

Annual Financial Statements

2021 - 2022



Shoalhaven City Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2022



Shoalhaven City Council

General Purpose Financial Statements

for the year ended 30 June 2022

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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 2022

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 2022.

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 New South Wales the auditor provides two 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.

30 June 2022 Financial Statements Commentary

There is no doubting the fact that Council has faced a number of very difficult financial years. This is reflected in the deterioration in our performance measures as Council continued to be impacted by COVID-19, and its associated community assistance, together with multiple severe weather events.

The COVID-19 pandemic saw Council businesses temporarily close, staff working from home and the organisation adjusting to new ways of doing business. Council has largely returned to business-as-usual but has continued to face extreme weather events and recruitment challenges of skilled staff for critical roles.

To assist residents during the pandemic, as well as support the recovery of the region, Council implemented an extensive Financial Relief Package. The financial impact of various financial assistance measures on the 2021/22 result is summarised below.

Type of Financial Assistance	Amount (\$'000)
DA fees waived	811
Rent reduction	156
S7.11 subsidy *	1,510
S64 subsidy *	786
Total	3,263

* Not funded by General Fund

Council also amended its Local Preference Policy for a period of time resulting in an additional \$775k in expenditure – through the acceptance of higher cost tenders than would have otherwise been accepted. On 20 September 2022 Council adopted its new Local Preference Policy which provides for with up to a 5% local preference weighting applied to the non-price criteria for all formal procurement activities over \$125,000.

In addition to the costs associated with COVID-19 Financial Relief measures Council faced a number of severe weather events resulting in additional expenditure across various forms of maintenance including roads, parks, stormwater, buildings and trees.

Council mitigated the financial impact of these measures and events through a review and deferral of capital projects, accessing Reserves and identification of operational savings. All in all, the achievement of the financial results as at 30 June 2022 should be recognised as a significant achievement and reflects the difficult financial decisions taken during the year to manage our budget and financial position.

Financial Performance

Financial performance (Consolidated)			
\$'000	2022	2021	Increase / (Decrease)
Income from continuing operations	336,463	302,358	34,105
Expenses from continuing operations	292,892	279,744	13,148
Surplus/ (Deficit) for the year	43,571	22,614	20,957
Less Capital grants and contributions	54,029	31,895	22,134
Surplus/ (Deficit) before capital grants & contributions	(10,458)	(9,281)	(1,177)

Council's net operating result before capital grants and contributions was a deficit of \$10.5 million, a deterioration from the \$9.3 million deficit in 2021.

The primary reason for the deficit is expenditure associated with the COVID-19 financial assistance and loss of revenue due to the pandemic together with additional expenditure associated with increased maintenance costs following severe weather events.

Income from continuing operations increased by \$34 million in 2022 compared to 2021 is largely due to increases in both operating and capital grants (\$35 million) while the increase in rates and annual charges (\$6 million) and gain on sale of assets (\$5 million) were offset by reductions in user charges and fees, interest, and other revenues.

Notable reductions in user charges and fees include \$860k in water supply services, not surprising given the amount of rain received reducing the need for watering, and a similar reduction in development related income as activity slowed. The largest reduction in income was \$3.8m in tourist parks, associated with weather events. Other revenues fell by \$2.8m due to falls in fines income and insurance claims recoveries. Interest on investments fell by \$2.2m due to fair value decrement of the same amount.

Council received a significant amount of grant funding to support its ongoing recovery from bushfires and, more recently, natural disaster funding relating to weather events.

Operating expenses increased by \$13 million, mainly due to an annual increase in salaries and wages and additional depreciation arising from the 2021 revaluation of roads and this year's recognition of Rural Fire Service assets.

Financial Indicators

The financial challenges faced by Council have impacted its financial indicators, which are outlined in Note G6-1. Two ratios are below benchmark, the Unrestricted Current Ratio and the Operating Performance Ratio.

Council's Unrestricted Current Ratio is 1.27x compared to the benchmark of 1.5x which indicates a satisfactory financial position and adequate liquidity given the previous years above benchmark results. Remaining above 1 means Council has capacity to meet its financial obligations. It is important to note that, as was the case last financial year, Council is yet to receive some compensation for costs associated with the bushfires and weather events which will improve the ratio upon receipt of these funds.

The Operating Performance Ratio is below benchmark due to additional expenditure as noted above. In the circumstances, the small decline in the ratio from last year is a pleasing result.

	Benchmark	2021	2020
Unrestricted current ratio (times)	>1.5	1.27	1.53
Operating performance ratio (%)	>0	-4.72	-3.55
Debt service cover ratio (times)	>2	3.10	3.47
Rates and annual charges outstanding ratio (%)	<10	7.22	8.57
Own source operating revenue ratio (%)	>60	73.64	82.43
Cash expense cover ratio (months)	>3	6.53	8.03

Balance Sheet

Cash and Cash Equivalents			
\$'000	2022	2021	Movement
Current assets	219,361	215,372	3,989
Non-current assets	4,172,231	3,538,409	633,822
Total Assets	4,391,592	3,753,781	637,811
Current liabilities	119,467	95,414	24,503
Non-current liabilities	153,191	163,649	(10,458)
Total Liabilities	272,658	259,063	13,595
Net Assets	4,118,934	3,494,718	624,216
Restricted Cash	194,614	215,705	(21,091)
Unrestricted cash	2,580	3,815	(1,235)

The largest change on Council's balance sheet is in *Infrastructure, Property, Plant, & Equipment* and arises mainly from the revaluation of the Water Supply, Sewerage Network, Footpaths, Land Improvements, Other Infrastructure and Community Land asset classes. Also, due to quite significant increases in relevant indices, all other assets classes were indexed to more accurately disclose the carrying amount of Council's assets. Further, with a number of major projects in train, Capital Works in Progress has increased year-on-year.

Both Receivables and Contract Liabilities also increased as a result of grants receivable and unexpended grants respectively.

The unrestricted cash balance at the end of 2021/22 financial year was \$1.2 million lower than at the end of 2020/21 – again this is a pleasing result given the difficult circumstances experienced throughout 2021/22.

Voluntary Changes in Accounting Policies

Disclosure of s355 Management Committees

Historically, Council has had an inconsistent response from Management Committees submitting their annual financial statements. This had resulted in the disclosure of not only a different number of Committees from one year to the next, but different Committees as well. This inconsistency affected the meaningfulness of the disclosures. Further, the amounts disclosed are not material in the context of the financial statements. To assist with future years' statements preparation Management Committees have been removed.

It is important to note in this regard that Council will continue to receive Committees' financial statements, monitor their financial wellbeing, and provide subsidies in order to maintain their operations.

Communications Towers restricted cash

Council has constructed communications towers on several Water assets and receives rent from licensees that utilise the towers. This income is transferred to the Communication Towers Reserve and disclosed on Note C1-3 *Restricted and allocated cash, cash equivalents and investments*. Council has changed its treatment of this Reserve from an external restriction (Water Fund) to an internal allocation (Communication towers). This change has been made based on legal advice to the effect the rent is not a charge for the provision of water supply services and therefore does not need to be externally restricted.

This means that the total cash and investments disclosed in the Water Supply special purpose financial statements is offset by external restrictions plus the newly disclosed internal allocations.

Correction of errors

Error	Comment
Recognition of additional Crown Land	<p>In undertaking the revaluation of community land Council identified Community Land and Crown Land that it had not previously recognised.</p> <p>The Community Land was identified in a reconciliation between Council's asset register and Graphical Information System and the Crown Land was identified from the Crown Land Register where Council is identified as the Crown Land Manager.</p>
Recognition of 'Found' assets	<p>In undertaking comprehensive revaluations of Water, Sewer, Footpath, Other Infrastructure and Land Improvements - Depreciable, Council identified a number of assets not previously recognised in the fixed assets register. These assets have now been recognised.</p> <p>Further, in reconciling Infrastructure, Property, Plant & Equipment opening balances, Council also identified a number of assets not previously recognised.</p>
Recognition of Rural Fire Service 'Red Fleet' assets	<p>Council has recognised Rural Fire Service (RFS) 'Red Fleet' assets for the first time. This recognition remains a point of contention across local government with many councils choosing not to recognise these assets, generally on the basis of not controlling them.</p> <p>The Framework for the Preparation and Presentation of Financial Statements defines an asset as '...a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow', while the Accounting Standards refer to control of an asset as being the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. There are various provisions in the Rural Fires Act 1997 that, in theory, can be read to see 'Red Fleet' assets meeting these definitions. 'Red Fleet' assets are vested in Council under s119(2) of the Rural Fires Act.</p>
Manual adjustments	<p>Manual adjustments to Intangible Assets and Work In Progress resulted in a small net overstatement.</p>

The impact of these errors on Council's Statement of Financial Position is set out below and in Note G4-2 to the financial statements.

Asset Class	Original Balance 30/6/2021 \$'000	Increase / (Decrease) \$'000	Restated Balance 30/6/2021 \$'000
Crown land	25,820	93,803	119,623
Community land	115,091	2,236	117,327
Other infrastructure	57,617	1,099	58,716
Other structures	16,096	118	16,214
Water supply network	346,826	615	247,441
Sewerage network	575,494	690	576,184
Rural Fire Services Red Fleet	-	3,552	3,552
Capital works in progress	79,098	(83)	79,015
Intangible assets	558	32	590
	1,216,600	102,062	1,318,662

Conclusion

Despite a number of difficult financial years, Council's financial position remains sound. Ongoing prudent management of our budget will see that remain the case as we continue to recover from natural disasters and severe weather events in addition to providing our ongoing services to the community.

Shoalhaven City Council

General Purpose Financial Statements

for the year ended 30 June 2022

Statement by Councillors and Management

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

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

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

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

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

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

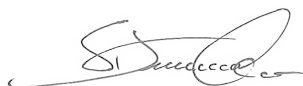
Signed in accordance with resolutions of Council made on 14 November 2022 and 12 December 2022.



Amanda Findley
Mayor
15 December 2022



Paul Ell
Deputy Mayor
15 December 2022



Stephen Dunshea
Chief Executive Officer
15 December 2022



Don Johnston
Responsible Accounting Officer
15 December 2022

Shoalhaven City Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022 \$ '000		Notes	Actual 2022 \$ '000	Actual 2021 \$ '000
Income from continuing operations				
161,353	Rates and annual charges	B2-1	159,895	153,519
81,598	User charges and fees	B2-2	78,955	85,590
3,891	Other revenues	B2-3	4,685	7,439
20,702	Grants and contributions provided for operating purposes	B2-4	33,831	21,164
62,663	Grants and contributions provided for capital purposes	B2-4	54,029	31,895
2,705	Interest and investment income	B2-5	1,922	2,402
–	Other income	B2-6	400	349
–	Net gain from the disposal of assets	B4-1	4,928	–
332,912	Total income from continuing operations		338,645	302,358
Expenses from continuing operations				
88,723	Employee benefits and on-costs	B3-1	101,588	94,756
86,069	Materials and services	B3-2	90,161	90,493
5,459	Borrowing costs	B3-3	5,702	5,574
67,777	Depreciation, amortisation and impairment of non-financial assets	B3-4	79,521	70,507
16,036	Other expenses	B3-5	18,102	18,407
–	Net loss from the disposal of assets	B4-1	–	7
264,064	Total expenses from continuing operations		295,074	279,744
68,848	Operating result from continuing operations		43,571	22,614
68,848	Net operating result for the year attributable to Council		43,571	22,614
Net operating result for the year before grants and contributions provided for capital purposes				
6,185			(10,458)	(9,281)

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 2022

	Notes	2022 \$ '000	Restated 2021 \$ '000
Net operating result for the year – from Income Statement		43,571	22,614
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	575,568	498,007
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements		(339)	(473)
Total items which will be reclassified subsequently to the operating result when specific conditions are met		(339)	(473)
Total other comprehensive income for the year		575,229	497,534
Total comprehensive income for the year attributable to Council		618,800	520,148

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 2022

	Notes	2022 \$ '000	Restated 2021 \$ '000	Restated 1 July 2020 \$ '000
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	21,416	44,745	16,883
Investments	C1-2	153,778	140,775	135,368
Receivables	C1-4	36,455	22,979	21,428
Inventories	C1-5	2,456	2,562	3,522
Other	C1-10	1,875	930	1,103
Non-current assets classified as held for sale	C1-6	3,381	3,381	–
Total current assets		219,361	215,372	178,304
Non-current assets				
Investments	C1-2	22,000	34,000	36,000
Receivables	C1-4	5,010	6,042	6,044
Inventories	C1-5	5,512	5,810	4,916
Infrastructure, property, plant and equipment (IPPE)	C1-7	4,128,553	3,488,891	2,968,066
Investment property	C1-8	3,400	3,000	1,650
Intangible assets	C1-9	493	590	561
Right of use assets	C2-1	135	76	222
Other	C1-10	1,712	–	–
Total non-current assets		4,166,815	3,538,409	3,017,459
Total assets		4,386,176	3,753,781	3,195,763
LIABILITIES				
Current liabilities				
Payables	C3-1	27,367	30,868	21,548
Contract liabilities	C3-2	39,129	11,638	7,922
Lease liabilities	C2-1	78	83	146
Borrowings	C3-3	16,303	17,460	12,277
Employee benefit provisions	C3-4	34,361	34,092	32,647
Provisions	C3-5	2,229	1,273	14,353
Total current liabilities		119,467	95,414	88,893
Non-current liabilities				
Lease liabilities	C2-1	75	–	84
Borrowings	C3-3	143,718	157,488	125,808
Employee benefit provisions	C3-4	1,368	1,162	1,082
Provisions	C3-5	8,030	4,999	5,326
Total non-current liabilities		153,191	163,649	132,300
Total liabilities		272,658	259,063	221,193
Net assets		4,113,518	3,494,718	2,974,570
EQUITY				
Accumulated surplus	C4-1	1,742,552	1,693,822	1,575,732
IPPE revaluation reserve	C4-1	2,370,966	1,800,896	1,398,838
Total equity		4,113,518	3,494,718	2,974,570

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 2022

	Notes	2022			2021		
		Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000
Opening balance at 1 July		1,591,760	1,800,896	3,392,656	1,568,841	1,302,889	2,871,730
Correction of errors	G4-2	102,062	–	102,062	102,840	–	102,840
Changes in accounting policies	G4-1	–	–	–	–	–	–
Restated opening balance		1,693,822	1,800,896	3,494,718	1,671,681	1,302,889	2,974,570
Net operating result for the year		43,571	–	43,571	22,614	–	22,614
Other comprehensive income							
Correction of errors	G4-2	–	–	–	(778)	–	(778)
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	575,568	575,568	–	498,007	498,007
Realised Gain (loss) on infrastructure, property, plant and equipment		5,498	(5,498)	–	–	–	–
– Other movements – inclusion of management committees retained earnings		–	–	–	305	–	305
- Other movements - derecognition of management committee retained earnings ¹		(339)	–	(339)	–	–	–
Other comprehensive income		5,159	570,070	575,229	(473)	498,007	497,534
Total other comprehensive income		48,730	570,070	618,800	22,141	498,007	520,148
Equity – balance at 30 June		1,742,552	2,370,966	4,113,518	1,693,822	1,800,896	3,494,718

(1) Council has derecognised Management Committees in its Financial Statements - refer to Note G4-1 for more information

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 2022

Original unaudited budget 2022 \$ '000		Notes	Actual 2022 \$ '000	Actual 2021 \$ '000
Cash flows from operating activities				
Receipts:				
161,353	Rates and annual charges		161,561	153,116
81,598	User charges and fees		88,547	89,393
2,705	Interest received		2,151	3,075
83,365	Grants and contributions		93,392	55,794
–	Bonds, deposits and retentions received		3,032	863
3,891	Other		18,880	17,910
Payments:				
(88,723)	Payments to employees		(100,647)	(95,058)
(86,069)	Payments for materials and services		(97,006)	(101,608)
(5,459)	Borrowing costs		(5,783)	(5,578)
–	Bonds, deposits and retentions refunded		(903)	(1,126)
–	Waste Levy		(11,341)	(12,830)
(16,036)	Other		(24,209)	(14,117)
136,625	Net cash provided from (or used in) operating activities	G1-1	127,674	89,834
Cash flows from investing activities				
Receipts:				
97,000	Sale of investments		83,497	184,334
2,400	Sale of real estate assets		4,369	1,620
3,116	Proceeds from sale of IPPE		3,127	3,256
–	Distributions received from joint ventures and associates		–	304
–	Deferred debtors receipts		14	–
Payments:				
–	Purchase of investments		(87,028)	(187,598)
–	Purchase of investment property		–	(1,202)
(235,707)	Payments for IPPE		(140,032)	(99,124)
(24,370)	Purchase of real estate assets		–	(99)
–	Purchase of intangible assets		–	(263)
–	Deferred debtors and advances made		(34)	(62)
(157,561)	Net cash flows from investing activities		(136,087)	(98,834)
Cash flows from financing activities				
Receipts:				
32,714	Proceeds from borrowings		2,601	50,457
Payments:				
(16,885)	Repayment of borrowings		(17,517)	(13,595)
15,829	Net cash flows from financing activities		(14,916)	36,862
(5,107)	Net change in cash and cash equivalents		(23,329)	27,862
40,102	Cash and cash equivalents at beginning of year		44,745	16,883
34,995	Cash and cash equivalents at end of year	C1-1	21,416	44,745
–	plus: Investments on hand at end of year	C1-2	175,778	174,775
34,995	Total cash, cash equivalents and investments		197,194	219,520

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 23 December 2022. 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) Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* - refer notes B2-2 to B2-4
- (iii) Assessment of asset impairment - refer note C1-7
- (iv) Estimated tip remediation provisions - refer Note C3-5
- (v) 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

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 1,305 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 26,158 hours at an estimated cost of \$1,015,900 for the year ended 30 June 2022 if the services had to be purchased.

