

Annual Financial Statements

For the year ended 30 June 2024



General Purpose Financial Statements

For the year ended 30 June 2024



Shoalhaven City Council

General Purpose Financial Statements

for the year ended 30 June 2024

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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 2024

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

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

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

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

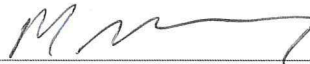
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 05 September 2024.



Amanda Findley
Mayor
05 September 2024



Matthew Norris
Deputy Mayor
05 September 2024



Robyn Stevens
Chief Executive Officer
05 September 2024



Katie Buckman
Responsible Accounting Officer
05 September 2024

Shoalhaven City Council

Income Statement

for the year ended 30 June 2024

Original unaudited budget 2024 \$ '000		Notes	Actual 2024 \$ '000	Actual 2023 \$ '000
Income from continuing operations				
177,338	Rates and annual charges	B2-1	178,178	167,708
95,621	User charges and fees	B2-2	97,976	92,478
4,772	Other revenues	B2-3	5,517	5,073
21,294	Grants and contributions provided for operating purposes	B2-4	21,946	52,485
47,922	Grants and contributions provided for capital purposes	B2-4	124,758	60,115
7,550	Interest and investment income	B2-5	7,571	4,930
—	Other income	B2-6	3,532	4,245
354,497	Total income from continuing operations		439,478	387,034
Expenses from continuing operations				
108,473	Employee benefits and on-costs	B3-1	115,642	112,733
104,540	Materials and services	B3-2	105,689	117,752
7,453	Borrowing costs	B3-3	7,204	6,366
90,200	Depreciation, amortisation and impairment of non-financial assets	B3-4	92,758	85,230
16,973	Other expenses	B3-5	21,681	19,180
—	Net loss from the disposal of assets	B4-1	9,364	3,799
327,639	Total expenses from continuing operations		352,338	345,060
26,858	Operating result from continuing operations		87,140	41,974
26,858	Net operating result for the year attributable to Council		87,140	41,974
Net operating result for the year before grants and contributions provided for capital purposes				
(21,064)			(37,618)	(18,141)

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 2024

	Notes	2024 \$ '000	2023 \$ '000
Net operating result for the year – from Income Statement		87,140	41,974
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	246,490	514,287
Total other comprehensive income for the year		246,490	514,287
Total comprehensive income for the year attributable to Council		333,630	556,261

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 2024

	Notes	2024 \$ '000	2023 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	121,780	27,431
Investments	C1-2	83,854	136,927
Receivables	C1-4	29,828	56,190
Inventories	C1-5	4,737	2,284
Other	C1-10	1,061	1,017
Non-current assets classified as held for sale	C1-6	9,294	2,581
Total current assets		250,554	226,430
Non-current assets			
Investments	C1-2	12,000	2,000
Receivables	C1-4	7,169	5,737
Inventories	C1-5	2,226	5,503
Infrastructure, property, plant and equipment (IPPE)	C1-7	5,049,962	4,745,251
Investment property	C1-8	3,425	3,497
Intangible assets	C1-9	368	501
Right of use assets	C2-1	121	225
Other	C1-10	2,716	2,717
Total non-current assets		5,077,987	4,765,431
Total assets		5,328,541	4,991,861
LIABILITIES			
Current liabilities			
Payables	C3-1	37,598	43,657
Contract liabilities	C3-2	44,148	32,326
Lease liabilities	C2-1	118	186
Borrowings	C3-3	21,332	19,140
Employee benefit provisions	C3-4	34,560	34,929
Provisions	C3-5	1,723	974
Total current liabilities		139,479	131,212
Non-current liabilities			
Lease liabilities	C2-1	8	55
Borrowings	C3-3	172,551	177,999
Employee benefit provisions	C3-4	1,216	1,217
Provisions	C3-5	11,878	11,599
Total non-current liabilities		185,653	190,870
Total liabilities		325,132	322,082
Net assets		5,003,409	4,669,779
EQUITY			
Accumulated surplus	C4-1	1,874,019	1,786,879
IPPE revaluation reserve	C4-1	3,129,390	2,882,900
Total equity		5,003,409	4,669,779

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 2024

	Notes	2024			2023		
		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		1,786,879	2,882,900	4,669,779	1,742,552	2,370,966	4,113,518
Restated opening balance		1,786,879	2,882,900	4,669,779	1,742,552	2,370,966	4,113,518
Net operating result for the year		87,140	–	87,140	41,974	–	41,974
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	246,490	246,490	–	514,287	514,287
Realised Gain (loss) on infrastructure, property, plant and equipment		–	–	–	2,353	(2,353)	–
Other comprehensive income		–	246,490	246,490	2,353	511,934	514,287
Total comprehensive income		87,140	246,490	333,630	44,327	511,934	556,261
Closing balance at 30 June		1,874,019	3,129,390	5,003,409	1,786,879	2,882,900	4,669,779

