0%
	Sub-total	7,789	2,596	2,721	1,322	154,113	261,047	43.3%	20.9%	24.9%	9.9%	1.0%
Open space / recreational assets	Swimming pools	2,966	2,561	2,878	2,238	9,724	23,372	21.1%	21.6%	17.5%	28.8%	11.0%
	Other open space / Recreational Assets	783	626	986	682	21,147	47,305	20.0%	40.0%	34.7%	4.0%	1.3%
	Sub-total	3,749	3,187	3,864	2,920	30,871	70,677	20.4%	33.9%	29.0%	12.2%	4.5%
Other infrastructure assets	Other infrastructure assets	2,610	3,701	1,727	1,364	57,617	117,664	16.5%	23.2%	54.6%	2.6%	3.1%
	Sub-total	2,610	3,701	1,727	1,364	57,617	117,664	16.5%	23.2%	54.6%	2.6%	3.1%
Total – all assets		82,200	41,502	68,059	61,671	2,799,450	4,035,443	21.9%	42.1%	26.4%	7.7%	1.9%

Shoalhaven City Council

Report on Infrastructure Assets (continued)

as at 30 June 2021

- (1) Excellent (normal maintenance)
- (2) Good (Only minor maintenance work required)
- (3) Satisfactory (Maintenance work required)
- (4) Poor (renewal required)
- (5) Very poor (urgent renewal/upgrading required)
- (a) Satisfactory standard - Estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset that is currently not at the condition determined to be satisfactory by the council and community.
- (b) Agreed level of service - Estimated cost to renew or rehabilitate existing assets that have reached the condition-based intervention level adopted by council.
- (bi.) In making decisions regarding intervention levels, councils gave consideration to matters including, but not limited to:
 - i. the impacts on the whole-of-life costs of sustaining the asset, or asset component.
 - ii. the risk to the community, safety, the environment, financial sustainability, and council's reputation
 - iii. the affordability of managing the overall suite of assets under council's control.
- (c) Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

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

Shoalhaven City Council

Report on Infrastructure Assets

as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicators 20202019		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	46,858	75.72%	78.44%	58.85%	>= 100.00%
Depreciation, amortisation and impairment	61,885				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	82,200	2.86%	2.35%	3.17%	< 2.00%
Net carrying amount of infrastructure assets	2,878,548				
Asset maintenance ratio					
Actual asset maintenance	61,671	90.61%	87.97%	88.55%	> 100.00%
Required asset maintenance	68,059				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	41,502	1.03%	0.91%	0.94%	
Gross replacement cost	4,035,443				

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

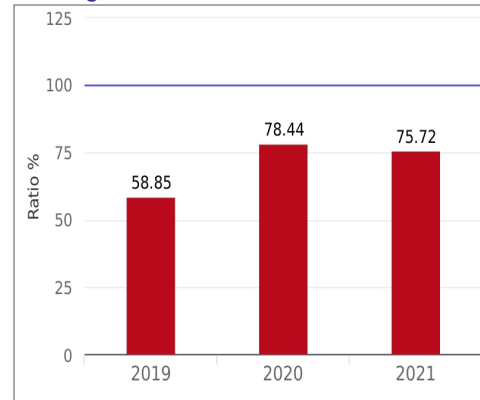
(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Shoalhaven City Council

Report on Infrastructure Assets

as at 30 June 2021

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

20/21 ratio 75.72%

Council's Building and Infrastructure renewals ratio is outside of the benchmark. Although Council continues to maintain its asset renewal funding on the consistent level, the overall assets portfolio continues to increase, and as a result, the ratio has deteriorated.

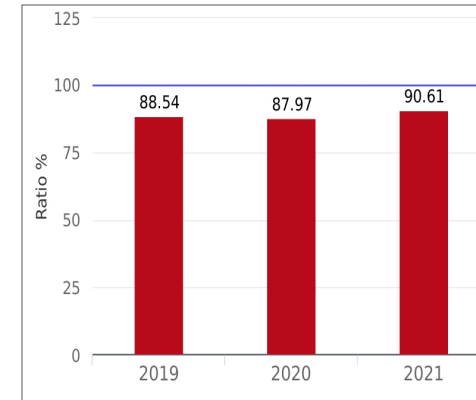
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

20/21 ratio 90.61%

Council's Asset Maintenance Ratio has improved slightly, but is lower than the benchmark. This indicates that the level of expenditure on the maintenance of infrastructure is not sufficient to prevent the backlog from growing.

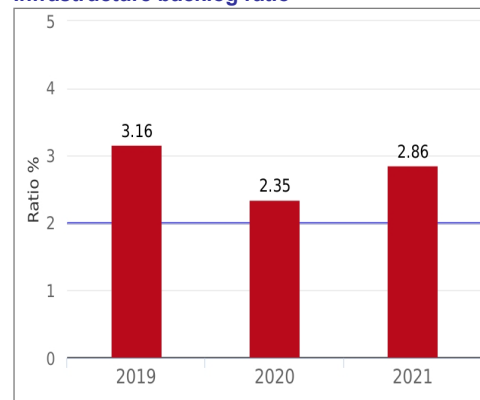
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

20/21 ratio 2.86%

Council's Infrastructure Backlog Ratio is above the benchmark of 2%. Council continues to focus on appropriate asset standards for renewal and maintenance. The increase is attributable to the roads revaluation increasing the value of the assets, and updated condition reporting on the road network.

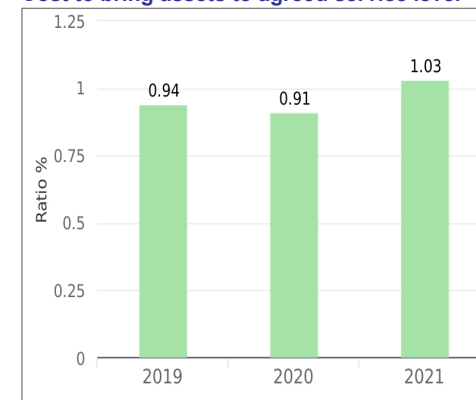
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

20/21 ratio 1.03%

The estimated cost to bring assets to an agreed level of service as set by Council has increased slightly due to changes in the value & condition of the asset portfolio.

Shoalhaven City Council

Report on Infrastructure Assets

as at 30 June 2021

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2021	2020	2021	2020	2021	2020	
Buildings and infrastructure renewals ratio							
Asset renewals ¹	68.15%	81.31%	131.42%	59.93%	63.64%	86.61%	>= 100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	3.50%	2.56%	1.88%	2.13%	1.24%	1.82%	< 2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	81.98%	78.19%	99.68%	99.95%	99.97%	99.97%	> 100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	1.67%	1.14%	0.01%	0.55%	0.01%	0.55%	
Gross replacement cost							

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