New accounting standards and interpretations issued but 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 2022 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 2022.

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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	Restated \$ '000
Functions or activities										
Buildings and Property	1,212	2,984	11,046	14,033	(9,834)	(11,049)	98	2,043	507,410	363,754
Commercial Undertakings	32,089	37,350	36,129	32,594	(4,040)	4,756	535	103	219,855	137,786
Community and Culture	5,621	3,750	9,559	8,559	(3,938)	(4,809)	5,027	3,232	13,486	58,871
Economic Development	8,240	1,213	883	(410)	7,357	1,623	4,616	1,214	12,919	7,611
Environmental Management	1,696	2,351	3,064	2,375	(1,368)	(24)	1,689	2,320	3,035	74,162
Fire Protection and Emergency Services	11,126	1,305	7,695	3,961	3,431	(2,656)	11,154	1,335	16,834	14,414
Governance and Civic	73	972	8,010	5,985	(7,937)	(5,013)	–	–	–	1
Internal Corporate Services	111,658	106,023	27,343	38,360	84,315	67,663	25,005	22,133	272,493	23,811
Land Use Planning	581	614	3,520	3,439	(2,939)	(2,825)	49	6	23	–
Open Space, Sport and Recreation	4,492	3,825	18,303	16,153	(13,811)	(12,328)	4,344	3,445	144,993	89,441
Regulatory Services	5,950	8,292	18,133	16,868	(12,183)	(8,576)	309	336	727	17
Roads and Transport	27,826	12,965	45,856	42,687	(18,030)	(29,722)	27,748	12,830	1,825,247	1,729,299
Waste and Recycling Program	42,598	38,400	36,042	31,762	6,556	6,638	908	98	59,382	52,858
Water and Sewer Services	85,483	82,314	69,491	63,378	15,992	18,936	6,378	3,964	1,309,772	1,099,694
Other	–	–	–	–	–	–	–	–	–	102,062
Total functions and activities	338,645	302,358	295,074	279,744	43,571	22,614	87,860	53,059	4,386,176	3,753,781

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, 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

	2022 \$ '000	2021 \$ '000
Ordinary rates		
Residential	73,903	71,758
Farmland	2,081	2,086
Business	5,102	4,954
Less: pensioner rebates	(2,125)	(2,102)
Rates levied to ratepayers	78,961	76,696
Pensioner rate subsidies received	1,108	1,130
Total ordinary rates	80,069	77,826
Special rates		
Town improvement	16	16
Town planning	451	451
Rates levied to ratepayers	467	467
Total special rates	467	467
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	25,596	23,624
Stormwater management services	1,155	1,145
Water supply services	4,502	4,134
Sewerage services	48,007	46,478
Waste management services (non-domestic)	1,416	992
Less: pensioner rebates (mandatory)	(2,680)	(2,528)
Annual charges levied	77,996	73,845
Pensioner subsidies received:		
– Water	483	499
– Sewerage	478	493
– Domestic waste management	402	389
Total annual charges	79,359	75,226
Total rates and annual charges	159,895	153,519

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

	2022 \$ '000	2021 \$ '000
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Water supply services	17,550	18,957
Sewerage services	3,542	3,731
Waste management services (non-domestic)	14,206	13,474
Total specific user charges	35,298	36,162
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	4,088	5,796
Private works - s67	2,202	1,365
Section 10.7 certificates (EPA Act)	558	538
Section 603 certificates	285	353
Total fees and charges – statutory/regulatory	7,133	8,052
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Cemeteries	1,958	1,897
Communication charges	1,665	1,911
Entertainment centre	730	401
Family day care	50	33
Health licence fees	126	145
Leaseback fees – Council vehicles	1,526	1,444
Library	169	98
Tourism	32	135
Animal charges	265	303
Food inspection fees	129	162
Swimming / leisure centres	4,077	4,606
Hire of council property	450	893
Tourist parks	25,248	29,042
Other	99	306
Total fees and charges – other	36,524	41,376
Total other user charges and fees	43,657	49,428
Total user charges and fees	78,955	85,590
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time	–	–
User charges and fees recognised at a point in time	78,955	85,590
Total user charges and fees	78,955	85,590

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 revenues

	2022 \$ '000	2021 \$ '000
Commissions and agency fees	25	38
Credit card service fees	81	72
Discounts received	9	5
Fines – other	1,205	1,985
Fines – parking	141	255
Fuel tax credit	421	317
Insurance claims recoveries	452	2,324
Legal fees recovery – other	32	30
Legal fees recovery – rates and charges (extra charges)	170	–
Miscellaneous sales	29	21
Library – other councils	15	25
Recovery of other costs	314	1,052
Recycled material refunds	387	253
Rental income – investment property	134	147
Rental income – other council properties	793	823
Sponsorships	116	–
Other	361	92
Total other revenue	4,685	7,439

Timing of revenue recognition for other revenue

Other revenue recognised over time	–	–
Other revenue recognised at a point in time	4,685	7,439
Total other revenue	4,685	7,439

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 2022 \$ '000	Operating 2021 \$ '000	Capital 2022 \$ '000	Capital 2021 \$ '000
General purpose grants and non-developer contributions (untied)				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	4,773	4,284	–	–
Financial assistance – local roads component	1,892	1,745	–	–
Payment in advance - future year allocation				
Financial assistance – general component	7,327	4,583	–	–
Financial assistance – local roads component	2,918	1,873	–	–
Amount recognised as income during current year	16,910	12,485	–	–
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Previously specific grants:				
Bushfire and emergency services	615	621	823	157
Community care	1,441	1,095	2	44
Community centres	–	5	60	693
Economic development	30	92	3,974	165
Environmental programs	1,107	1,449	1,338	3
Heritage and cultural	132	371	12	3
Library	320	305	–	–
Library – special projects	9	36	–	–
LIRS subsidy & Low Cost Loan Initiative	224	151	–	–
Noxious weeds	181	229	–	–
Recreation and culture	587	201	6,559	4,271
Sewerage services	–	–	526	202
Storm/flood damage	8,372	–	2,437	1,083
Street lighting	265	265	–	–
Transport (other roads and bridges funding)	215	294	19,265	8,316
Water supplies	(5)	–	3,070	147
Transport (roads to recovery)	–	–	1,478	2,142
Waste Management	88	–	819	–
Other specific grants	354	277	(85)	36
Previously contributions:				
Transport for NSW contributions (regional roads, block grant)	2,198	2,345	–	–
Other contributions	788	943	5	332
Total special purpose grants and non-developer contributions – cash	16,921	8,679	40,283	17,594
Non-cash contributions				
Bushfire services	–	–	527	–
Environmental Protection	–	–	1,012	–
Recreation and culture	–	–	10	–
Roads and bridges	–	–	1,651	–
Sewerage (excl. section 64 contributions)	–	–	1,567	1,603
Water supplies (excl. section 64 contributions)	–	–	547	1,128
Total other contributions – non-cash	–	–	5,314	2,731
Total special purpose grants and non-developer contributions (tied)	16,921	8,679	45,597	20,325
Total grants and non-developer contributions	33,831	21,164	45,597	20,325
Comprising:				
– Commonwealth funding	18,266	14,083	6,687	8,133

B2-4 Grants and contributions (continued)

	Operating 2022 \$ '000	Operating 2021 \$ '000	Capital 2022 \$ '000	Capital 2021 \$ '000
– State funding	15,565	4,058	33,580	9,141
– Other funding	–	3,023	5,330	3,051
	33,831	21,164	45,597	20,325

B2-4 Grants and contributions (continued)

Developer contributions

	Operating 2022 \$ '000	Operating 2021 \$ '000	Capital 2022 \$ '000	Capital 2021 \$ '000
Notes				
Developer contributions:				
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):				
Cash contributions				
S 7.11 – contributions towards amenities/services	–	–	5,644	7,956
S 64 – water supply contributions	–	–	1,301	1,742
S 64 – sewerage service contributions	–	–	1,487	1,872
Total developer contributions – cash	–	–	8,432	11,570
Total developer contributions	–	–	8,432	11,570
Total contributions	–	–	8,432	11,570
Total grants and contributions	33,831	21,164	54,029	31,895
Timing of revenue recognition for grants and contributions				
Grants and contributions recognised over time	2,321	313	30,813	7,729
Grants and contributions recognised at a point in time	31,510	20,851	23,216	24,166
Total grants and contributions	33,831	21,164	54,029	31,895

G5

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 2022 \$ '000	Operating 2021 \$ '000	Capital 2022 \$ '000	Capital 2021 \$ '000
Unspent grants and contributions				
Unspent funds at 1 July	1,504	520	7,920	1,643
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	254	6,864	–	14,271
Add: Funds received and not recognised as revenue in the current year	3,812	230	25,091	5,718
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(789)	(5,811)	(1,152)	(13,053)
Less: Funds received in prior year but revenue recognised and funds spent in current year	(462)	(299)	(4,224)	(659)
Unspent funds at 30 June	4,319	1,504	27,635	7,920
Contributions				
Unspent funds at 1 July	–	–	34,884	31,517
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	2,738	5,181
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	(329)	(1,814)
Unspent contributions at 30 June	–	–	37,293	34,884

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.

Developer Contributions

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

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

	2022 \$ '000	2021 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	146	–
– Cash and investments	1,776	2,399
Fair value adjustments		
Amortisation of premiums and discounts		
– Interest free (and interest reduced) loans provided	–	3
Total interest and investment income (losses)	1,922	2,402

Interest and investment income is attributable to:

Unrestricted investments/financial assets:		
General Council cash and investments	792	947
Restricted investments/funds - external:		
Development contributions		
– Section 7.11	156	189
– Section 64	204	259
Water fund operations	342	436
Sewerage fund operations	344	433
Domestic waste management operations	84	138
Total interest and investment income	1,922	2,402

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.

B2-6 Other income

	Notes	2022 \$ '000	2021 \$ '000
Fair value increment on investment properties			
Fair value increment on investment properties		400	148
Total fair value increment on investment properties	C1-8	400	148
Fair value increment on investments			
Fair value increment on investments through profit and loss		–	201
Total Fair value increment on investments		–	201
Total other income		400	349

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2022 \$ '000	2021 \$ '000
Salaries and wages	80,987	75,072
Employee termination costs	44	239
Travel expenses	233	253
Employee leave entitlements (ELE)	17,741	14,840
Employee leave entitlement discounting adjustment	(1,197)	565
Superannuation	9,697	8,602
Workers' compensation insurance	1,021	596
Workers' compensation provision adjustment	1,168	1,167
Fringe benefit tax (FBT)	434	90
Payroll tax	733	976
Training costs (other than salaries and wages)	894	821
Other	680	898
Total employee costs	112,435	104,119
Less: capitalised costs	(10,847)	(9,363)
Total employee costs expensed	101,588	94,756

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	2022 \$ '000	2021 \$ '000
Raw materials and consumables		14,968	13,861
Contractor and consultancy costs		45,570	47,073
Audit Fees	F2-1	275	323
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	658	530
Advertising		1,513	1,197
Bank charges		733	762
Computer software, equipment and maintenance		3,953	3,322
COVID-19 financial assistance to ratepayers		4	219
Expenses from leases of low value assets		400	460
Fuel		3,097	2,622
Insurance		3,422	3,566
Light, power and heating		5,632	5,918
Motor vehicle registrations		578	504
Postage		338	372
Printing and stationery		474	490

B3-2 Materials and services (continued)

	2022	2021
	\$ '000	\$ '000
Street lighting	1,762	1,727
Subscriptions and publications	1,234	1,244
Telephone and communications	981	1,144
Valuation fees	529	409
Other expenses	2,669	3,290
Legal expenses:		
– Legal expenses: planning and development	677	454
– Legal expenses: debt recovery	–	2
– Legal expenses: other	694	1,004
Total materials and services	90,161	90,493

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 TechnologyOne'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

	2022 \$ '000	2021 \$ '000
(i) Interest bearing liability costs		
Interest on loans	5,645	5,519
Interest on advances	23	16
Total interest bearing liability costs	5,668	5,535
(ii) Other borrowing costs		
Fair value adjustments on recognition of advances and deferred debtors		
– Interest free (or favourable) loans and advances made by Council	34	39
Total other borrowing costs	34	39
Total borrowing costs expensed	5,702	5,574

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	2022 \$ '000	2021 \$ '000
Depreciation and amortisation			
Plant and equipment		9,948	6,788
Rural Fire Service Red Fleet ¹		816	–
Office equipment		499	594
Furniture and fittings		271	292
Land improvements (depreciable)		51	48
Infrastructure:	C1-7		
– Buildings – non-specialised		37	39
– Buildings – specialised		8,131	7,993
– Other structures		1,269	1,276
– Roads		24,104	19,461
– Bridges		1,615	1,350
– Footpaths		1,556	1,646
– Stormwater drainage		2,687	2,742
– Water supply network		8,822	8,401
– Sewerage network		13,265	14,066
– Swimming pools		452	338
– Other open space/recreational assets		2,348	2,171
– Other infrastructure		2,864	2,402
Other assets:			
– Library books		205	254
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5, C1-7	484	380
Intangible assets	C1-9	97	266
Total depreciation and amortisation costs		79,521	70,507

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.

(1) Council has recognised NSW Rural Fire Service 'Red Fleet' assets for the first time resulting in additional depreciation expense - refer to Note G4-2 for more information

B3-5 Other expenses

	Notes	2022 \$ '000	2021 \$ '000
Impairment of receivables			
Other		427	38
Total impairment of receivables	C1-4	427	38
Fair value decrement on investments			
Fair value decrement on investments through profit and loss		2,182	–
Total Fair value decrement on investments	C1-2	2,182	–
Other			
Contributions/levies to other levels of government			
– NSW fire brigade levy		485	523
– NSW rural fire service levy		1,282	1,755
– State Emergency Services levy		155	202
– Waste levy		11,341	12,831
– Other contributions/levies		1,246	2,257
Donations, contributions and assistance to other organisations (Section 356)		984	801

continued on next page ...