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 2024

Original unaudited budget 2024 \$ '000		Notes	Actual 2024 \$ '000	Actual 2023 \$ '000
Cash flows from operating activities				
Receipts:				
177,338	Rates and annual charges		176,559	167,812
95,621	User charges and fees		96,399	97,573
7,550	Interest received		7,182	3,789
69,216	Grants and contributions		175,433	85,068
–	Bonds, deposits and retentions received		1,630	1,169
4,772	Other		37,130	29,146
Payments:				
(108,473)	Payments to employees		(115,759)	(111,928)
(7,453)	Payments for materials and services		(92,733)	(133,091)
(104,540)	Borrowing costs		(7,248)	(6,145)
–	Bonds, deposits and retentions refunded		(1,892)	(1,312)
(11,887)	Waste Levy		(14,208)	(14,055)
(5,086)	Other		(52,228)	(418)
117,058	Net cash provided from operating activities	G1-1	210,265	117,608
Cash flows from investing activities				
Receipts:				
5,000	Sale of investments		154,901	130,150
3,318	Sale of real estate assets		8,381	–
2,195	Proceeds from sale of IPPE		5,222	5,968
–	Deferred debtors receipts		15	49
Payments:				
(5,000)	Purchase of investments		(9,750)	(14,866)
–	Acquisition of term deposits		(100,000)	(75,500)
–	Purchase of investment property		–	(14)
(186,972)	Payments for IPPE		(171,633)	(194,154)
(1,222)	Purchase of real estate assets		451	–
–	Purchase of intangible assets		1	(137)
–	Deferred debtors and advances made		(20)	(26)
(182,681)	Net cash flows (used in) investing activities		(112,432)	(148,530)
Cash flows from financing activities				
Receipts:				
18,356	Proceeds from borrowings		15,856	54,895
Payments:				
(19,098)	Repayment of borrowings		(19,142)	(17,777)
–	Principal component of lease payments		(198)	(181)
(742)	Net cash flows provided from/(used in) financing activities		(3,484)	36,937
(66,365)	Net change in cash and cash equivalents		94,349	6,015
–	Cash and cash equivalents at beginning of year		27,431	21,416
(66,365)	Cash and cash equivalents at end of year	C1-1	121,780	27,431

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 31 October 2024. 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 material accounting policy information related to these consolidated financial statements are set out below. Accounting policies have been consistently applied to all the years presented, unless otherwise stated.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (Act)* and *Local Government (General) Regulation 2021 (Regulation)*, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not-for-profit entity.

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

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) fair values of investment properties – refer Note C1-8
- (ii) fair values of infrastructure, property, plant and equipment – refer Note C1-7
- (iii) 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) Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease - refer to Note C2-1
- (v) Estimated tip remediation provisions - refer Note C3-5
- (vi) 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*, a separate and distinct Trust Fund is maintained to account for all money and property received by 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.

Volunteer services

Council is supported by a range of volunteers for services including bush care, community care, cultural heritage and tourism and library services. In most instances Council would not purchase the service if it was not provided by volunteers and the overall quantifiable amount of donation is not considered to be material and therefore the value has not been recognised in these financial statements.

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 2024 reporting period.

None of these standards had a significant impact on reported position or performance.

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 standards which were mandatorily effective for the first time at 30 June 2024.

None of these standards had a significant impact on reported position or performance.

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	
	2024 \$ '000	2023 \$ '000	2024 \$ '000	2023 \$ '000	2024 \$ '000	2023 \$ '000	2024 \$ '000	2023 \$ '000	2024 \$ '000	2023 \$ '000
Functions or activities										
Buildings and Property	1,974	1,772	13,187	14,115	(11,213)	(12,343)	308	442	608,700	639,002
Commercial Undertakings	41,239	39,824	46,272	44,686	(5,033)	(4,862)	282	762	303,222	273,495
Community and Culture	3,659	5,123	9,368	10,355	(5,709)	(5,232)	3,017	4,646	11,646	14,525
Economic Development	787	2,124	(7,262)	682	8,049	1,442	760	2,187	17,809	16,778
Environmental Management	4,872	1,508	3,999	3,008	873	(1,500)	4,867	1,497	6,802	4,354
Fire Protection and Emergency Services	59,528	27,642	2,982	17,916	56,546	9,726	59,515	27,680	91,224	58,997
Governance and Civic	50	40	8,429	8,032	(8,379)	(7,992)	–	–	–	4
Internal Corporate Services	132,626	121,443	30,369	28,471	102,257	92,972	32,735	26,940	394,980	324,029
Land Use Planning	849	781	3,461	3,741	(2,612)	(2,960)	186	82	645	155
Open Space, Sport and Recreation	4,671	4,944	26,260	20,166	(21,589)	(15,222)	4,206	4,576	145,770	155,038
Regulatory Services	7,709	8,481	19,010	18,385	(11,301)	(9,904)	184	330	722	639
Roads and Transport	26,760	38,557	59,777	52,761	(33,017)	(14,204)	26,530	38,433	2,092,063	1,975,509
Waste and Recycling Program	47,934	46,626	44,496	41,446	3,438	5,180	250	621	85,034	77,539
Water and Sewer Services	106,820	88,169	91,990	81,296	14,830	6,873	13,864	4,404	1,569,924	1,451,797
Total functions and activities	439,478	387,034	352,338	345,060	87,140	41,974	146,704	112,600	5,328,541	4,991,861

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, Red Fleet maintenance and depreciation.

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

	2024 \$ '000	2023 \$ '000
Ordinary rates		
Residential	81,992	77,805
Farmland	2,187	2,134
Business	5,614	5,309
Less: pensioner rebates	(2,041)	(2,068)
Rates levied to ratepayers	87,752	83,180
Pensioner rate subsidies received	1,063	1,064
Total ordinary rates	88,815	84,244
Special rates		
Town improvement	18	17
Town planning	451	451
Total special rates	469	468
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	29,924	27,853
Stormwater management services	1,176	1,166
Water supply services	4,869	4,267
Sewerage services	52,573	49,457
Waste management services (non-domestic)	1,654	1,551
Less: pensioner rebates (mandatory)	(2,646)	(2,635)
Annual charges levied	87,550	81,659
Pensioner annual charges subsidies received:		
– Water	472	472
– Sewerage	464	469
– Domestic waste management	408	396
Total annual charges	88,894	82,996
Total rates and annual charges	178,178	167,708

Council has used 2022 year valuations provided by the NSW Valuer General in calculating its rates.