B3-5 Other expenses (continued)

	Notes	2022 \$ '000	2021 \$ '000
Total other		15,493	18,369
Total other expenses		18,102	18,407

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	2022 \$ '000	2021 \$ '000
Gain (or loss) on disposal of property (excl. investment property)	C1-7		
Proceeds from disposal – property		–	598
Less: carrying amount of property assets sold/written off		–	(2,879)
Gain (or loss) on disposal		–	(2,281)
Gain (or loss) on disposal of plant and equipment	C1-7		
Proceeds from disposal – plant and equipment		3,127	2,658
Less: carrying amount of plant and equipment assets sold/written off		(1,473)	(1,726)
Gain (or loss) on disposal		1,654	932
Gain (or loss) on disposal of infrastructure	C1-7		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(355)	–
Gain (or loss) on disposal		(355)	–
Gain (or loss) on disposal of real estate assets held for sale	C1-5		
Proceeds from disposal – real estate assets		4,369	1,620
Less: carrying amount of real estate assets sold/written off		(733)	(219)
Gain (or loss) on disposal		3,636	1,401
Gain (or loss) on disposal of investments	C1-2		
Proceeds from disposal/redemptions/maturities – investments		17,497	98,817
Less: carrying amount of investments sold/redeemed/matured		(17,504)	(98,876)
Gain (or loss) on disposal		(7)	(59)
Net gain (or loss) from disposal of assets		4,928	(7)

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	2022 Budget	2022 Actual	2022 ----- Variance -----	
Revenues				
Rates and annual charges	161,353	159,895	(1,458)	(1)% U
User charges and fees	81,598	78,955	(2,643)	(3)% U
Other revenues	3,891	4,685	794	20% F
The favourable variance in other revenue is due to insurance claims received during the year and Council's share of the kerbside container deposit scheme.				
Operating grants and contributions	20,702	33,831	13,129	63% F
The favourable variance is due to receiving disaster recovery funding, Currowan fire claim, fire recovery, Shoalhaven river front, development assessment and planning portal grants during the year.				
Capital grants and contributions	62,663	54,029	(8,634)	(14)% U
The unfavourable variance in capital grants and contributions results from not receiving grants due to works not being completed. The main areas were industrial land development, special local road improvement program, Shoalhaven Community and Recreational Precinct (SCaRP) and the Ulladulla boardwalk and harbourside.				
Interest and investment income	2,705	1,922	(783)	(29)% U
The unfavourable variance in interest and investment revenue is due to lower than expected interest rates.				
Net gains from disposal of assets	–	4,928	4,928	∞ F
The favourable variance on the gain from disposal of assets is due to the sale of industrial land.				
Other income	–	400	400	∞ F
The unfavourable result in other income is due to the fair value loss of Council's long term growth fund.				

Expenses

Employee benefits and on-costs	88,723	101,588	(12,865)	(15)% U
The unfavourable variance in employee costs is due to a misalignment of budget between labour and materials, this was corrected during the year. Other considerations for the variance include: additional workers compensation costs and an increase in the self insurance provision, additional labour costs for the natural disasters and additional fringe benefits tax.				
Materials and services	86,069	90,161	(4,092)	(5)% U
Borrowing costs	5,459	5,702	(243)	(4)% U
Depreciation, amortisation and impairment of non-financial assets	67,777	79,521	(11,744)	(17)% U
The unfavourable variance in depreciation is due to the revaluation of the roads assets in the previous financial year that resulted in revised useful lives for these assets. There is also additional depreciation in the sewer assets due to the				

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
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commissioning of the REMS facility and the recognition of Rural Fire Service assets.

Other expenses	16,036	18,102	(2,066)	(13)%	U
Net losses from disposal of assets	–	–	–	∞	F

Statement of cash flows

Cash flows from operating activities	136,625	127,674	(8,951)	(7)%	U
Cash flows from investing activities	(157,561)	(136,087)	21,474	(14)%	F

The favourable variance from investing activities result from the large capital works project not being completed during the year. This was partly due to funds and resources being diverted to assist in the natural disaster recovery.

Cash flows from financing activities	15,829	(14,916)	(30,745)	(194)%	U
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The unfavourable variance in financing activities is due to the budgeted new loans for 2021/22 not being drawn down during the year.

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2022 \$ '000	2021 \$ '000
Cash assets		
Cash on hand and at bank	17,192	40,593
Cash equivalent assets		
– Deposits at call	4,224	4,152
Total cash and cash equivalents	21,416	44,745

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	21,416	44,745
Balance as per the Statement of Cash Flows	21,416	44,745

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

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Financial assets at fair value through the profit and loss				
Managed funds	18,498	–	–	–
Government and semi-government bonds	5,000	–	–	–
NCD's, FRN's (with maturities > 3 months)	39,880	–	64,964	–
Total	63,378	–	64,964	–
Debt securities at amortised cost				
Long term deposits	90,400	22,000	75,811	34,000
Total	90,400	22,000	75,811	34,000
Total financial investments	153,778	22,000	140,775	34,000
Total cash assets, cash equivalents and investments	175,194	22,000	185,520	34,000

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

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

These investments are 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.

Other net gains and losses excluding dividends are recognised in the 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 and allocated cash, cash equivalents and investments

	2022 \$ '000	2021 \$ '000
Total cash, cash equivalents and investments	197,194	219,520
Less: Externally restricted cash, cash equivalents and investments	(161,400)	(165,973)
Cash, cash equivalents and investments not subject to external restrictions	35,794	53,547

External restrictions

External restrictions – included in liabilities

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

Specific purpose unexpended loans – general	12,636	38,478
Self insurance claims	4,048	2,880
Specific purpose unexpended grants – general fund	30,239	7,153
Specific purpose unexpended grants – water fund	583	–
Specific purpose unexpended grants – sewer fund	520	–
External restrictions – included in liabilities	48,026	48,511

External restrictions – other

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

Developer contributions – general	18,145	15,764
Developer contributions – water fund	19,148	19,120
Specific purpose unexpended grants (recognised as revenue) – general fund	612	2,271
Water fund	35,460	39,855
Sewer fund	30,661	29,835
Stormwater management	233	196
Other special levies	341	2,391
Domestic waste management	8,774	8,030
External restrictions – other	113,374	117,462
Total external restrictions	161,400	165,973

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

	2022 \$ '000	2021 \$ '000
Cash, cash equivalents and investments not subject to external restrictions	35,794	53,547
Less: Internally restricted cash, cash equivalents and investments	(33,213)	(49,732)
Total unrestricted and unallocated cash, cash equivalents and investments	2,581	3,815

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

	2022 \$ '000	2021 \$ '000
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Arts collection	48	70
Coastal Management	392	1,023
Committed capital works	1,140	3,940
Communication towers	4,431	702
Critical asset compliance	480	1,060
Deposits, retentions and bonds	4,862	2,873
Dog off leash	91	70
Economic development projects	637	966
Employees leave entitlement	5,881	7,050
Financial assistance grant	3,904	—
General insurance	208	—
Jervis Bay Territory	93	—
Jetty Licensing	19	19
Land decontamination	—	304
Land development reserve	4,138	4,039
Plant and vehicle replacement	1,224	2,266
Plant replacement cemeteries	29	165
Renewal Energy Reserve	100	—
S7.11 matching funds	311	311
S7.11 recoupment funds ¹	3,261	22,322
Shoalhaven Foreshore Development	1,097	1,171
Sporting facilities	—	163
Strategic projects	867	1,214
Strategic property acquisition	—	4
Total internal allocations	33,213	49,732

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

(1) 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.

	2022 \$ '000	2021 \$ '000
Total unrestricted and unallocated cash, cash equivalents and investments	2,581	3,815

C1-4 Receivables

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Rates and annual charges	7,891	3,309	8,525	4,140
Interest and extra charges	325	1,178	470	1,199
User charges and fees	7,363	471	7,307	619
Accrued revenues				
– Interest on investments	584	–	647	–
– Other income accruals	976	–	615	–
Deferred debtors	36	52	18	84
Government grants and subsidies	16,818	–	3,477	–
Net GST receivable	2,728	–	1,894	–
Other debtors	818	–	699	–
Total	37,539	5,010	23,652	6,042
Less: provision for impairment				
Rates and annual charges	(97)	–	(3)	–
User charges and fees	(987)	–	(670)	–
Total provision for impairment – receivables	(1,084)	–	(673)	–
Total net receivables	36,455	5,010	22,979	6,042
Externally restricted receivables				
Water supply				
– Rates and availability charges	392	148	312	61
– Other	3,919	1,851	2,570	412
Sewerage services				
– Rates and availability charges	4,041	935	4,786	974
– Other	1,240	192	1,619	97
Domestic waste management	827	537	810	731
Total external restrictions	10,419	3,663	10,097	2,275
Unrestricted receivables	26,036	1,347	12,882	3,767
Total net receivables	36,455	5,010	22,979	6,042

	2022 \$ '000	2021 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 9)	673	708
+ new provisions recognised during the year	428	92
– amounts already provided for and written off this year	(17)	(13)
– amounts provided for but recovered during the year	–	(114)
Balance at the end of the year	1,084	673

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

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
(i) Inventories at cost				
Real estate for resale	219	5,512	654	5,810
Stores and materials	2,237	–	1,908	–
Total inventories at cost	2,456	5,512	2,562	5,810
Total inventories	2,456	5,512	2,562	5,810

Externally restricted assets

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Water				
Stores and materials	1,307	–	1,207	–
Total water	1,307	–	1,207	–
Total externally restricted assets	1,307	–	1,207	–
Total unrestricted assets	1,149	5,512	1,355	5,810
Total inventories	2,456	5,512	2,562	5,810

C1-5 Inventories (continued)

(ii) Other disclosures

	Notes	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Details for real estate development					
Industrial/commercial		219	5,512	654	5,810
Total real estate for resale		219	5,512	654	5,810
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		219	5,512	36	232
Development costs		–	–	618	5,578
Total costs		219	5,512	654	5,810
Total real estate for resale		219	5,512	654	5,810
Movements:					
Real estate assets at beginning of the year		654	5,810	1,668	4,916
– Purchases and other costs		–	–	50	49
– WDV of sales (expense)	B4-1	(484)	(249)	(219)	–
Transfer out to IPP&E		–	–	–	–
Transfer in from IPP&E		–	–	–	–
Re-classification between Current and Non-current		49	(49)	(845)	845
Total real estate for resale		219	5,512	654	5,810

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

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Non-current assets held for sale				
Land	2,025	–	2,025	–
Buildings	1,356	–	1,356	–
Total non-current assets classified as held for sale	3,381	–	3,381	–

Reconciliation of non-current assets held for sale

	2022 Assets 'held for sale' \$ '000	2021 Assets 'held for sale' \$ '000
Opening balance	3,381	–
Balance still unsold after 12 months:	3,381	–
<u>Plus new transfers in:</u>		
– Assets held for sale	–	3,381
Closing balance of held for sale non-current assets	3,381	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 2021			Asset movements during the reporting period									At 30 June 2022			
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciatio n expense	Impairment loss / revaluation decrements (recognise d in P/L)	WIP Capitalised	Adjustment s and transfers	Revaluatio n decrements /impairmen t to equity (ARR)	Revaluatio n increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	
	Restated \$ '000	\$ '000	Restated \$ '000													\$ '000
Capital work in progress	79,015	–	79,015	–	137,224	–	–	–	(56,854)	–	–	–	159,385	–	159,385	
Plant and equipment	75,344	(29,333)	46,011	8,050	5,262	(1,472)	(9,948)	–	–	(101)	–	–	82,886	(35,084)	47,802	
Rural Fire Service Red Fleet	26,566	(23,014)	3,552	–	527	–	(816)	–	–	101	–	–	27,484	(24,120)	3,364	
Office equipment	14,261	(11,811)	2,450	–	220	(1)	(499)	–	–	–	–	–	14,417	(12,247)	2,170	
Furniture and fittings	4,948	(2,435)	2,513	–	103	–	(271)	–	–	7	–	–	5,061	(2,709)	2,352	
Land:																
– Crown land	119,623	–	119,623	–	–	–	–	–	–	–	–	26,207	145,830	–	145,830	
– Operational land	184,590	–	184,590	–	592	–	–	–	–	694	–	22,305	208,181	–	208,181	
– Community land	117,327	–	117,327	–	–	–	–	–	–	(694)	–	81,002	197,635	–	197,635	
– Land under roads post 30/6/08	1,744	–	1,744	–	–	–	–	–	–	–	–	–	1,744	–	1,744	
Land improvements – non-depreciable	127,740	–	127,740	–	–	–	–	(3)	–	(80,955)	–	565	47,347	–	47,347	
Land improvements – depreciable	1,829	(1,449)	380	229	515	–	(51)	–	–	7,076	–	1,390	14,983	(5,444)	9,539	
Infrastructure:																
– Buildings – non-specialised	1,909	(101)	1,808	–	328	–	(37)	–	–	8	–	235	2,472	(130)	2,342	
– Buildings – specialised	415,479	(128,224)	287,255	4,055	2,771	(127)	(8,131)	–	–	(18)	(335)	44,408	466,049	(136,171)	329,878	
– Other structures	40,132	(23,918)	16,214	1,003	741	(97)	(1,269)	–	–	85,150	(2,998)	18,389	148,011	(30,878)	117,133	
– Roads	1,384,719	(458,420)	926,299	6,414	1,994	–	(24,104)	–	–	18,392	(758)	118,744	1,556,326	(509,345)	1,046,981	
– Bridges	114,688	(51,597)	63,091	515	80	–	(1,615)	–	–	1,534	(161)	9,867	129,289	(55,978)	73,311	
– Footpaths	73,859	(25,852)	48,007	343	1,892	–	(1,556)	–	–	6,571	–	18,398	105,539	(31,884)	73,655	
– Bulk earthworks	291,973	–	291,973	5	–	–	–	–	–	–	(1,364)	26,453	318,431	(1,364)	317,067	
– Stormwater drainage	261,047	(106,934)	154,113	911	1,340	–	(2,687)	–	–	1,067	(45)	24,189	291,174	(112,286)	178,888	
– Water supply network	680,983	(333,542)	347,441	2,561	2,146	(118)	(8,822)	–	–	–	(968)	80,298	858,129	(435,591)	422,538	
– Sewerage network	874,356	(298,172)	576,184	2,791	6,521	(7)	(13,265)	–	–	3	–	82,629	947,709	(292,853)	654,856	
– Swimming pools	23,372	(13,648)	9,724	–	–	–	(452)	–	–	(784)	–	3,203	25,791	(14,100)	11,691	
– Other open space/recreation	47,305	(26,158)	21,147	2,655	6,146	–	(2,348)	–	–	2,425	(2)	8,260	66,741	(28,458)	38,283	
– Other infrastructure	118,554	(59,838)	58,716	746	74	(6)	(2,864)	–	–	(40,476)	–	15,657	57,724	(25,877)	31,847	
Other assets:																
– Library books	9,583	(8,448)	1,135	–	429	–	(205)	–	–	–	–	–	10,012	(8,653)	1,359	
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):																
– Tip assets	2,542	(1,703)	839	–	3,020	–	(484)	–	–	–	–	–	5,562	(2,187)	3,375	
Total infrastructure, property, plant and equipment	5,093,488	(1,604,597)	3,488,891	30,278	171,925	(1,828)	(79,424)	(3)	(56,854)	–	(6,631)	582,199	5,893,912	(1,765,359)	4,128,553	

(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 2020			Asset movements during the reporting period								At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP Capitalised	Adjustments and transfers	Revaluation decrements/impairment to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
	Restated \$ '000	\$ '000	Restated \$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	Restated \$ '000	\$ '000	Restated \$ '000
Capital work in progress	185,036	–	185,036	–	98,761	–	–	(204,782)	–	–	–	79,015	–	79,015
Plant and equipment	68,728	(25,069)	43,659	–	10,917	(1,726)	(6,788)	–	–	–	–	75,344	(29,333)	46,011
Rural Fire Services Red Fleet	26,566	(22,219)	4,347	–	–	–	(795)	–	–	–	–	26,566	(23,014)	3,552
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:														
– Operational land	173,469	–	173,469	–	990	(2,443)	–	–	(12,074)	–	24,648	184,590	–	184,590
– Community land	131,458	–	131,458	–	1,636	–	–	–	(15,771)	–	4	117,327	–	117,327
– Crown land	93,803	–	93,803	–	–	–	–	–	25,820	–	–	119,623	–	119,623
– 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	39,354	(22,453)	16,901	–	591	–	(1,279)	–	–	–	–	40,132	(23,918)	16,214
– 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	663,776	(322,109)	341,667	11,041	–	–	(8,401)	–	–	–	3,134	680,983	(333,542)	347,441
– Sewerage network	720,235	(282,075)	438,160	8,952	140,000	–	(14,066)	–	(14)	(971)	4,123	874,356	(298,172)	576,184
– 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	109,804	(51,211)	58,593	2,193	301	–	(2,421)	–	–	(2)	50	118,554	(59,838)	58,716
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	4,431,089	(1,463,023)	2,968,066	46,858	261,396	(4,612)	(71,058)	(204,782)	(4,940)	(2,476)	500,487	5,093,488	(1,604,597)	3,488,891

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

Accounting policy

Infrastructure, property, plant and equipment is measured initially at cost and then 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".

The Framework for the Preparation and Presentation of Financial Statements defines an asset as '...a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow', while the Accounting Standards refer to control of an asset as being the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. There are various provisions in the Rural Fires Act 1997 that, in theory, can be read to see 'Red Fleet' assets meeting these definitions. On this basis, Council has recognised 'Red Fleet' assets in its financial statements.

Externally restricted infrastructure, property, plant and equipment

	as at 30/06/22			as at 30/06/21		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount Restated	Accumulated depn. and impairment	Net carrying amount Restated
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Water supply						
WIP	9,365	–	9,365	12,667	–	12,667
Plant and equipment	9,562	3,638	5,924	8,422	2,874	5,548
Office equipment	2,584	1,877	707	2,572	1,800	772
Furniture and fittings	875	453	422	798	402	396
Land						
– Operational land	9,594	–	9,594	10,066	–	10,066
– Community land	193	–	193	128	–	128
Buildings	17,826	5,857	11,969	16,810	5,608	11,202
Other infrastructure and structures	4,214	2,870	1,344	1,550	1,252	298
Water Supply Network	858,129	435,591	422,538	678,238	327,362	350,876
Total water supply	912,342	450,286	462,056	731,251	339,298	391,953
Sewerage services						
WIP	18,923	–	18,923	153,563	–	153,563
Plant and equipment	8,205	4,599	3,606	8,497	4,097	4,400
Office equipment	1,003	791	212	1,001	761	240
Furniture and fittings	–	–	–	79	–	79
Land						
– Operational land	22,820	–	22,820	18,875	–	18,875
– Community land	1,957	–	1,957	1,022	–	1,022
Buildings	24,544	5,327	19,217	23,007	4,914	18,093
Other structures	121	13	108	105	90	15
Sewerage Network	947,708	292,853	654,855	875,587	299,599	575,988
Total sewerage services	1,025,281	303,583	721,698	1,081,736	309,461	772,275
Total restricted infrastructure, property, plant and equipment	1,937,623	753,869	1,183,754	1,812,987	648,759	1,164,228

Infrastructure, property, plant and equipment – current year impairments

	2022 \$ '000	2021 \$ '000
(iii) Impairment losses recognised direct to equity (ARR):		
– Details of each impaired asset incl. circumstances of impairment	–	1,940
Total impairment losses	–	1,940
Impairment of assets – direct to equity (ARR)	–	1,940

C1-8 Investment properties

	2022 \$ '000	2021 \$ '000
Owned investment property		
Investment property on hand at fair value	3,400	3,000
Total owned investment property	3,400	3,000

Owned investment property

At fair value

Opening balance at 1 July	3,000	1,650
Net gain/(loss) from fair value adjustments	400	148
Other movements	–	1,202
Closing balance at 30 June	3,400	3,000

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:

	2022 \$ '000	2021 \$ '000
Software		
Opening values at 1 July		
Gross book value	1,150	836
Accumulated amortisation	(528)	(243)
Net book value – opening balance	622	593
Movements for the year		
Other movements - prior period error	(32)	–
Development costs	–	263
Amortisation charges	(97)	(266)
Closing values at 30 June		
Gross book value	1,099	1,099
Accumulated amortisation	(606)	(509)
Total software – net book value	493	590
Total intangible assets – net book value	493	590

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.

C1-10 Other

Other assets

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Prepayments	1,875	–	930	–
Work in progress - service concession asset - Waste Processing Facility ¹	–	1,712	–	–
Total other assets	1,875	1,712	930	–

(1) Waste Processing Facility - Council has entered into a contract with Bioelektra Pty Ltd for the construction and operation of a waste processing facility in West Nowra. Under the contract, Council is required to make payments to Bioelektra during the construction phase. These, together with other expenses incurred by Council prior to the facility becoming operational, will be carried as work in progress until the facility becomes operational. At that point a service concession asset will be recognised in accordance with AASB 1059 - Service Concession Arrangements: Grantors.

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: 5 year lease - 2 year option exercised extending lease to 31 May 2024

Mobile building: 2 year lease - lease expired 30 September 2021

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 two years 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
2022		
Opening balance at 1 July	76	76
Adjustments to right-of-use assets due to re-measurement of lease liability	59	59
Balance at 30 June	135	135
2021		
Opening balance at 1 July	222	222
Adoption of AASB 16 at 1 July 2020 – first time lease recognition	(146)	(146)
Adjustments to right-of-use assets due to re-measurement of lease liability	–	–
Balance at 30 June	76	76

C2-1 Council as a lessee (continued)

(b) Lease liabilities

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Lease liabilities	78	75	83	—
Total lease liabilities	78	75	83	—

(c) 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
2022					
Cash flows	60	75	—	135	153
2021					
Cash flows	83	—	—	83	83

(d) Income Statement

	2022 \$ '000	2021 \$ '000
Expenses relating to low-value leases	400	460
	400	460

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).

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

C2-1 Council as a lessee (continued)

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

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Goods and services	15,458	–	11,500	–
Accrued expenses:				
– Borrowings	1,283	–	1,398	–
– Salaries and wages	1,263	–	797	–
– Other expenditure accruals	405	–	10,451	–
Security bonds, deposits and retentions	4,921	–	2,792	–
Prepaid rates	4,037	–	3,930	–
Total payables	27,367	–	30,868	–

Payables relating to restricted assets

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Externally restricted assets				
Water	1,607	–	2,212	–
Sewer	1,373	–	2,715	–
Domestic waste management	3,692	–	4,465	–
Payables relating to externally restricted assets	6,672	–	9,392	–
Total payables relating to restricted assets	6,672	–	9,392	–
Total payables relating to unrestricted assets	20,695	–	21,476	–
Total payables	27,367	–	30,868	–

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

		2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
	Notes				
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	27,415	–	6,702	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	3,926	–	452	–
Total grants and contributions received in advance		31,341	–	7,154	–

C3-2 Contract Liabilities (continued)

		2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
	Notes				
User fees and charges received in advance:					
Deposits received in advance of services provided	(iii)	7,788	—	4,484	—
Total user fees and charges received in advance		7,788	—	4,484	—
Total contract liabilities		39,129	—	11,638	—

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

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Externally restricted assets				
Water	1,014	—	—	—
Sewer	513	—	—	—
Unspent grants held as contract liabilities (excl. Water & Sewer)	29,815	—	7,153	—
Contract liabilities relating to externally restricted assets	31,342	—	7,153	—
Total contract liabilities relating to restricted assets	31,342	—	7,153	—
Total contract liabilities relating to unrestricted assets	7,787	—	4,485	—
Total contract liabilities	39,129	—	11,638	—

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

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Loans – secured ¹	16,213	143,517	17,283	157,310
Ratepayers' advances	90	201	177	178
Total borrowings	16,303	143,718	17,460	157,488

C3-3 Borrowings (continued)

(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

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Externally restricted assets				
Sewer	5,416	79,039	6,510	84,455
Domestic waste management	1,406	12,213	—	—
Borrowings relating to externally restricted assets	6,822	91,252	6,510	84,455
Total borrowings relating to restricted assets	6,822	91,252	6,510	84,455
Total borrowings relating to unrestricted assets	9,481	52,466	10,950	73,033
Total borrowings	16,303	143,718	17,460	157,488

C3-3 Borrowings (continued)

(a) Changes in liabilities arising from financing activities

	2021		Non-cash movements				2022
	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	174,593	(14,829)	–	(34)	–	–	159,730
Ratepayers' advances	355	(65)	–	–	–	–	290
Lease liability (Note C2-1b)	83	70	–	–	–	–	153
Total liabilities from financing activities	175,031	(14,824)	–	(34)	–	–	160,173

	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

(b) Financing arrangements

	2022 \$ '000	2021 \$ '000
Total facilities		
Credit cards/purchase cards	550	550
Total financing arrangements	550	550
Drawn facilities		
– Credit cards/purchase cards	134	140
Total drawn financing arrangements	134	140
Undrawn facilities		
– Credit cards/purchase cards	416	410
Total undrawn financing arrangements	416	410

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

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Annual leave	10,444	–	9,094	–
Sick leave	8,734	–	10,344	–
Long service leave	15,183	1,368	14,654	1,162
Total employee benefit provisions	34,361	1,368	34,092	1,162

Employee benefit provisions relating to restricted assets

Externally restricted assets

Water	213	–	–	–
Sewer	145	–	–	–
Employee benefit provisions relating to externally restricted assets	358	–	–	–
Total employee benefit provisions relating to restricted assets	358	–	–	–
Total employee benefit provisions relating to unrestricted assets	34,003	1,368	34,092	1,162
Total employee benefit provisions	34,361	1,368	34,092	1,162

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

	2022 \$ '000	2021 \$ '000
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	19,738	22,439
	19,738	22,439

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	
2022				
At beginning of year	9,094	10,344	15,816	35,254
Additional provisions	10,323	4,012	3,415	17,750
Amounts used (payments)	(9,129)	(5,113)	(1,835)	(16,077)
Remeasurement effects	359	(711)	(845)	(1,197)
Other	(203)	202	–	(1)
Total ELE provisions at end of year	10,444	8,734	16,551	35,729
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

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

	2022 Current \$ '000	2022 Non-Current \$ '000	2021 Current \$ '000	2021 Non-Current \$ '000
Other provisions				
Self insurance – workers compensation	987	3,061	596	2,284
Sub-total – other provisions	987	3,061	596	2,284

C3-5 Provisions (continued)

	2022 Current \$ '000	2022 Non-Current \$ '000	2021 Current \$ '000	2021 Non-Current \$ '000
Asset remediation/restoration:				
Asset remediation/restoration (future works)	1,242	4,969	677	2,715
Sub-total – asset remediation/restoration	1,242	4,969	677	2,715
Total provisions	2,229	8,030	1,273	4,999

Provisions relating to restricted assets

Externally restricted assets

Self insurance	987	3,061	596	2,284
Provisions relating to externally restricted assets	987	3,061	596	2,284
Total provisions relating to restricted assets	987	3,061	596	2,284
Total provisions relating to unrestricted assets	1,242	4,969	677	2,715
Total provisions	2,229	8,030	1,273	4,999

Description of and movements in provisions

	Other provisions		
	Self insurance \$ '000	Asset remediation \$ '000	Total \$ '000
2022			
At beginning of year	2,880	3,392	6,272
Changes to provision:			
– Revised costs	1,168	3,504	4,672
Amounts used (payments)	–	(685)	(685)
Total other provisions at end of year	4,048	6,211	10,259
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

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.

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.

C3-5 Provisions (continued)

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

IPPE Revaluation reserve

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

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 2022 \$ '000	Water 2022 \$ '000	Sewer 2022 \$ '000
Income from continuing operations			
Rates and annual charges	107,311	4,585	47,999
User charges and fees	64,207	20,802	4,278
Interest and investment income	3,010	741	344
Other revenues	4,454	227	4
Grants and contributions provided for operating purposes	33,836	(5)	—
Grants and contributions provided for capital purposes	45,532	4,917	3,581
Net gains from disposal of assets	4,834	11	83
Other income	400	—	—
Total income from continuing operations	263,584	31,278	56,289
Expenses from continuing operations			
Employee benefits and on-costs	84,213	8,007	11,316
Materials and services	75,371	10,324	12,852
Borrowing costs	2,121	—	3,776
Depreciation, amortisation and impairment of non-financial assets	54,262	10,694	14,565
Other expenses	18,123	(47)	26
Total expenses from continuing operations	234,090	28,978	42,535
Operating result from continuing operations	29,494	2,300	13,754
Net operating result for the year	29,494	2,300	13,754
Net operating result attributable to each council fund	29,094	2,300	13,754
Net operating result for the year before grants and contributions provided for capital purposes	(16,038)	(2,617)	10,174

D1-2 Statement of Financial Position by fund

	General 2022 \$ '000	Water 2022 \$ '000	Sewer 2022 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	11,545	6,485	3,386
Investments	82,894	46,568	24,316
Receivables	25,744	5,430	5,281
Inventories	1,149	1,307	–
Other	1,875	–	–
Non-current assets classified as held for sale	3,381	–	–
Total current assets	126,588	59,790	32,983
Non-current assets			
Investments	11,859	6,662	3,479
Receivables	3,003	3,189	1,127
Inventories	5,512	–	–
Infrastructure, property, plant and equipment	2,944,799	462,056	721,698
Investment property	3,400	–	–
Intangible assets	465	12	17
Right of use assets	135	–	–
Other	1,712	–	–
Total non-current assets	2,970,885	471,919	726,321
Total assets	3,097,473	531,709	759,304
LIABILITIES			
Current liabilities			
Payables	24,386	1,607	1,373
Contract liabilities	37,602	1,014	513
Lease liabilities	78	–	–
Borrowings	10,888	–	6,535
Employee benefit provision	34,003	213	145
Provisions	2,229	–	–
Total current liabilities	109,186	2,834	8,566
Non-current liabilities			
Lease liabilities	75	–	–
Borrowings	64,679	–	80,229
Employee benefit provision	1,368	–	–
Provisions	8,030	–	–
Total non-current liabilities	74,152	–	80,229
Total liabilities	183,338	2,834	88,795
Net assets	2,914,135	528,875	670,509
EQUITY			
Accumulated surplus	1,064,900	230,915	446,737
Revaluation reserves	1,849,235	297,960	223,772
Council equity interest	2,914,135	528,875	670,509
Total equity	2,914,135	528,875	670,509

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
Total repaid during year (principal and interest) (\$'000)	1,248
Principal outstanding at end of year (\$'000)	2,309

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 2022	Ownership 2021	Voting rights 2022	Voting rights 2021
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

	2022 \$ '000	2021 \$ '000
--	-----------------	-----------------

Summarised statement of comprehensive income

Revenue	–	2
Expenses	1	–
Profit for the period	1	2
Total comprehensive income	1	2

Summarised statement of financial position

Current assets	466	467
Total assets	466	467
Net assets	466	467

Summarised statement of cash flows

Cash flows from operating activities	(1)	2
Net increase (decrease) in cash and cash equivalents	(1)	2

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 2022	Ownership 2021	Voting rights 2022	Voting rights 2021
2022	2021	2022	2021	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.

NOTE: From 30 June 2022 Council will no longer be disclosing Management Committees in its financial statements. Council will continue to receive and monitor the financial wellbeing of its Management Committees and provide subsidies in order to maintain their operations. However, as they are immaterial individually and collectively, they will no longer be disclosed. As a result, the summarised financial information below only discloses the 2021 figures.

Summarised financial information for the Subsidiary

	2022 \$ '000	2021 \$ '000
Summarised statement of comprehensive income		
Revenue	–	516
Expenses	–	(458)
Profit for the period	–	58
Total comprehensive income	–	58
Summarised statement of financial position		
Current assets	–	339
Non-current assets	–	1
Total assets	–	340
Current liabilities	–	1
Total liabilities	–	1
Net assets	–	339
Summarised statement of cash flows		
Cash flows from operating activities	–	(58)
Net increase (decrease) in cash and cash equivalents	–	(58)

Accounting policy for subsidiaries

These consolidated financial statements include the financial position and performance of Southern Water Services Pty Ltd. 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 cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. Southern Water Pty Ltd has 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 2022 \$ '000	Carrying value 2021 \$ '000	Fair value 2022 \$ '000	Fair value 2021 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	21,416	44,745	21,416	44,745
Receivables	41,465	29,021	30,660	29,021
Investments				
– Debt securities at amortised cost	112,400	109,811	112,400	109,811
Fair value through profit and loss				
Cash and cash equivalents	–	–	–	–
Investments				
– Held for trading	63,378	64,964	63,378	64,964
Total financial assets	238,659	248,541	227,854	248,541
Financial liabilities				
Payables	27,367	30,868	37,307	30,868
Loans/advances	160,021	174,948	160,021	174,948
Total financial liabilities	187,388	205,816	197,328	205,816

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. 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:

- **Price risk** – the risk that the capital value of investments may fluctuate due to changes in market prices, whether they are changes caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

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

- **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

	2022 \$ '000	2021 \$ '000
The impact on the results 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	2,279	2,485
Impact of a 10% movement in price of investments		
– Equity / Income Statement	6,338	6,496

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

(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.