Material accounting policy information

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.

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

	2024 \$ '000	2023 \$ '000
User charges		
Water supply services	21,469	19,011
Sewerage services	4,717	3,998
Waste management services (non-domestic)	15,086	16,290
Total user charges	41,272	39,299
Fees		
Cemeteries	2,079	2,025
Communication charges	3,015	1,768
Entertainment centre	2,168	2,179
Family day care	8	56
Health licence fees	99	121
Leaseback fees – Council vehicles	1,681	1,608
Library	192	172
Tourism	58	54
Animal charges	287	299
Swimming / leisure centres	6,256	5,873
Food inspection fees	276	186
Hire of council property	752	591
Tourist parks	31,308	29,750
Other	301	215
Planning and building regulation	5,101	5,688
Private works - s67	2,276	1,827
Section 10.7 certificates (EPA Act)	583	559
Section 603 certificates	264	208
Total fees	56,704	53,179
Total user charges and fees	97,976	92,478
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time	6,256	5,873
User charges and fees recognised at a point in time	91,720	86,605
Total user charges and fees	97,976	92,478

Material accounting policy information

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

	2024 \$ '000	2023 \$ '000
Commissions and agency fees	11	10
Credit card service fees	95	67
Discounts received	18	24
Fines – other	948	885
Fines – parking	1,030	898
Fuel tax credit	429	381
Insurance claims recoveries	55	779
Legal fees recovery – other	40	85
Legal fees recovery – rates and charges (extra charges)	161	153
Miscellaneous sales	16	13
Library – other councils	16	15
Recovery of other costs	1,179	717
Recycled material refunds	–	153
Sponsorships	72	–
Other	1,447	893
Total other revenue	5,517	5,073

Timing of revenue recognition for other revenue

Other revenue recognised over time	–	–
Other revenue recognised at a point in time	5,517	5,073
Total other revenue	5,517	5,073

Material accounting policy information 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 2024 \$ '000	Operating 2023 \$ '000	Capital 2024 \$ '000	Capital 2023 \$ '000
General purpose grants and non-developer contributions (untied)				
General purpose (untied)				
Current year allocation				
Financial assistance	593	3,675	–	–
Payment in advance - future year allocation				
Financial assistance	13,127	14,881	–	–
Amount recognised as income during current year	13,720	18,556	–	–
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Previously specific grants:				
Bushfire and emergency services	493	948	1,130	463
– Domestic waste management	–	–	–	599
Community care	1,493	1,703	102	949
– Other	–	–	–	544
Community centres	–	–	–	54
Economic development	61	255	4,066	4,242
Environmental programs	1,441	1,561	590	771
Heritage and cultural	–	152	–	27
Library	–	341	–	450
Library – special projects	–	27	–	–
LIRS subsidy & Low Cost Loan Initiative	236	281	–	–
Noxious weeds	285	238	–	–
Recreation and culture	568	207	3,624	4,376
Sewerage services	–	–	3,275	297
Storm/flood damage	608	21,666	60,097	6,588
Street lighting	275	270	–	–
Transport (other roads and bridges funding)	458	1,526	18,573	29,130
Water supplies	–	58	554	884
Transport (roads to recovery)	–	–	3,362	74
Waste Management	–	–	–	–
Other specific grants	462	206	512	–
Previously contributions:				
Transport for NSW contributions (regional roads, block grant)	1,587	4,241	395	1,258
Other contributions	259	249	–	–
Total special purpose grants and non-developer contributions – cash	8,226	33,929	96,280	50,706
Non-cash contributions				
Sewerage (excl. section 64 contributions)	–	–	3,443	569
Other	–	–	2,253	777
Water supplies (excl. section 64 contributions)	–	–	2,740	1,096
Total other contributions – non-cash	–	–	8,436	2,442
Total special purpose grants and non-developer contributions (tied)	8,226	33,929	104,716	53,148
Total grants and non-developer contributions	21,946	52,485	104,716	53,148
Comprising:				
– Commonwealth funding	15,765	19,853	6,842	7,657
– State funding	6,118	32,529	89,227	39,903
– Other funding	63	103	8,647	5,588
	21,946	52,485	104,716	53,148

B2-4 Grants and contributions (continued)

Developer contributions

	Notes	Operating 2024 \$ '000	Operating 2023 \$ '000	Capital 2024 \$ '000	Capital 2023 \$ '000
Developer contributions:					
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
G4					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	10,582	4,378
S 64 – water supply contributions		–	–	5,659	1,155
S 64 – sewerage service contributions		–	–	3,801	1,434
Total developer contributions – cash		–	–	20,042	6,967
Total developer contributions		–	–	20,042	6,967
Total contributions		–	–	20,042	6,967
Total grants and contributions		21,946	52,485	124,758	60,115
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time		13,439	24,272	94,251	48,633
Grants and contributions recognised at a point in time		8,507	28,213	30,507	11,482
Total grants and contributions		21,946	52,485	124,758	60,115