	Not yet overdue \$ '000	overdue rates and annual charges < 5 years \$ '000	≥ 5 years \$ '000	Total \$ '000
2022				
Gross carrying amount	2,559	7,536	1,105	11,200
2021				
Gross carrying amount	3,483	8,430	752	12,665

Receivables - non-rates and annual charges and contract assets

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

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

	Not yet overdue \$ '000	0 - 30 days \$ '000	Overdue debts 31 - 60 days \$ '000	61 - 90 days \$ '000	> 90 days \$ '000	Total \$ '000
2022						
Gross carrying amount	25,261	853	659	627	3,949	31,349
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	10.02%	1.26%
ECL provision	—	—	—	—	396	396
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

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

(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	payable in: ≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
2022							
Payables	0.00%	4,921	22,446	–	–	27,367	27,367
Borrowings	3.85%	–	16,275	58,372	85,374	160,021	160,021
Lease liabilities	0.00%	–	78	75	–	153	153
Total financial liabilities		4,921	38,799	58,447	85,374	187,541	187,541
2021							
Payables	0.00%	2,792	28,070	–	–	30,862	30,868
Borrowings	4.02%	–	17,427	59,855	97,666	174,948	174,948
Lease liabilities	0.00%	–	83	–	–	83	83
Total financial liabilities		2,792	45,580	59,855	97,666	205,893	205,899

Loan agreement breaches

There have been no breaches in loan agreements during the 2021/22 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	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021	2022	2021	2022	2021
Recurring fair value measurements									
Financial assets									
Financial investments	C1-2								
– 'Fair value through profit and loss' / 'Held for trading'		30/06/22	30/06/21	–	–	63,378	64,964	63,378	64,964
– 'Financial assets at fair value through other comprehensive income' / 'Available for sale'		30/06/22	0/06/2021	–	–	–	–	–	–
Total financial assets				–	–	63,378	64,964	63,378	64,964
Investment property									
Shops, 37-43 Kinghorne Street, Nowra	C1-8	30/06/22	30/06/21	1,800	1,550	–	–	1,800	1,550
Shops, 3 Schofields Lane, Nowra		30/06/22	30/06/21	1,600	1,450	–	–	1,600	1,450
Total investment property				3,400	3,000	–	–	3,400	3,000

E2-1 Fair value measurement (continued)

Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021	2022	2021	2022	2021
Infrastructure, property, plant and equipment	C1-7								
Plant and equipment		30/06/22	30/06/20	—	—	47,802	46,011	47,802	46,011
Rural Fire Service Red Fleet		30/06/22	30/06/21	—	—	3,364	3,552	3,364	3,552
Office equipment		30/06/22	30/06/20	—	—	2,170	2,450	2,170	2,450
Furniture and fittings		30/06/22	30/06/20	—	—	2,352	2,513	2,352	2,513
Crown land		30/06/22	30/06/20	—	—	145,830	119,623	145,830	119,623
Operational land		30/06/21	30/06/20	—	—	208,181	184,590	208,181	184,590
Community land		30/06/22	30/06/20	—	—	197,635	117,327	197,635	117,327
Land under roads (post 30/06/08)		30/06/20	30/06/20	—	—	1,744	1,744	1,744	1,744
Land improvements – non-depreciable		30/06/22	30/06/16	—	—	47,347	127,740	47,347	127,740
Land improvements – depreciable		30/06/22	30/06/16	—	—	9,539	380	9,539	380
Buildings – non-specialised		30/06/19	30/06/19	2,342	1,808	—	—	2,342	1,808
Buildings – specialised		30/06/19	30/06/19	—	—	329,878	287,255	329,878	287,255
Other structures		30/06/16	30/06/16	—	—	117,133	16,214	117,133	16,214
Roads		30/06/21	30/06/21	—	—	1,046,981	926,299	1,046,981	926,299
Bridges		30/06/21	30/06/21	—	—	73,311	63,091	73,311	63,091
Footpaths		30/06/22	30/06/15	—	—	73,655	48,007	73,655	48,007
Bulk earthworks (non-depreciable)		30/06/21	30/06/21	—	—	317,067	291,973	317,067	291,973
Stormwater drainage		30/06/21	30/06/21	—	—	178,888	154,113	178,888	154,113
Water supply network		30/06/22	30/06/21	—	—	422,538	347,441	422,538	347,441
Sewerage network		30/06/22	30/06/21	—	—	654,856	576,184	654,856	576,184
Swimming pools		30/06/16	30/06/16	—	—	11,691	9,724	11,691	9,724
Other open space / recreational assets		30/06/16	30/06/16	—	—	38,283	21,147	38,283	21,147
Other infrastructure		30/06/22	30/06/16	—	—	31,847	58,716	31,847	58,716
Library books		30/06/22	30/06/20	—	—	1,359	1,135	1,359	1,135
Tip asset		30/06/22	30/06/20	—	—	3,375	839	3,375	839
Total infrastructure, property, plant and equipment				2,342	1,808	3,966,826	3,408,068	3,969,168	3,409,876
Non-recurring fair value measurements									
Non-current assets classified as held for sale									
	C1-6								
Operational Land		30/06/22	30/06/2021	—	2,025	2,025	—	2,025	2,025
Buildings		30/06/22	30/06/2019	—	1,356	1,356	—	1,356	1,356
Total NCA's classified as held for sale				—	3,381	3,381	—	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.

E2-1 Fair value measurement (continued)

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

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 2022.

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 2022.

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.

The last valuation was undertaken effective 30th June 2020.

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

Land Improvements - depreciable and non-depreciable

E2-1 Fair value measurement (continued)

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.

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.

Previously this class of assets was revalued in-house but this year, valuations for this asset class were undertaken externally by Morrison Low Consultants P/L.

The last valuation was undertaken effective 30th June 2022.

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 and 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.

E2-1 Fair value measurement (continued)

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.

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.

Previously this class of assets was revalued in-house but this year, valuations for this asset class were undertaken externally by Morrison Low Consultants P/L.

The last valuation was undertaken effective 30th June 2022.

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

Bulk earthworks

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 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".

The last full valuation of the water supply network was undertaken effective 30 June 2022.

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

E2-1 Fair value measurement (continued)

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".

The last full valuation of the sewerage network was undertaken effective 30 June 2022.

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 / Recreation

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.

The last revaluation was undertaken effective 30th June 2022.

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.

Assets held for sale continue to be valued consistently with the underlying assets classes, i.e. operational land and buildings. The basis of valuations for these asset classes appear above.

E2-1 Fair value measurement (continued)

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

At the end of each financial year Council assess changes in carrying value of each of the asset class and if the movement is considered to be material, a comprehensive revaluation is performed. In addition, five year assets revaluation cycle is used as a guidance.

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.

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	Independent Investment 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
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	<ul style="list-style-type: none"> Land value (price per square metre)
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 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 Asset condition
Other structures	Replacement Cost used to approximate fair value	<ul style="list-style-type: none"> Gross replacement cost Remaining useful life Asset condition
Roads	External Valuer - Replacement Cost used to approximate fair value	<ul style="list-style-type: none"> Gross replacement cost Remaining useful life Asset condition
Bridges	External Valuer - Replacement Cost used to approximate fair value	<ul style="list-style-type: none"> Gross replacement cost Remaining useful life Asset condition
Footpaths	External Valuer - Replacement Cost used to approximate fair value	<ul style="list-style-type: none"> Gross replacement cost Remaining useful life Asset condition
Bulk earthworks (nondepreciable)	External Valuer - Replacement Cost used to approximate fair value	<ul style="list-style-type: none"> Replacement cost
Stormwater drainage	External Valuer - Replacement Cost used to approximate fair value	<ul style="list-style-type: none"> Gross replacement cost Remaining useful life Asset condition
Water supply network	Replacement Cost used to approximate fair value	<ul style="list-style-type: none"> Gross replacement cost Remaining useful life

E2-1 Fair value measurement (continued)

	Valuation technique/s	Unobservable inputs
Sewerage network	Replacement Cost used to approximate fair value	<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	Replacement Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life
Other infrastructure	External Valuer - Replacement Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life

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

	Investments		IPP&E		Total	
	2022	2021 Restated	2022	2021 Restated	2022	2021 Restated
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Opening balance	64,964	49,451	3,408,068	2,781,037	3,473,032	2,830,488
Total gains or losses for the period						
Recognised in profit or loss – realised (refer to Note B3-5)	(2,182)	(59)	–	–	(2,182)	(59)
Other movements						
Purchases (GBV)	18,100	28,872	64,643	204,208	82,743	233,080
Disposals (WDV)	(17,504)	(13,300)	(1,828)	(4,169)	(19,332)	(17,469)
Depreciation and impairment	–	–	(79,390)	(71,019)	(79,390)	(71,019)
Asset revaluation reserve	–	–	575,333	498,011	575,333	498,011
Closing balance	63,378	64,964	3,966,826	3,408,068	4,030,204	3,473,032

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 7.5% of salaries for the year ending 30 June 2022 (increasing to 8.0% 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 31 December 2021 and \$20.0 million per annum for 1 January to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. 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 \$1,210,800.96.

E3-1 Contingencies (continued)

The estimated employer reserves financial position for the Pooled Employers at 30 June 2022 is:

Defined Benefit reserves only*	\$millions	Asset Coverage
Assets	2,376.6	
Past Service Liabilities	2,380.7	99.8%
Vested Benefits	2,391.7	99.4%

* 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	5.5% 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 will be completed by December 2022.

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 2.04% as a percentage of the total past service contributions for all Pooled Employers (of \$40m for each year from 1 July 2019 to 31 December 2021 and \$20m for each year from 1 January 2022 to 31 December 2024) 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 buildings, 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 Environment 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 \$485,000 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 which it will be required to expend in accordance with those Plans. As well, these Plans indicate propose 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 at the Reporting Date, but represent 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) 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:

	2022 \$ '000	2021 \$ '000
Compensation:		
Short-term benefits	6,665	5,899
Post-employment benefits	612	596
Other long-term benefits	271	215
Termination benefits	87	365
Total	7,635	7,075

F1-2 Councillor and Mayoral fees and associated expenses

	2022	2021
	\$ '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	57	54
Councillors' fees	306	318
Other Councillors' expenses (including Mayor)	295	158
Total	658	530

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
2022						
Management committee subsidy ¹		-	-	Management Committees are paid a subsidy to assist in operating and maintaining the facility they are managing	-	-
2021						
Management committee subsidy ¹		133	6	Management Committees are paid a subsidy to assist in operating and maintaining the facility they are managing	-	-

(1) Due to a change in accounting policy during the year, Council no longer consolidates Management Committees into its financial statements - refer to Note G4-1 for more information

F2 Other relationships

F2-1 Audit fees

	2022 \$ '000	2021 \$ '000
Audit and other assurance services: Auditors of NSW Council - NSW Auditor-General		
Audit of financial statements	167	167
Total fees paid or payable to the Auditor-General	167	167
Other services	108	156
Total audit fees	275	323

G Other matters

G1-1 Statement of Cash Flows information

(a) Reconciliation of Operating Result

	2022 \$ '000	2021 \$ '000
Net operating result from Income Statement	43,571	22,614
Add / (less) non-cash items:		
Depreciation and amortisation	79,521	70,507
(Gain) / loss on disposal of assets	(4,928)	7
Non-cash capital grants and contributions	(5,314)	(2,731)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	2,182	(201)
– Investment property	(400)	(148)
– Interest-free advances made by Council (deferred debtors)	34	39
Amortisation of premiums, discounts and prior period fair valuations		
– Interest on all fair value adjusted interest free advances made by Council	–	(3)
– Financial asset at fair value through other comprehensive income / available for sale (2018)	–	–
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(12,869)	(1,488)
Increase / (decrease) in provision for impairment of receivables	411	(35)
(Increase) / decrease of inventories	(329)	(54)
(Increase) / decrease of other current assets	(2,657)	173
Increase / (decrease) in payables	3,958	6,188
Increase / (decrease) in accrued interest payable	(115)	(43)
Increase / (decrease) in other accrued expenses payable	(9,580)	2,829
Increase / (decrease) in other liabilities	2,236	346
Increase / (decrease) in contract liabilities	27,491	3,716
Increase / (decrease) in employee benefit provision	475	1,525
Increase / (decrease) in other provisions	3,987	(13,407)
Net cash flows from operating activities	127,674	89,834

(b) Non-cash investing and financing activities

Other dedications	2,115	2,731
Total non-cash investing and financing activities	2,115	2,731

G2-1 Commitments

Capital commitments (exclusive of GST)

	2022 \$ '000	2021 \$ '000
--	-----------------	-----------------

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Buildings	3,991	3,149
Industrial Land Development	9,851	—
Parks and Reserves	8,611	—
Plant and equipment	6,350	15,434
Roads	39,116	366
Sewer assets	25,439	8,290
Swimming pools	144	3,520
Tourist Parks	3,340	—
Waste Management	26,687	—
Water assets	12,942	17,306
Other	3,724	5,001
Total commitments	140,195	53,066

These expenditures are payable as follows:

Within the next year	127,695	53,066
Later than one year and not later than 5 years	12,500	—
Total payable	140,195	53,066

Sources for funding of capital commitments:

Unrestricted general funds	5,772	10,562
Future grants and contributions	45,148	2,297
Section 7.11 and 64 funds/reserves	711	15
Externally restricted reserves	44,397	18,754
Internally restricted reserves	13,311	14,273
Unexpended and future loans	30,856	7,165
Total sources of funding	140,195	53,066

Details of capital commitments

Below is a list of the 10 largest capital commitments totalling almost \$90M:

Far North Collector Road \$22M
 Moss Vale Road Expansion Area - Waste Water \$19M
 Materials Recovery Facility \$16M
 Bioelektra Resource Recovery Facility \$9M
 Flinders Depot Works \$6.5M
 Flinders Industrial Estate \$4M
 Fleet and Plant Purchases \$3.2M
 Placemaking for Vincentia Village \$3.2M
 Ulladulla Maritime - Berthing Facility \$3M
 Sewer Pumping Station Upgrade - St Anns and Lyrebird Park \$2.9M

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

Disclosure of s355 Management Committees

From 30 June 2022 Council will no longer be disclosing s355 Management Committees in its financial statements on Note *D2-1 Subsidiaries*. Council will continue to receive financial statements from and monitor the financial wellbeing of its Management Committees and provide subsidies in order to maintain their operations. However, as they are immaterial both individually and collectively, they will no longer be disclosed.

Communication towers restricted cash

Council has constructed communications towers on several water assets and receives rent from licensees that utilise the towers. This income is transferred to the Communication Towers Reserve and disclosed on Note *C1-3 Restricted and allocated cash, cash equivalents and investments*. Council has changed its treatment of this Reserve from an external restriction (Water Fund) to an internal allocation (Communication towers). This change has been made based on legal advice to the effect the rent is not a charge for the provision of water supply services and therefore does not need to be externally restricted.

The above change/s in accounting policy/ies had no impact (OR an immaterial impact) on the Statement of Financial Position at 1 July, 2021.

Adoption of new accounting standards – not retrospective

During the year ended 30 June 2022, Council has adopted *AASB 1059 - Service Concession Arrangements: Grantors*. Council has reviewed its operations and determined that a contract for the construction and operation of a wastewater processing facility will fall under the scope of AASB 1059.

Payments made to the contractor during the construction of the facility, together with other expenses incurred by Council prior to the facility becoming operational, will be carried as work in progress until the facility becomes operational. This disclosure is made on Note *C1-10 Other Assets*.

When the facility becomes operational, current anticipated to be during the 2023/24 financial year, Council will make the disclosures required by the Standard.

G4-2 Correction of errors

Recognition of additional Crown Land

In undertaking the revaluation of community land Council identified Community Land and Crown Land that it had not previously recognised. The Community Land was identified in a reconciliation between Council's asset register and Graphical Information System and the Crown Land was identified from the Crown Land Register where Council is identified as the Crown Land Manager.

Recognition of 'Found' Assets

In undertaking comprehensive revaluations of Water, Sewer, Footpath, Other Infrastructure and Land Improvements - Depreciable, Council identified a number of assets not previously recognised in the fixed assets register. These assets have now been recognised.

Further, in reconciling Infrastructure, Property, Plant & Equipment opening balances, Council also identified a number of assets not previously recognised.

Recognition of Rural Fire Service Red Fleet Assets

Council has recognised Rural Fire Service (RFS) 'Red Fleet' assets for the first time. This recognition remains a point of contention across local government with many councils choosing not to recognise these assets, generally on the basis of not controlling them.

The Framework for the Preparation and Presentation of Financial Statements defines an asset as '...a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow', while the Accounting Standards refer to control of an asset as being the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. There are various provisions in the Rural Fires Act 1997 that, in theory, can be read to see 'Red Fleet' assets meeting these definitions. 'Red Fleet' assets are vested in Council under s119(2) of the Rural Fires Act.

To recognise these assets, Council was provided with a listing of 'Red Fleet' by the NSW Rural Fire Service (RFS). Council's Mechanical & Fleet Services service these assets for the RFS and have records of them. The data sources were compared to provide confirmation of their existence.

The RFS also provided Council with the current replacement cost of these assets by category. These costs, and the age of the assets, were used to derive the written down value of the assets as at 30 June 2022.

Manual Adjustments

Manual adjustments to Intangible Assets and Work In Progress resulted in a small net overstatement.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2020) and taking the adjustment through to accumulated surplus and revaluation reserves at that date.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

Changes to the opening Statement of Financial Position at 1 July 2020

Statement of Financial Position

	Original Balance 1 July 2020 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 1 July 2020 \$ '000
Total current assets	178,304	–	178,304
Crown land	–	93,717	93,717
Community land	129,226	2,232	131,458
Other infrastructure	57,477	1,117	58,594
Other structures	16,781	121	16,902
Water supply network	341,052	616	341,668
Sewerage network	437,470	690	438,160
Rural Fire Service Red Fleet	–	4,347	4,347
Total non-current assets	2,914,619	102,840	3,017,459

G4-2 Correction of errors (continued)

	Original Balance 1 July 2020 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 1 July 2020 \$ '000
Total assets	3,092,923	102,840	3,195,763
Total current liabilities	88,893	—	88,893
Total non-current liabilities	132,300	—	132,300
Total liabilities	221,193	—	221,193
Net assets	2,871,730	102,840	2,974,570
Total equity	2,871,730	102,840	2,974,570

Adjustments to the comparative figures for the year ended 30 June 2021

Statement of Financial Position

	Original Balance 30 June 2021 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June 2021 \$ '000
Total current assets	215,372	—	215,372
Crown land	25,820	93,803	119,623
Community land	115,091	2,236	117,327
Other infrastructure	57,617	1,099	58,716
Other structures	16,096	118	16,214
Water supply network	346,826	615	347,441
Sewerage network	575,494	690	576,184
Rural Fire Service Red Fleet	—	3,552	3,552
Capital work in progress	79,098	(83)	79,015
Intangible Assets	558	32	590
Total non-current assets	3,436,347	102,062	3,538,409
Total assets	3,651,719	102,062	3,753,781
Total current liabilities	95,414	—	95,414
Total non-current liabilities	163,649	—	163,649
Total liabilities	259,063	—	259,063
Net assets	3,392,656	102,062	3,494,718
Total equity	3,392,656	102,062	3,494,718

G4-2 Correction of errors (continued)

Statement of Comprehensive Income

	Original Balance 30 June 2021 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June 2021 \$ '000
Net operating result for the year	22,614	–	22,614
Other movements	305	(778)	(473)
Other comprehensive income	498,312	(778)	497,534
Total comprehensive income for the year	520,926	(778)	520,148

G5 Statement of developer contributions as at 30 June 2022

G5-1 Summary of developer contributions

	Opening balance at 1 July 2021 \$ '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 2022 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					
Drainage	180	178	–	2	(124)	–	236	–
Roads	5,668	1,319	–	61	(137)	–	6,911	–
Parking	1,569	87	–	14	–	–	1,670	–
Open space	2,310	517	–	23	(440)	–	2,410	–
Community facilities	4,032	1,373	–	39	(868)	–	4,576	–
Other	651	500	–	1	(616)	–	536	–
Active recreation	1,353	1,671	–	15	(1,233)	–	1,806	–
S7.11 contributions – under a plan	15,763	5,645	–	155	(3,418)	–	18,145	–
Total S7.11 and S7.12 revenue under plans	15,763	5,645	–	155	(3,418)	–	18,145	–
S64 contributions	19,121	2,787	–	204	(2,964)	–	19,148	–
Total contributions	34,884	8,432	–	359	(6,382)	–	37,293	–

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 2021 \$ '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 2022 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					
Shoalhaven Contributions Plan								
Drainage	180	178	—	2	(124)	—	236	—
Roads	5,668	1,319	—	61	(137)	—	6,911	—
Parking	1,569	87	—	14	—	—	1,670	—
Open space	2,310	517	—	23	(440)	—	2,410	—
Community facilities	4,032	1,373	—	39	(868)	—	4,576	—
Active recreation	1,353	1,671	—	15	(1,233)	—	1,806	—
Other	651	500	—	1	(616)	—	536	—
Total	15,763	5,645	—	155	(3,418)	—	18,145	—

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021	Indicators 2020	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(13,177)	(4.72)%	(3.55)%	(8.44)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	279,288				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	245,457	73.64%	82.43%	81.11%	> 60.00%
Total continuing operating revenue inclusive of all grants and contributions ¹	333,317				
3. Unrestricted current ratio					
Current assets less all external restrictions	68,235	1.27x	1.53x	1.68x	> 1.50x
Current liabilities less specific purpose liabilities	53,548				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	72,046	3.10x	3.47x	2.56x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	23,219				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	12,606	7.22%	8.57%	8.44%	< 10.00%
Rates and annual charges collectable	174,542				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	133,816	6.53 months	8.03 months	7.65 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	20,505				

(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
	2022	2021	2022	2021	2022	2021	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	(8.52)%	(5.96)%	(9.97)%	(4.26)%	19.17%	15.44%	> 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	68.14%	83.16%	84.29%	90.90%	93.63%	93.56%	> 60.00%
Total continuing operating revenue inclusive of all grants and contributions ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	1.27x	1.53x	14.14x	16.21x	3.79x	3.08x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2.96x	4.02x	∞	∞	2.47x	2.23x	> 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	5.65%	6.76%	16.82%	18.43%	9.63%	11.70%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	4.52 months	2.51 months	26.18 months	39.03 months	6.83 months	7.03 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

(1) - (2) Refer to Notes at Note G6-1 above.

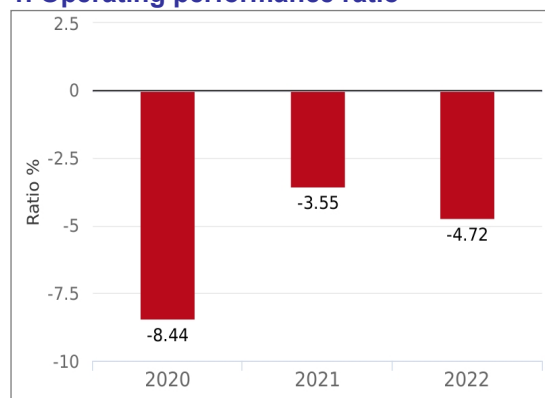
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

End of the audited financial statements

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 2021/22 result

2021/22 ratio (4.72)%

In addition to the ongoing impact of COVID-19 on Council's income and expenditure, our expenditure was severely impacted by weather events during the 2021/22 financial year which has resulted in a deterioration in the operating performance ratio.

Additional depreciation arising from asset revaluations, re-assessment of assets' useful lives and recognition of Rural Fire Service assets has also contributed to the fall in this ratio.

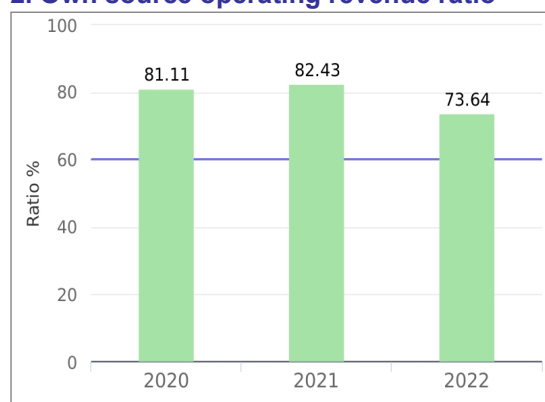
Benchmark: — > 0.00%

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 2021/22 result

2021/22 ratio 73.64%

While this ratio has also been impacted by COVID-19, notably through reduced tourist park income, Council's own source operating revenue has remained well above the benchmark of 60% which continues to indicate that Council has sufficient financial flexibility in the event of being faced with unforeseen events.

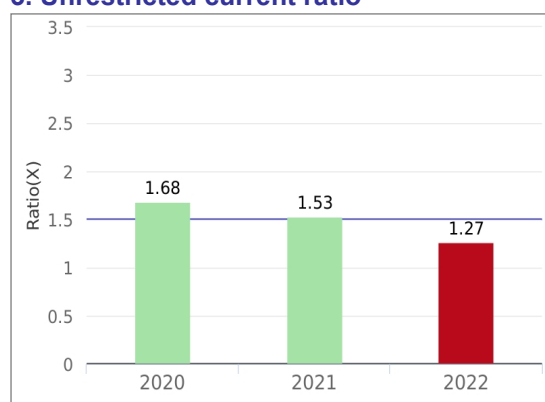
Benchmark: — > 60.00%

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 2021/22 result

2021/22 ratio 1.27x

This ratio has been impacted by the timing of receiving compensation for costs associated the bushfires and weather events, with Council having expenditure a significant amount of money ahead of receiving funding. This ratio will improve when those funds are received. Remaining above 1 means Council continues to have capacity to satisfy its obligations in the short term.

Benchmark: — > 1.50x

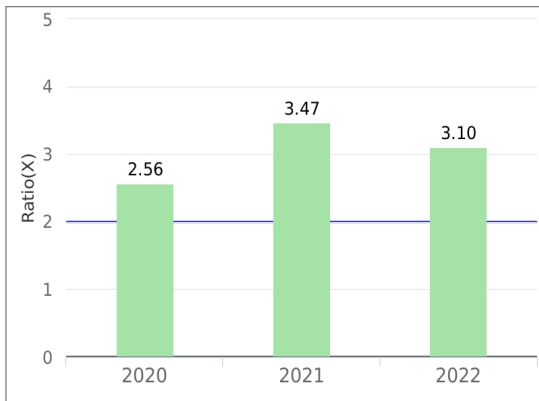
Source of benchmark: Code of Accounting Practice and Financial Reporting

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 2021/22 result

2021/22 ratio 3.10x

Council's debt service cover ratio remains well above benchmark which indicates an ongoing ability for operating cash to service our principle and interest repayments.

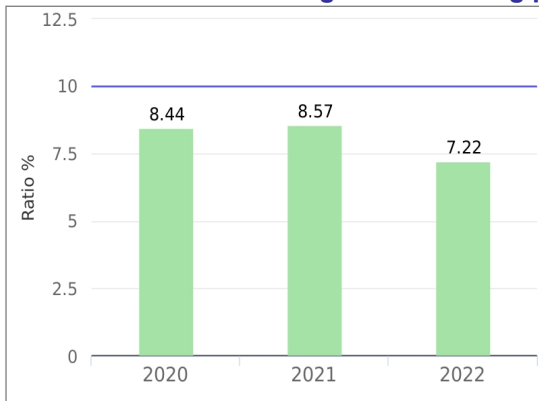
Benchmark: — > 2.00x

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 2021/22 result

2021/22 ratio 7.22%

This ratio remains well below the 10% benchmark. The reduction in rates and annual charges outstanding can be attributed to the re-introduction of interest charges, following a period of not charging interest as a COVID-19 relief measure, and the resumption of issuing reminder notices.

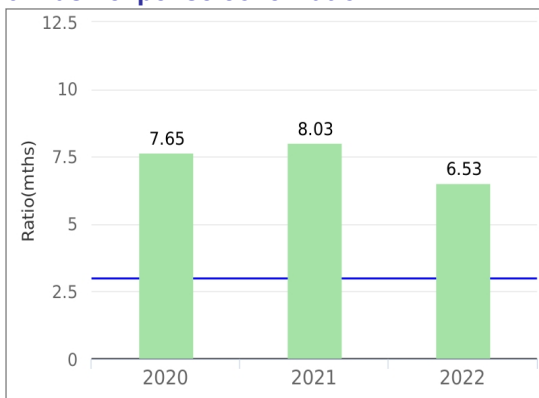
Benchmark: — < 10.00%

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 2021/22 result

2021/22 ratio 6.53 months

Council's cash expense cover ratio remains well above benchmark and continues to indicate that we can continue to pay immediate expenses without the need for additional cash inflow.

Benchmark: — > 3.00months

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 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 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- 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 2022, 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 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Lisa Berwick', with a stylized flourish at the end.

Lisa Berwick
Delegate of the Auditor-General for New South Wales

23 December 2022
SYDNEY



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

Contact: Lisa Berwick
Phone no: 02 9275 7165
Our ref: D2225626/1785

23 December 2022

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2022 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 2022 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 2022 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

Quality of financial statements

Delays were encountered in relation to the provision of the first draft set of financial statements which was due to be provided at the start of the audit on 26 August 2022 but not provided until 7 September 2022.

The financial statements presented for audit contained a significant number of misstatements and disclosure deficiencies. Multiple versions of the financial statements and trial balance were provided to the audit team and working papers were not provided by the dates agreed upon within the engagement information request.

The Council requested an extension for the lodgement of the Audited Financial Statements with the Office of Local Government initially to 30 November 2022 then to 23 December 2022.


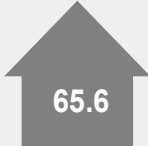


Fixed assets records maintenance

Our review of the Infrastructure, property plant and equipment business cycle identified the following deficiencies:

- the Council did not perform a full comprehensive revaluation of the following asset classes which means that it has been more than five years since the assets in these classes were subject to a comprehensive revaluation:
 - Other structures
 - Swimming pools
 - Open space/recreational assets
- the comprehensive valuations for land improvements and other infrastructure were not completed timely.
- the fair value assessment of land, buildings, roads, bridges, bulk earthworks and stormwater drainage were not completed timely.
- prior period errors in relation to unrecorded Crown Land and 'found' assets as part of the revaluation exercise
- impairment assessments were not completed timely and initial documentation did not contain enough detail.
- fully depreciated assets still in use.

INCOME STATEMENT

Operating result

	2022 \$m	2021* \$m	Variance %
Rates and annual charges revenue	159.9	153.5	 4.2
Grants and contributions revenue	87.9	53.1	 65.6
Operating result from continuing operations	43.6	22.6	 92.7
Net operating result before capital grants and contributions	-10.5	-9.3	 12.7

- * The 2021 comparatives have been restated to correct a prior period error and as a result of a change in accounting policy. Note G4--2 and G4-1 of the financial statements provides details of the[prior period error and change in accounting policy].

Rates and annual charges revenue (\$153.9 million) increased by \$6.4 million (4.2 per cent) in 2021–22 due to a general rate increases of 2 per cent and an increase in domestic waste management services of \$2.0 million.

Grants and contributions revenue (\$87.9 million) increased by \$34.8 million (65.6 per cent) in 2021–22 due to:

- Increase of \$4.4 million on financial assistance grants
- Increase of \$2.7 million for special purpose grants relating to recreation and culture
- Increase of \$9.7 million for special purpose grants relating to storm and flood damage
- Increase of 10.9 million for special purpose grants relating to transport (other roads and bridges funding)
- Increase of \$2.9 million for special purpose grants relating to water supplies
- Increase of \$2.6 million for non-cash contributions relating to roads, bridges and environmental protection.

The Council's operating result from continuing operations (\$43.6 million including depreciation and amortisation expense of \$79.5 million) was \$21.0 million higher than the 2020–21 result. This year's result was primarily driven by an increase in grants and contributions.

The net operating result before capital grants and contributions was deficit \$10.5 million, a decrease of \$1.2 million from the 2020–21 result, largely driven by the increase in employee benefit cost and depreciation expenses.

STATEMENT OF CASH FLOWS

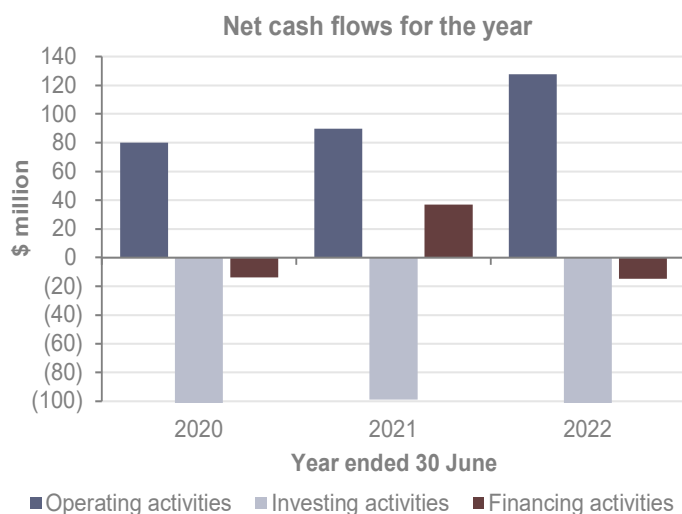
The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year.

The Council's cash decreased by \$23.3 million at the close of the year.

Cash inflows from operating activities increased by \$37.9 million from \$89.8 million in 2020–21 to \$127.7 million in 2021–22.