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 2024 \$ '000	Operating 2023 \$ '000	Capital 2024 \$ '000	Capital 2023 \$ '000
Unspent grants and contributions				
Unspent funds at 1 July	7,079	4,319	22,474	27,635
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	1,210	3,940	28	702
Add: Funds received and not recognised as revenue in the current year	20,568	2,400	6,799	14,958
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(5,272)	(261)	(11,047)	(86)
Less: Funds received in prior year but revenue recognised and funds spent in current year	(740)	(3,319)	(2,528)	(20,735)
Unspent funds at 30 June	22,845	7,079	15,726	22,474
Contributions				
Unspent funds at 1 July	–	–	36,795	37,293
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	6,495	3,412
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	(5,660)	(3,910)
Unspent contributions at 30 June	–	–	37,630	36,795

Material accounting policy information

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

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

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

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

Capital grants

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

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

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

B2-4 Grants and contributions (continued)

Developer contributions

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

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

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

Other grants and contributions

Assets, including cash, received from other grants and contributions are recognised at fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

B2-5 Interest and investment income

	2024 \$ '000	2023 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	970	578
– Cash and investments	6,599	4,350
Amortisation of premiums and discounts		
– Interest free (and interest reduced) loans provided	2	2
Total interest and investment income (losses)	7,571	4,930

Interest and investment income is attributable to:

Unrestricted investments/financial assets:

Unrestricted investments/financial assets:

General Council cash and investments	2,722	2,813
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Restricted investments/funds – external:

Developer contributions

– Section 7.11	1,012	337
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– Section 64	816	356
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Water fund operations	1,342	690
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Sewerage fund operations	1,041	562
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Domestic waste management operations	638	172
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Total interest and investment income	7,571	4,930
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Material accounting policy information

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	2024 \$ '000	2023 \$ '000
Fair value increment on investment properties	C1-8	–	83
Rental income - investment property		280	281
Rental income - other		1,184	1,065
Fair value increment on investments through profit and loss		2,068	2,816
Total other income		3,532	4,245

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2024 \$ '000	2023 \$ '000
Salaries and wages	90,734	86,765
Employee termination costs	–	72
Travel expenses	231	239
Employee leave entitlements (ELE)	16,942	17,173
Superannuation	11,639	10,531
Workers' compensation insurance	1,324	1,067
Workers' compensation provision adjustment	807	2,046
Fringe benefit tax (FBT)	789	527
Payroll tax	1,125	1,022
Training costs (other than salaries and wages)	908	1,379
Other	833	1,037
Total employee costs	125,332	121,858
Less: capitalised costs	(9,690)	(9,125)
Total employee costs expensed	115,642	112,733

Material accounting policy information

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

		2024	2023
	Notes	\$ '000	\$ '000
Raw materials and consumables		18,563	20,548
Contractor costs and consultancy costs		52,469	63,228
Audit Fees	F2-1	244	295
Councillor and Mayoral fees and associated expenses	F1-2	814	739
Advertising		1,453	1,649
Bank charges		847	794
Computer software, equipment and maintenance		5,417	6,327
Expenses from leases of low value assets		455	469
Fuel		3,434	3,663
Insurance		4,351	3,773
Light, power and heating		7,992	7,266
Motor vehicle registrations		698	602
Postage		546	265
Printing and stationery		383	426
Street lighting		1,870	1,965
Subscriptions and publications		1,152	1,037
Telephone and communications		578	599
Valuation fees		635	537
Other expenses		1,442	1,442
Legal expenses:			
– Legal expenses: other		2,346	2,128
Total materials and services		105,689	117,752

Material accounting policy information

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

	2024 \$ '000	2023 \$ '000
(i) Interest bearing liability costs		
Interest on loans	7,174	6,328
Interest on advances	8	10
Total interest bearing liability costs	7,182	6,338
(ii) Other borrowing costs		
Fair value adjustments on recognition of advances and deferred debtors		
– Interest free (or favourable) loans and advances made by Council	22	28
Total other borrowing costs	22	28
Total borrowing costs expensed	7,204	6,366

Material accounting policy information

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	2024 \$ '000	2023 \$ '000
Depreciation and amortisation			
Plant and equipment		10,280	9,450
Rural Fire Service Red Fleet		762	860
Office equipment		548	539
Furniture and fittings		250	286
Land improvements (depreciable)		544	151
Infrastructure:			
	C1-7		
– Buildings – non-specialised		36	45
– Buildings – specialised		10,446	9,280
– Other structures		2,841	3,907
– Roads		25,693	23,475
– Bridges		2,049	1,895
– Footpaths		2,161	1,995
– Stormwater drainage		3,303	2,810
– Water supply network		12,669	11,587
– Sewerage network		15,610	14,242
– Swimming pools		673	554
– Other open space/recreational assets		3,074	2,397
– Other infrastructure		1,118	1,092
Other assets:			
– Library books		466	410
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5,C1-7	103	126
Intangible assets	C1-9	132	129
Total depreciation and amortisation costs		92,758	85,230
Total depreciation, amortisation and impairment for non-financial assets		92,758	85,230

Material accounting policy information

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.