Cash outflows from investing activities increased by \$37.3 million, from \$98.8 million in 2020–21 to \$136.1 million in 2021–22.

Cash inflows from financing activities have decreased by \$51.8 million from an inflow of \$36.9 million in 2020–21 to an outflow of \$14.9 million in 2021–22.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	197.2	219.5	<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 decreased by approximately \$4.6 million.
Restricted and allocated cash, cash equivalents and investments:			<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 \$16.5 million.
• External restrictions	161.4	166.0	
• Internal allocations	33.2	49.7	
• Unrestricted	2.6	3.8	<ul style="list-style-type: none"> Unrestricted balances provide liquidity for day-to-day operations. There has been a decrease of \$1.2 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 and Environment.

Operating performance ratio

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

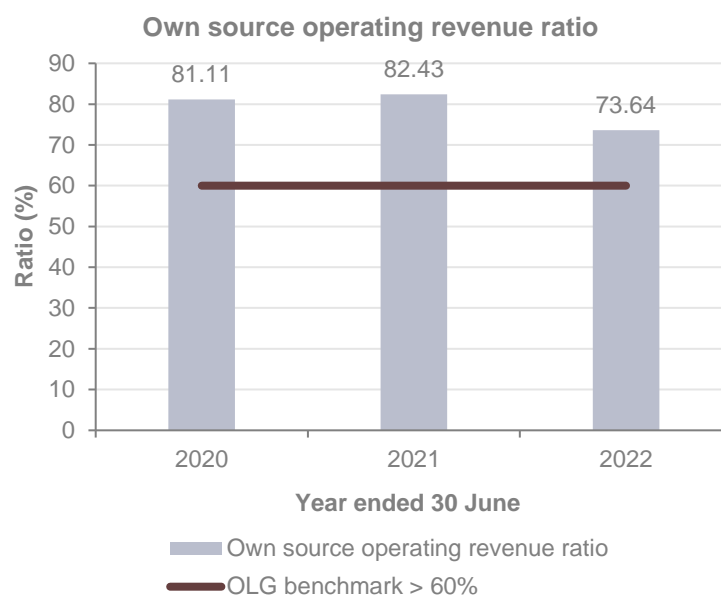
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

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

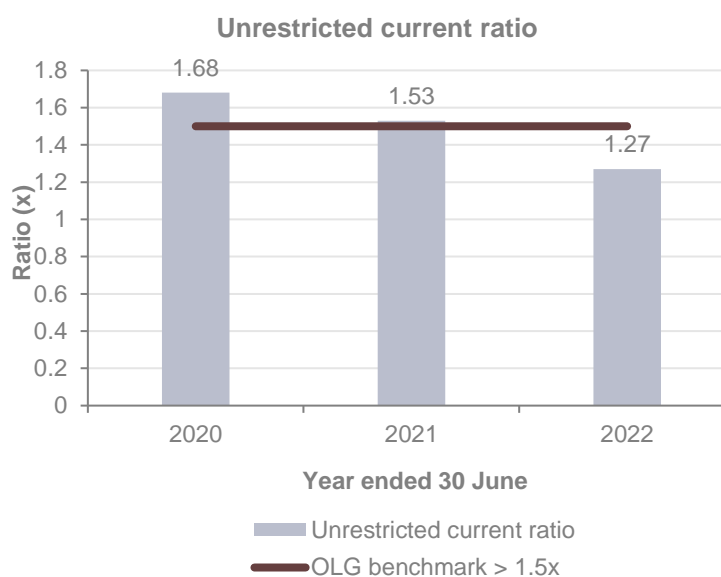
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

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

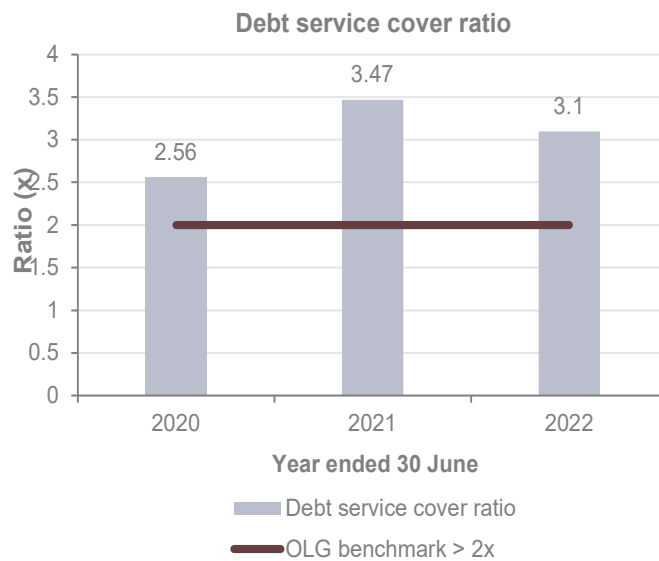
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

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

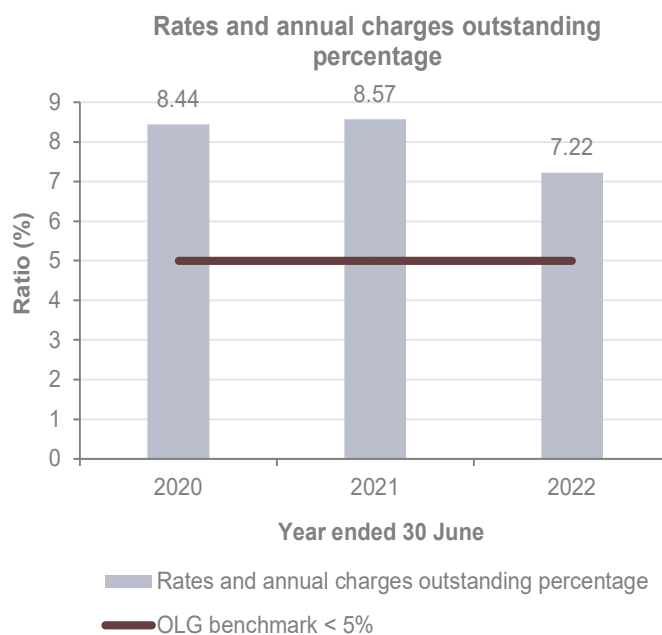
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

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

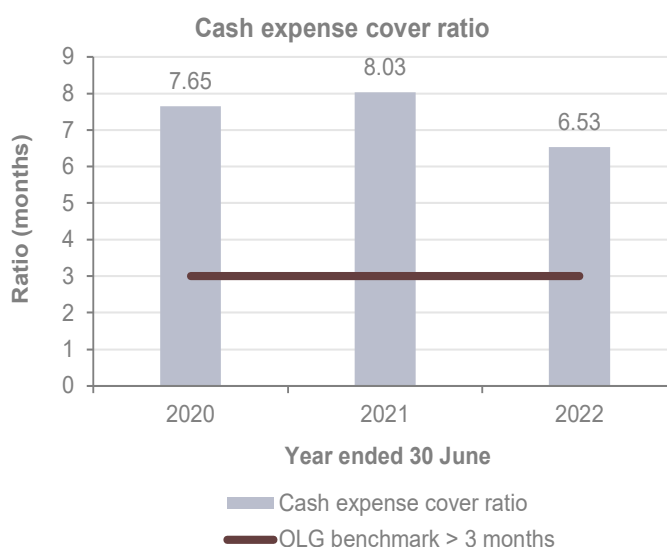
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.



Cash expense cover ratio

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

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



Infrastructure, property, plant and equipment renewals

Infrastructure, property, plant and equipment renewals for 2021-22 amounted to \$201.2 million (2021: \$46.9 million). The increase was mainly due to the net effect of the following:

- increase in capital works in progress of \$137.2 million
- increase in combined renewals for plant and equipment, Rural Fire Service Red fleet, office equipment and furniture and fittings of \$14.2 million
- Increase in tip assets of \$3.0 million.

OTHER MATTERS

Legislative compliance

My audit procedures identified that Council did not perform a full comprehensive revaluation for the other structures, 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

Special Purpose Financial Statements

2021 - 2022



Shoalhaven City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022



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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 2022

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 resolutions of Council made on 14 November 2022 and 12 December 2022.



Amanda Findley
Mayor
15 December 2022



Stephen Dunshea
Chief Executive Officer
15 December 2022



Paul Ell
Deputy Mayor
15 December 2022



Don Johnston
Responsible Accounting Officer
15 December 2022

Shoalhaven City Council

Income Statement of water supply business activity

for the year ended 30 June 2022

	2022 \$ '000	2021 \$ '000
Income from continuing operations		
Access charges	4,585	4,532
User charges	18,003	18,969
Fees	2,799	5,075
Interest and investment income	741	953
Grants and contributions provided for operating purposes	(5)	–
Net gain from the disposal of assets	11	245
Other income	227	363
Total income from continuing operations	26,361	30,137
Expenses from continuing operations		
Employee benefits and on-costs	8,007	7,287
Materials and services	10,277	13,602
Depreciation, amortisation and impairment	10,694	10,177
Calculated taxation equivalents	163	173
Other expenses	–	111
COVID-19 financial assistance to ratepayers	–	–
Total expenses from continuing operations	29,141	31,350
Surplus (deficit) from continuing operations before capital amounts	(2,780)	(1,213)
Grants and contributions provided for capital purposes	4,917	3,017
Surplus (deficit) from continuing operations after capital amounts	2,137	1,804
Surplus (deficit) from all operations before tax	2,137	1,804
Surplus (deficit) after tax	2,137	1,804
Plus accumulated surplus	229,140	227,696
Plus/less: prior period adjustments	(97)	(428)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	163	173
Less:		
– Tax equivalent dividend paid	(164)	(105)
– Surplus dividend paid	(265)	–
Closing accumulated surplus	230,914	229,140
Return on capital %	(0.6)%	(0.3)%
Subsidy from Council	19,691	6,883
Calculation of dividend payable:		
Surplus (deficit) after tax	2,137	1,804
Less: capital grants and contributions (excluding developer contributions)	(3,616)	(1,275)
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 2022

	2022 \$ '000	2021 \$ '000
Income from continuing operations		
Access charges	47,999	46,529
User charges	3,371	3,428
Liquid trade waste charges	329	401
Fees	578	2,412
Interest and investment income	344	433
Net gain from the disposal of assets	83	128
Other income	4	104
Total income from continuing operations	52,708	53,435
Expenses from continuing operations		
Employee benefits and on-costs	11,316	9,363
Borrowing costs	3,776	4,358
Materials and services	12,878	16,058
Depreciation, amortisation and impairment	14,565	15,279
Calculated taxation equivalents	462	367
Other expenses	–	1
COVID-19 financial assistance to ratepayers	–	–
Total expenses from continuing operations	42,997	45,426
Surplus (deficit) from continuing operations before capital amounts	9,711	8,009
Grants and contributions provided for capital purposes	3,581	3,677
Surplus (deficit) from continuing operations after capital amounts	13,292	11,686
Surplus (deficit) from all operations before tax	13,292	11,686
Less: corporate taxation equivalent (25%) [based on result before capital]	(2,428)	(2,082)
Surplus (deficit) after tax	10,864	9,604
Plus accumulated surplus	426,866	416,290
Plus/less: prior period adjustments	7,667	57
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	462	367
– Corporate taxation equivalent	2,428	2,082
Less:		
– Tax equivalent dividend paid	(155)	(157)
– Surplus dividend paid	(1,395)	(1,377)
Closing accumulated surplus	446,737	426,866
Return on capital %	1.9%	2.0%
Subsidy from Council	12,927	–
Calculation of dividend payable:		
Surplus (deficit) after tax	10,864	9,604
Less: capital grants and contributions (excluding developer contributions)	(2,094)	(1,805)
Surplus for dividend calculation purposes	8,770	7,799
Potential dividend calculated from surplus	4,385	3,900

Shoalhaven City Council

Income Statement of Holiday Haven Tourist Parks

for the year ended 30 June 2022

	2022 Category 1 \$ '000	2021 Category 1 \$ '000
Income from continuing operations		
User charges	26,085	29,985
Other income	810	2,744
Total income from continuing operations	26,895	32,729
Expenses from continuing operations		
Employee benefits and on-costs	1,387	1,378
Borrowing costs	318	317
Materials and services	14,772	16,135
Depreciation, amortisation and impairment	3,611	3,303
Calculated taxation equivalents	761	67
Other expenses	–	1,508
Total expenses from continuing operations	20,849	22,708
Surplus (deficit) from continuing operations before capital amounts	6,046	10,021
Surplus (deficit) from continuing operations after capital amounts	6,046	10,021
Surplus (deficit) from all operations before tax	6,046	10,021
Less: corporate taxation equivalent (25%) [based on result before capital]	(1,512)	(2,605)
Surplus (deficit) after tax	4,534	7,416
Plus accumulated surplus	41,904	41,903
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	761	67
– Corporate taxation equivalent	1,512	2,605
Less:		
– Dividend paid	(6,808)	(10,087)
Closing accumulated surplus	41,903	41,904
Return on capital %	5.7%	9.4%

Shoalhaven City Council

Income Statement of Bereavement Services

for the year ended 30 June 2022

	2022 Category 2 \$ '000	2021 Category 2 \$ '000
Income from continuing operations		
User charges	1,969	1,905
Other income	2	48
Total income from continuing operations	1,971	1,953
Expenses from continuing operations		
Employee benefits and on-costs	1,280	1,222
Borrowing costs	23	24
Materials and services	898	776
Depreciation, amortisation and impairment	321	279
Calculated taxation equivalents	65	62
Other expenses	–	1
Total expenses from continuing operations	2,587	2,364
Surplus (deficit) from continuing operations before capital amounts	(616)	(411)
Surplus (deficit) from continuing operations after capital amounts	(616)	(411)
Surplus (deficit) from all operations before tax	(616)	(411)
Surplus (deficit) after tax	(616)	(411)
Plus accumulated surplus	–	208
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	65	62
– Subsidy paid/contribution to operations	551	141
– Dividend paid	–	–
Closing accumulated surplus	–	–
Return on capital %	(4.0)%	(3.8)%
Subsidy from Council	1,137	537

Shoalhaven City Council

Income Statement of Mechanical Services

for the year ended 30 June 2022

	2022 Category 1 \$ '000	2021 Category 1 \$ '000
Income from continuing operations		
User charges	1,672	2,155
Other income	31	4
Total income from continuing operations	1,703	2,159
Expenses from continuing operations		
Employee benefits and on-costs	586	740
Materials and services	2,121	1,725
Depreciation, amortisation and impairment	43	34
Calculated taxation equivalents	98	99
Total expenses from continuing operations	2,848	2,598
Surplus (deficit) from continuing operations before capital amounts	(1,145)	(439)
Surplus (deficit) from continuing operations after capital amounts	(1,145)	(439)
Surplus (deficit) from all operations before tax	(1,145)	(439)
Surplus (deficit) after tax	(1,145)	(439)
Plus accumulated surplus	1,902	2,242
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	98	99
Closing accumulated surplus	855	1,902
Return on capital %	(20.8)%	(7.8)%
Subsidy from Council	1,346	862

Shoalhaven City Council

Income Statement of Shoalhaven Entertainment Centre

for the year ended 30 June 2022

	2022 Category 2 \$ '000	2021 Category 2 \$ '000
Income from continuing operations		
User charges	851	452
Other income	245	5
Total income from continuing operations	1,096	457
Expenses from continuing operations		
Employee benefits and on-costs	1,273	937
Materials and services	1,508	1,280
Depreciation, amortisation and impairment	503	469
Calculated taxation equivalents	102	87
Total expenses from continuing operations	3,386	2,773
Surplus (deficit) from continuing operations before capital amounts	(2,290)	(2,316)
Surplus (deficit) from continuing operations after capital amounts	(2,290)	(2,316)
Surplus (deficit) from all operations before tax	(2,290)	(2,316)
Surplus (deficit) after tax	(2,290)	(2,316)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	102	87
Add:		
– Subsidy paid/contribution to operations	2,188	2,229
Closing accumulated surplus	–	–
Return on capital %	(7.9)%	(8.8)%
Subsidy from Council	3,348	2,706