Impairment of non-financial assets

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

Intangible assets not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other non-financial assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

B3-5 Other expenses

	Notes	2024 \$ '000	2023 \$ '000
Impairment of receivables			
Other		1,764	1
Total impairment of receivables	C1-4	1,764	1
Fair value decrement on investment properties			
Fair value decrement on investment properties		72	—
Total fair value decrement on investment properties	C1-8	72	—
Other			
Contributions/levies to other levels of government			
– NSW fire brigade levy		706	553
– NSW rural fire service levy		1,712	1,711
– State Emergency Services levy		505	287
– Waste levy		14,208	14,056
– Other contributions/levies		2,016	1,543
Donations, contributions and assistance to other organisations (Section 356)		698	1,029
Total other		19,845	19,179
Total other expenses		21,681	19,180

Material accounting policy information

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	2024 \$ '000	2023 \$ '000
Gain (or loss) on disposal of infrastructure, property, plant and equipment	C1-7		
Proceeds from disposal		5,219	5,858
Less: carrying amount of assets sold/written off		(22,509)	(9,084)
Gain (or loss) on disposal		(17,290)	(3,226)
Gain (or loss) on disposal of real estate assets held for sale	C1-5		
Proceeds from disposal – real estate assets		8,381	–
Less: carrying amount of real estate assets sold/written off		(468)	–
Gain (or loss) on disposal		7,913	–
Gain (or loss) on disposal of investments	C1-2		
Proceeds from disposal/redemptions/maturities – investments		2,500	31,792
Less: carrying amount of investments sold/redeemed/matured		(2,490)	(31,675)
Gain (or loss) on disposal		10	117
Gain (or loss) on disposal of non-current assets classified as 'held for sale'	C1-6		
Proceeds from disposal – non-current assets 'held for sale'		3	110
Less: carrying amount of 'held for sale' assets sold/written off		–	(800)
Gain (or loss) on disposal		3	(690)
Net gain (or loss) from disposal of assets		(9,364)	(3,799)

Material accounting policy information

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 26 June 2023 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	2024 Budget	2024 Actual	2024 ----- Variance -----	
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Revenues

Rates and annual charges	177,338	178,178	840	0%	F
User charges and fees	95,621	97,976	2,355	2%	F
Other revenues	4,772	5,517	745	16%	F

The favourable variance is due to the recovery of council costs including legal fees and property outgoings. This amounts were not originally budgeted.

Operating grants and contributions	21,294	21,946	652	3%	F
Capital grants and contributions	47,922	124,758	76,836	160%	F

The favourable variance is due to Natural Disaster Recovery Funding which was not budgeted. The increase in funding, compared to FY2023, was due to the significant costs incurred by Council to remediate the landslip damage caused by the March 2022 and June 2022 storm events.

Interest and investment income	7,550	7,571	21	0%	F
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The favourable variance is consistent with the increase in interest rates throughout the financial year. Average cash on hand balances were also higher than originally budgeted particularly in Water and Sewer Funds, and Council's externally restricted Developer Contribution funds.

Other income	–	3,532	3,532	∞	F
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The favourable variance is due to Council's exceeding its budgeted return on its long term growth fund investments, as well as an unbudgeted fair value increment on the valuation of investment properties.

Expenses

Employee benefits and on-costs	108,473	115,642	(7,169)	(7)%	U
Materials and services	104,540	105,689	(1,149)	(1)%	U
Borrowing costs	7,453	7,204	249	3%	F
Depreciation, amortisation and impairment of non-financial assets	90,200	92,758	(2,558)	(3)%	U
Other expenses	16,973	21,681	(4,708)	(28)%	U

The unfavourable variance is due to higher EPA Waste Levy fees than originally budgeted.

Net losses from disposal of assets	–	9,364	(9,364)	∞	U
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Council does not estimate the net profit/loss from the disposal of assets in compiling the annual budget. The variation relates predominately to the net loss on disposal of infrastructure assets during the year.

Statement of cash flows

continued on next page ...

B5-1 Material budget variations (continued)

\$ '000	2024 Budget	2024 Actual	2024 ----- Variance -----	
Cash flows from operating activities	117,058	210,265	93,207	80% F
The favourable variance is due to Natural Disaster Recovery Funding which was not budgeted (included under Grants and Contributions received). The increase in funding, compared to FY2023, was due to the significant costs incurred by Council to remediate the landslip damage caused by the March 2022 and June 2022 storm events. The full scoping of these works was not finalised at the time the FY2024 budget was prepared.				
Cash flows from investing activities	(182,681)	(112,432)	70,249	(38)% F
The favourable variance from investing activities is due to the volume of investments that were purchased and sold during the year with more cash available to be invested. Also, some capital projects that were included in the original budget were not completed during the year.				
Cash flows from financing activities	(742)	(3,484)	(2,742)	370% U
The favourable variance is due to a budgeted loan amount of \$18,356,000 being scaled back with a single loan drawn down of \$15,856,000 during the year.				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2024 \$ '000	2023 \$ '000
Cash on hand and at bank	119,351	23,125
Deposits at call	2,429	4,306
Total cash and cash equivalents	121,780	27,431

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	121,780	27,431
Balance as per the Statement of Cash Flows	121,780	27,431

Material accounting policy information

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

	2024 Current \$ '000	2024 Non-current \$ '000	2023 Current \$ '000	2023 Non-current \$ '000
Financial assets at fair value through the profit and loss				
Managed funds	–	–	20,527	–
Government and semi-government bonds	5,000	–	5,000	–
NCD's, FRN's (with maturities > 3 months)	31,454	–	24,000	–
Total	36,454	–	49,527	–
Debt securities at amortised cost				
Long term deposits	47,400	12,000	87,400	2,000
Total	47,400	12,000	87,400	2,000
Total financial investments	83,854	12,000	136,927	2,000

Material accounting policy information

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

	2024 \$ '000	2023 \$ '000
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	217,634	166,358
Less: Externally restricted cash, cash equivalents and investments	(183,459)	(158,213)
Cash, cash equivalents and investments not subject to external restrictions	34,175	8,145
External restrictions		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended loans – general	35,859	31,014
Specific purpose unexpended grants – general fund	22,215	21,960
Specific purpose unexpended grants – water fund	433	582
Specific purpose unexpended grants – sewer fund	14,059	2,054
Self insurance claims	6,675	6,094
Water fund	32,807	29,960
Sewer fund	21,434	17,677
Developer contributions – general	25,428	20,551
Developer contributions – water fund	12,202	16,245
Specific purpose unexpended grants (recognised as revenue) – general fund	1,864	4,957
Domestic waste management	9,205	7,095
Stormwater management	249	24
Other Special Levies	1,029	–
Total external restrictions	183,459	158,213

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.

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

	2024	2023
	\$ '000	\$ '000

(b) Internal allocations**Internal allocations**

At 30 June, Council has internally allocated funds to the following:

Arts Collection	45	—
Coastal Management	399	—
Committed Capital Works	1,416	—
Communication Towers	4,708	—
Critical Asset Compliance	268	—
Deposits, retentions and bonds	4,506	4,761
Dog off leash	48	—
Economic Development Projects	129	—
Employees leave entitlement	5,880	3,384
Financial Assistance Grant	3,027	—
General Insurance	240	—
Jetty Licensing	19	—
Land Development Reserve	7,057	—
Plant and Vehicle Replacement	674	—
Plant Replacement - Cemeteries	79	—
Renewal Energy Reserve	235	—
S7.11 recoupment funds	2,318	—
Shoalhaven Foreshore Development	916	—
Sporting Facilities	268	—
Strategic Projects	30	—
Strategic Property Acquisition	1,913	—
Total internal allocations	34,175	8,145

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

At 30 June 2024, Council had spent \$10.1m (30 June 2023: \$35m) in grants spent in advance. This receivable is reflected in Note C1-4 Receivables (Government grants and subsidies). In accordance with Council's adopted Liquidity Contingency Plan, Council is able to utilise its internal restrictions to ensure that available funds will be sufficient to meet operational needs.

Council has utilised a portion of the internally restricted Financial Assistance Grant to fund the grants spent in advance at 30 June 2024. The full value of the Financial Assistance Grant internal restriction would have been \$13.1m had it not be used to fund grants spent in advance.

	2024	2023
	\$ '000	\$ '000

(c) Unrestricted and unallocated**Total unrestricted and unallocated cash, cash equivalents and investments**

	—	—

C1-4 Receivables

	2024 Current \$ '000	2024 Non-current \$ '000	2023 Current \$ '000	2023 Non-current \$ '000
Rates and annual charges	8,530	4,758	7,372	3,953
Interest and extra charges	464	1,733	391	1,361
User charges and fees	9,685	656	8,668	398
Accrued revenues				
– Interest on investments	1,416	–	1,474	–
– Other income accruals	–	–	1,020	–
Deferred debtors	2	22	14	25
Government grants and subsidies	10,109	–	35,165	–
Net GST receivable	–	–	2,556	–
Other debtors	684	–	604	–
Total	30,890	7,169	57,264	5,737
Less: provision for impairment				
Rates and annual charges	(82)	–	(79)	–
User charges and fees	(980)	–	(995)	–
Total provision for impairment – receivables	(1,062)	–	(1,074)	–
Total net receivables	29,828	7,169	56,190	5,737

C1-4 Receivables (continued)

Material accounting policy information

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

	2024 Current \$ '000	2024 Non-current \$ '000	2023 Current \$ '000	2023 Non-current \$ '000
(i) Inventories at cost				
Real estate for resale	2,586	2,226	228	5,503
Stores and materials	2,151	–	2,056	–
Total inventories at cost	4,737	2,226	2,284	5,503
Total inventories	4,737	2,226	2,284	5,503

(ii) Other disclosures

	2024 Current \$ '000	2024 Non-current \$ '000	2023 Current \$ '000	2023 Non-current \$ '000
Notes				
Details for real estate development				
Industrial/commercial	2,586	2,226	228	5,503
Total real estate for resale	2,586	2,226	228	5,503

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition costs	2,586	2,226	228	5,503
Total costs	2,586	2,226	228	5,503
Total real estate for resale	2,586	2,226	228	5,503

Movements:

Real estate assets at beginning of the year	228	5,503	219	5,512
– WDV of sales (expense)	(468)	–	–	–
– Other	(451)	–	–	–
Re-classification between Current and Non-current	3,277	(3,277)	9	(9)
Total real estate for resale	2,586	2,226	228	5,503

Material accounting policy information

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

	2024 Current \$ '000	2023 Current \$ '000
Non-current assets held for sale		
Land	7,938	1,225
Buildings	1,356	1,356
Total non-current assets classified as held for sale	9,294	2,581

Details of assets

Thirteen parcels of land and two buildings have been advertised for sale.