Shoalhaven City Council

Income Statement of Aquatic Recreation Facilities

for the year ended 30 June 2022

	2022 Category 1 \$ '000	2021 Category 1 \$ '000
Income from continuing operations		
User charges	3,978	4,462
Other income	260	63
Total income from continuing operations	4,238	4,525
Expenses from continuing operations		
Employee benefits and on-costs	5,051	5,172
Borrowing costs	74	89
Materials and services	4,007	3,621
Depreciation, amortisation and impairment	2,168	1,368
Calculated taxation equivalents	285	295
Total expenses from continuing operations	11,585	10,545
Surplus (deficit) from continuing operations before capital amounts	(7,347)	(6,020)
Surplus (deficit) from continuing operations after capital amounts	(7,347)	(6,020)
Surplus (deficit) from all operations before tax	(7,347)	(6,020)
Surplus (deficit) after tax	(7,347)	(6,020)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	285	295
Add:		
– Subsidy paid/contribution to operations	7,062	5,725
Closing accumulated surplus	–	–
Return on capital %	(7.2)%	(16.4)%
Subsidy from Council	10,972	6,471

Shoalhaven City Council

Statement of Financial Position of water supply business activity

as at 30 June 2022

	2022 \$ '000	2021 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	6,485	12,021
Investments	46,568	37,820
Receivables	5,430	3,934
Inventories	1,307	1,207
Total current assets	59,790	54,982
Non-current assets		
Investments	6,662	9,134
Receivables	3,189	2,782
Infrastructure, property, plant and equipment	462,056	380,554
Intangible assets	12	30
Total non-current assets	471,919	392,500
Total assets	531,709	447,482
LIABILITIES		
Current liabilities		
Payables	1,607	2,212
Contract liabilities	1,014	–
Employee benefit provisions	213	–
Total current liabilities	2,834	2,212
Total liabilities	2,834	2,212
Net assets	528,875	445,270
EQUITY		
Accumulated surplus	230,915	229,140
Revaluation reserves	297,960	216,130
Total equity	528,875	445,270

Shoalhaven City Council

Statement of Financial Position of sewerage business activity

as at 30 June 2022

	2022 \$ '000	2021 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	3,386	6,082
Investments	24,316	19,132
Receivables	5,281	6,405
Total current assets	32,983	31,619
Non-current assets		
Investments	3,479	4,621
Receivables	1,127	1,071
Infrastructure, property, plant and equipment	721,698	628,229
Intangible assets	17	53
Total non-current assets	726,321	633,974
Total assets	759,304	665,593
LIABILITIES		
Current liabilities		
Payables	1,373	2,715
Borrowings	6,535	7,562
Contract liabilities	513	—
Employee benefit provisions	145	—
Total current liabilities	8,566	10,277
Non-current liabilities		
Borrowings	80,229	86,764
Total non-current liabilities	80,229	86,764
Total liabilities	88,795	97,041
Net assets	670,509	568,552
EQUITY		
Accumulated surplus	446,737	426,866
Revaluation reserves	223,772	141,686
Total equity	670,509	568,552

Shoalhaven City Council

Statement of Financial Position of Holiday Haven Tourist Parks

as at 30 June 2022

	2022 Category 1 \$ '000	2021 Category 1 \$ '000
ASSETS		
Current assets		
Receivables	1,778	601
Total current assets	1,778	601
Non-current assets		
Infrastructure, property, plant and equipment	111,291	109,410
Other	10,471	8,152
Total non-current assets	121,762	117,562
Total assets	123,540	118,163
LIABILITIES		
Current liabilities		
Payables	5,194	3,604
Borrowings	1,701	1,891
Total current liabilities	6,895	5,495
Non-current liabilities		
Borrowings	8,278	9,982
Total non-current liabilities	8,278	9,982
Total liabilities	15,173	15,477
Net assets	108,367	102,686
EQUITY		
Accumulated surplus	41,903	41,904
Revaluation reserves	66,464	60,782
Total equity	108,367	102,686

Shoalhaven City Council

Statement of Financial Position of Bereavement Services

as at 30 June 2022

	2022 Category 2 \$ '000	2021 Category 2 \$ '000
ASSETS		
Current assets		
Receivables	495	371
Total current assets	495	371
Non-current assets		
Infrastructure, property, plant and equipment	14,862	10,095
Total non-current assets	14,862	10,095
Total assets	15,357	10,466
LIABILITIES		
Current liabilities		
Payables	57	43
Borrowings	73	29
Total current liabilities	130	72
Non-current liabilities		
Borrowings	368	137
Other Liabilities	11,870	7,545
Total non-current liabilities	12,238	7,682
Total liabilities	12,368	7,754
Net assets	2,989	2,712
EQUITY		
Revaluation reserves	2,989	2,712
Total equity	2,989	2,712

Shoalhaven City Council

Statement of Financial Position of Mechanical Services

as at 30 June 2022

	2022 Category 1 \$ '000	2021 Category 1 \$ '000
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	5,497	5,639
Total non-current assets	5,497	5,639
Total assets	5,497	5,639
LIABILITIES		
Current liabilities		
Payables	200	100
Total current liabilities	200	100
Non-current liabilities		
Other Liabilities	3,379	1,078
Total non-current liabilities	3,379	1,078
Total liabilities	3,579	1,178
Net assets	1,918	4,461
EQUITY		
Accumulated surplus	1,903	1,902
Revaluation reserves	16	2,559
Total equity	1,919	4,461

Shoalhaven City Council

Statement of Financial Position of Shoalhaven Entertainment Centre

as at 30 June 2022

	2022 Category 2 \$ '000	2021 Category 2 \$ '000
ASSETS		
Current assets		
Receivables	30	47
Total current assets	30	47
Non-current assets		
Infrastructure, property, plant and equipment	28,901	26,179
Total non-current assets	28,901	26,179
Total assets	28,931	26,226
LIABILITIES		
Current liabilities		
Payables	836	94
Borrowings	857	822
Total current liabilities	1,693	916
Non-current liabilities		
Borrowings	5,853	6,710
Other Liabilities	10,283	18,600
Total non-current liabilities	16,136	25,310
Total liabilities	17,829	26,226
Net assets	11,102	—
EQUITY		
Revaluation reserves	11,102	—
Total equity	11,102	—

Shoalhaven City Council

Statement of Financial Position of Aquatic Recreation Facilities

as at 30 June 2022

	2022 Category 1 \$ '000	2021 Category 1 \$ '000
ASSETS		
Current assets		
Receivables	134	288
Total current assets	134	288
Non-current assets		
Infrastructure, property, plant and equipment	101,056	36,244
Total non-current assets	101,056	36,244
Total assets	101,190	36,532
LIABILITIES		
Current liabilities		
Payables	179	211
Borrowings	972	508
Total current liabilities	1,151	719
Non-current liabilities		
Borrowings	3,656	1,688
Other Liabilities	33,160	29,103
Total non-current liabilities	36,816	30,791
Total liabilities	37,967	31,510
Net assets	63,223	5,022
EQUITY		
Revaluation reserves	63,223	5,022
Total equity	63,223	5,022

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 – **25%** (20/21 26%)

Land tax – the first \$822,000 of combined land values attracts **0%**. For the combined land values in excess of \$822,000 up to \$5026,000 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 25%.

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 25% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

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 3.66% at 30/6/22.

(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 2022 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 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 2022, the Statement of Financial Position of each Declared Business Activity as at 30 June 2022 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 2022, 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 2021–22 (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 2022 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.

A handwritten signature in black ink, appearing to read 'Lisa Berwick', with a stylized flourish at the end.

Lisa Berwick
Delegate of the Auditor-General for New South Wales

23 December 2022
SYDNEY

Special Schedules

2021 - 2022



Shoalhaven City Council

SPECIAL SCHEDULES
for the year ended 30 June 2022



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Shoalhaven City Council

Permissible income for general rates

	Notes	Calculation 2021/22 \$ '000	Calculation 2022/23 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	79,547	81,713
Plus or minus adjustments ²	b	567	557
Notional general income	c = a + b	80,114	82,270
Permissible income calculation			
Or rate peg percentage	e	2.00%	1.70%
Or plus rate peg amount	i = e x (c + g)	1,602	1,399
Sub-total	k = (c + g + h + i + j)	81,716	83,669
Plus (or minus) last year's carry forward total	l	2,383	2,387
Sub-total	n = (l + m)	2,383	2,387
Total permissible income	o = k + n	84,099	86,056
Less notional general income yield	p	81,713	86,003
Catch-up or (excess) result	q = o - p	2,387	53
Less unused catch-up ⁵	s	(3)	-
Carry forward to next year ⁶	t = q + r + s	2,384	53

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW)*.
- (5) Unused catch-up amounts or the rate peg balance amounts will be deducted if they are not caught up within ten years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for when 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 Act. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

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 2023.

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 2021–22 (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 2022 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 2022'.

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 'Berwick', with a small horizontal line underneath.

Lisa Berwick
Delegate of the Auditor-General for New South Wales

23 December 2022
SYDNEY

Shoalhaven City Council

Report on Infrastructure Assets

as at 30 June 2022

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.}	2021/22 Required maintenance ^c	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000			1 ¹	2 ²	3 ³	4 ⁴	5 ⁵
Buildings	Buildings	6,744	4,132	11,206	9,956	–	468,521	26.5%	39.0%	29.7%	4.0%	0.9%
	Sub-total	6,744	4,132	11,206	9,956	332,220	468,521	26.5%	39.0%	29.7%	4.0%	0.9%
Other structures	Other structures	1,976	2,992	476	348	117,133	148,011	42.6%	31.9%	22.2%	1.3%	2.0%
	Sub-total	1,976	2,992	476	348	117,133	148,011	42.6%	31.9%	22.2%	1.3%	2.0%
Roads	Sealed roads	74,519	24,348	11,859	10,570	798,189	1,205,274	4.7%	44.1%	28.5%	20.7%	2.0%
	Unsealed roads	3,022	2,413	2,428	2,211	6,424	23,412	2.0%	10.3%	46.4%	31.0%	10.3%
	Bridges	3,007	2,805	410	252	73,472	129,289	42.2%	26.0%	24.7%	5.0%	2.2%
	Footpaths	598	243	828	429	73,655	105,539	33.4%	45.3%	19.3%	1.8%	0.2%
	Other road assets	1,238	1,069	2,158	1,930	243,099	327,640	87.9%	7.7%	3.3%	0.9%	0.3%
	Bulk earthworks	–	–	–	–	318,431	318,431	100.0%	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	82,384	30,878	17,683	15,392	1,511,014	2,109,585	35.7%	30.4%	19.8%	12.7%	1.5%
Water supply network	Water supply network	27,889	8,581	8,986	8,099	422,538	858,129	5.0%	26.0%	57.0%	11.0%	1.0%
	Sub-total	27,889	8,581	8,986	8,099	422,538	858,129	5.0%	26.0%	57.0%	11.0%	1.0%
Sewerage network	Sewerage network	14,216	9,477	12,994	12,981	654,856	947,709	15.0%	37.0%	43.0%	4.0%	1.0%
	Sub-total	14,216	9,477	12,994	12,981	654,856	947,709	15.0%	37.0%	43.0%	4.0%	1.0%
Stormwater drainage	Stormwater drainage	8,444	6,988	1,213	1,377	178,926	291,174	4.5%	63.3%	23.0%	6.8%	2.4%
	Sub-total	8,444	6,988	1,213	1,377	178,888	291,174	4.5%	63.3%	23.0%	6.8%	2.4%
Open space / recreational assets	Swimming pools	731	–	3,372	2,621	11,691	25,791	5.0%	6.9%	76.8%	11.3%	0.0%
	Other open space / Recreational Assets	790	655	2,603	1,801	38,283	66,741	42.4%	21.1%	32.7%	2.8%	1.0%
	Sub-total	1,521	655	5,975	4,422	49,974	92,532	32.0%	17.1%	45.0%	5.2%	0.7%
Other infrastructure assets	Other infrastructure assets	2,912	3,863	800	632	31,847	57,724	17.0%	19.5%	50.0%	6.8%	6.7%
	Sub-total	2,912	3,863	800	632	31,847	57,724	17.0%	19.5%	50.0%	6.8%	6.7%
Total – all assets		146,086	67,566	59,333	53,207	3,298,470	4,973,385	23.7%	33.3%	32.6%	9.0%	1.4%

Shoalhaven City Council

Report on Infrastructure Assets (continued)

as at 30 June 2022

- (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 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021 2020		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	63,958	95.25%	75.72%	78.44%	>= 100.00%
Depreciation, amortisation and impairment	67,150				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	146,086	4.22%	2.85%	2.35%	< 2.00%
Net carrying amount of infrastructure assets	3,457,855				
Asset maintenance ratio					
Actual asset maintenance	53,207	89.68%	90.61%	87.97%	> 100.00%
Required asset maintenance	59,333				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	67,566	1.36%	1.03%	0.91%	
Gross replacement cost	4,973,385				

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

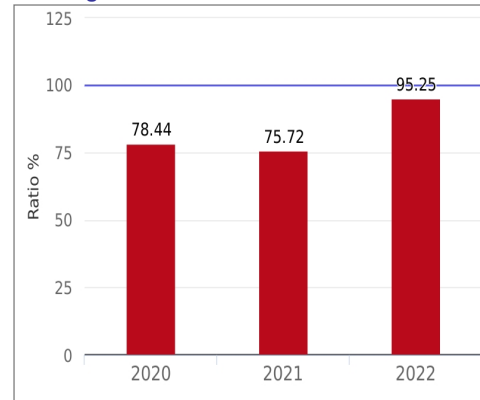
(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Shoalhaven City Council

Report on Infrastructure Assets

as at 30 June 2022

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

21/22 ratio 95.25%

Council's Building and Infrastructure renewals ratio has shown improvement, despite being outside of the benchmark. A number of projects which commenced during the prior financial year were completed this year.

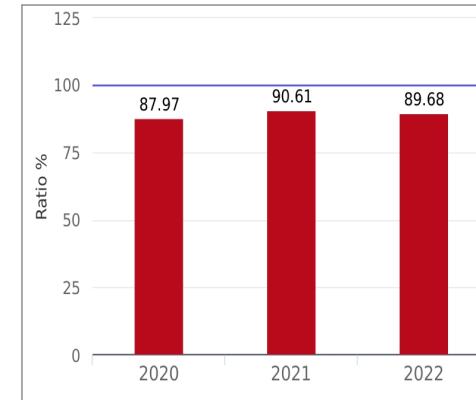
Benchmark: — $\geq 100.00\%$

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

21/22 ratio 89.68%

Council's Asset Maintenance Ratio has deteriorated slightly, and remains lower than the benchmark. External factors such as repeated weather events continues to be a challenge with asset maintenance and an increasing backlog of maintenance to be undertaken.

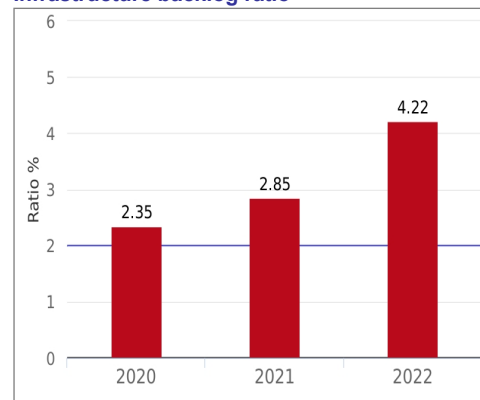
Benchmark: — $> 100.00\%$

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

21/22 ratio 4.22%

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 better condition data achieved via asset stocktakes, and the recent revaluation of a number of asset classes.

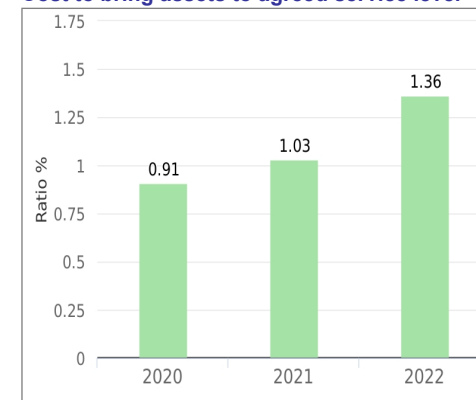
Benchmark: — $< 2.00\%$

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

21/22 ratio 1.36%

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

Shoalhaven City Council

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Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2022	2021	2022	2021	2022	2021	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	110.59%	68.15%	68.93%	131.42%	60.62%	63.64%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	4.37%	3.50%	6.60%	1.88%	2.17%	1.24%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	86.01%	81.98%	90.13%	99.68%	99.90%	99.97%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	1.56%	1.67%	1.00%	0.01%	1.00%	0.01%	

(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.



Address all correspondence to:

The Chief Executive Officer

PO Box 42, Nowra NSW 2541

shoalhaven.nsw.gov.au/contact

1300 293 111

shoalhaven.nsw.gov.au     