Reconciliation of non-current assets held for sale

	2024 Assets 'held for sale' \$ '000	2023 Assets 'held for sale' \$ '000
Opening balance	2,581	3,381
Less: carrying value of assets/operations sold	–	(800)
Balance still unsold after 12 months:	2,581	2,581
<u>Plus new transfers in:</u>		
– Assets held for sale	6,713	–
Closing balance of held for sale non-current assets	9,294	2,581

Material accounting policy information

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 2023			Asset movements during the reporting period								At 30 June 2024		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	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
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	218,617	–	218,617	–	154,023	–	–	(58,080)	–	–	–	314,560	–	314,560
Plant and equipment	99,500	(42,909)	56,591	–	17,313	(2,477)	(10,280)	–	(239)	–	–	107,117	(46,209)	60,908
Rural Fire Service Red Fleet	27,484	(24,980)	2,504	–	–	(435)	(762)	–	–	–	–	26,722	(25,415)	1,307
Office equipment	14,352	(12,671)	1,681	–	–	–	(548)	8	–	–	–	14,360	(13,219)	1,141
Furniture and fittings	5,096	(2,995)	2,101	–	–	(5)	(250)	–	(393)	–	–	3,564	(2,112)	1,452
Land:														
– Crown land	193,745	–	193,745	–	–	(1,717)	–	–	–	–	29,859	221,887	–	221,887
– Operational land	277,488	–	277,488	–	–	(55)	–	–	(6,713)	(22,867)	–	247,852	–	247,852
– Community land	270,537	–	270,537	–	37	(14)	–	–	–	(5,888)	–	264,672	–	264,672
– Land under roads post 30/6/08	1,319	–	1,319	–	–	–	–	405	–	–	2	1,726	–	1,726
Land improvements – non-depreciable	50,320	(22)	50,298	–	–	(1,539)	–	382	32	–	2,422	51,616	(22)	51,594
Land improvements – depreciable	17,524	(5,558)	11,966	–	597	(552)	(544)	486	1,893	–	941	20,741	(5,955)	14,786
Infrastructure:														
– Buildings – non-specialised	1,878	(124)	1,754	–	–	–	(36)	12	(284)	–	49	1,500	(7)	1,493
– Buildings – specialised	514,991	(143,900)	371,091	–	170	–	(10,446)	15,907	2,072	–	3,907	578,914	(196,213)	382,701
– Other structures	140,159	(56,629)	83,530	–	436	(618)	(2,841)	3,935	(3,606)	–	6,665	145,106	(57,606)	87,500
– Roads	1,709,034	(532,159)	1,176,875	–	236	(624)	(25,693)	9,536	206	–	82,778	1,800,675	(557,362)	1,243,313
– Bridges	140,545	(57,866)	82,679	–	88	(478)	(2,049)	917	(76)	–	6,780	146,669	(58,808)	87,861
– Footpaths	120,367	(33,904)	86,463	–	57	(201)	(2,161)	399	(52)	–	5,765	126,154	(35,883)	90,271
– Bulk earthworks	337,481	(1,364)	336,117	–	–	(4,997)	–	1,357	–	–	16,438	350,278	(1,364)	348,914
– Stormwater drainage	311,812	(114,919)	196,893	–	202	(953)	(3,303)	1,949	18	–	15,376	327,912	(117,729)	210,183
– Water supply network	929,471	(446,977)	482,494	–	2,740	(1,849)	(12,669)	7,492	262	–	46,683	976,855	(451,702)	525,153
– Sewerage network	1,026,823	(307,025)	719,798	–	3,425	(884)	(15,610)	10,673	84	–	49,890	1,083,811	(316,435)	767,376
– Swimming pools	39,305	(18,469)	20,836	–	–	–	(673)	108	–	–	2,066	41,479	(19,142)	22,337
– Other open space/recreation	87,102	(28,566)	58,536	–	530	(4,948)	(3,074)	4,456	41	–	4,025	88,287	(28,721)	59,566
– Other infrastructure	63,863	(27,411)	36,452	–	–	(163)	(1,118)	58	42	–	1,599	65,122	(28,252)	36,870
Other assets:														
– Library books	2,783	(1,413)	1,370	–	–	–	(466)	–	–	–	–	2,414	(1,509)	905
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Tip assets	5,510	(1,994)	3,516	221	–	–	(103)	–	–	–	–	5,731	(2,097)	3,634
Total infrastructure, property, plant and equipment	6,607,106	(1,861,855)	4,745,251	221	179,854	(22,509)	(92,626)	–	(6,713)	(28,755)	275,245	7,015,724	(1,965,762)	5,049,962

(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 2022			Asset movements during the reporting period								At 30 June 2023		
	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
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	159,385	–	159,385	–	462,966	–	–	(403,734)	–	–	–	218,617	–	218,617
Plant and equipment	82,886	(35,084)	47,802	15,934	3,014	(1,472)	(9,450)	–	763	–	–	99,500	(42,909)	56,591
Rural Fire Services Red Fleet	27,484	(24,120)	3,364	–	–	–	(860)	–	–	–	–	27,484	(24,980)	2,504
Office equipment	14,417	(12,247)	2,170	87	54	(91)	(539)	–	–	–	–	14,352	(12,671)	1,681
Furniture and fittings	5,061	(2,709)	2,352	31	4	–	(286)	–	–	–	–	5,096	(2,995)	2,101
Land:														
– Operational land	208,181	–	208,181	67	–	(440)	–	–	–	–	69,680	277,488	–	277,488
– Community land	197,635	–	197,635	–	–	(680)	–	–	–	–	73,582	270,537	–	270,537
– Crown land	145,830	–	145,830	–	–	–	–	–	–	–	47,915	193,745	–	193,745
– Land under roads (post 30/6/08)	1,744	–	1,744	–	–	–	–	–	–	(425)	–	1,319	–	1,319
Land improvements – non-depreciable	47,347	–	47,347	32	131	–	–	–	–	(22)	2,810	50,320	(22)	50,298
Land improvements – depreciable	14,983	(5,444)	9,539	234	950	–	(151)	–	477	–	917	17,524	(5,558)	11,966
Infrastructure:														
– Buildings – non-specialised	2,472	(130)	2,342	52	–	(648)	(45)	–	(3)	–	56	1,878	(124)	1,754
– Buildings – specialised	466,049	(136,171)	329,878	14,137	3,711	(2,326)	(9,280)	–	1,980	(1,082)	34,073	514,991	(143,900)	371,091
– Other structures	148,011	(30,878)	117,133	3,338	1,017	(652)	(3,907)	–	(2,698)	(30,701)	–	140,159	(56,629)	83,530
– Roads	1,556,326	(509,345)	1,046,981	41,621	19,349	(1,716)	(23,475)	–	1,809	–	92,306	1,709,034	(532,159)	1,176,875
– Bridges	129,289	(55,978)	73,311	2,255	1,382	(19)	(1,895)	–	–	–	7,645	140,545	(57,866)	82,679
– Footpaths	105,539	(31,884)	73,655	1,123	7,193	–	(1,995)	–	216	–	6,271	120,367	(33,904)	86,463
– Bulk earthworks (non-depreciable)	318,431	(1,364)	317,067	122	107	–	–	–	–	–	18,821	337,481	(1,364)	336,117
– Stormwater drainage	291,174	(112,286)	178,888	1,542	2,300	(198)	(2,810)	–	(17)	–	17,188	311,812	(114,919)	196,893
– Water supply network	858,129	(435,591)	422,538	2,251	2,905	–	(11,587)	–	–	–	66,387	929,471	(446,977)	482,494
– Sewerage network	947,709	(292,853)	654,856	2,048	3,954	(9)	(14,242)	–	–	–	73,191	1,026,823	(307,025)	719,798
– Swimming pools	25,791	(14,100)	11,691	96	14	(71)	(554)	–	1,550	–	8,110	39,305	(18,469)	20,836
– Other open space/recreational assets	66,741	(28,458)	38,283	161	2,232	(758)	(2,397)	–	(4,077)	(15)	25,107	87,102	(28,566)	58,536
– Other infrastructure	57,724	(25,877)	31,847	1,013	2,215	(4)	(1,092)	–	–	(444)	2,917	63,863	(27,411)	36,452
Other assets:														
– Library books	10,012	(8,653)	1,359	–	421	–	(410)	–	–	–	–	2,783	(1,413)	1,370
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Tip assets	5,562	(2,187)	3,375	267	–	–	(126)	–	–	–	–	5,510	(1,994)	3,516
Total infrastructure, property, plant and equipment	5,893,912	(1,765,359)	4,128,553	86,411	513,919	(9,084)	(85,101)	(403,734)	–	(32,689)	546,976	6,607,106	(1,861,855)	4,745,251

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

Material accounting policy information

Initial recognition of infrastructure, property, plant and equipment (IPPE)

IPPE is measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes).

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

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

Useful lives of IPPE

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	15 to 20
Office furniture	10 to 20	Benches, seats etc.	20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: Masonry	50 to 170
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	Library Books	5
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	indefinite
Sealed roads: structure	50	Swimming pools	60
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	5 to 100
Bridge: other	50	Other infrastructure: Fish tables	20 to 25
Road pavements	60	Other infrastructure: Platforms / Jetties	45
Kerb and gutter	40	Other infrastructure: Coastal	50 to 80
Footpaths	30 to 60	Depreciable Land Improvements	8 to 60

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

Revaluation model

Infrastructure, property, plant and equipment are held at fair value. Comprehensive valuations are performed at least every 5 years, however the carrying amount of assets not subject to comprehensive revaluation are indexed in accordance with published indices relevant to their asset class annually.

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

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

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

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.

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.

Infrastructure, property, plant and equipment – current year impairments

	2024 \$ '000	2023 \$ '000
(iii) Impairment losses recognised direct to equity (ARR):		
Buildings	–	1,082
Land Improvements	–	22
Open Space & Recreation	–	15
Other Infrastructure	–	445
Other Structures	–	23
Total impairment losses	–	1,587
Impairment of assets – direct to equity (ARR)	–	1,587

C1-8 Investment properties

	2024 \$ '000	2023 \$ '000
Owned investment property		
Investment property on hand at fair value	3,425	3,497
Total owned investment property	3,425	3,497

Owned investment property

At fair value

Opening balance at 1 July	3,497	3,400
Capitalised subsequent expenditure	–	14
Net gain/(loss) from fair value adjustments	(72)	83
Closing balance at 30 June	3,425	3,497

Material accounting policy information

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

	2024 \$ '000	2023 \$ '000
Software		
Opening values at 1 July		
Gross book value	1,236	1,099
Accumulated amortisation	(735)	(606)
Net book value – opening balance	501	493
Movements for the year		
Purchases	131	137
Amortisation charges	(132)	(129)
Closing values at 30 June		
Gross book value	1,233	1,236
Accumulated amortisation	(865)	(735)
Total software – net book value	368	501
Total intangible assets – net book value	368	501

Material accounting policy information

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

	2024 Current \$ '000	2024 Non-current \$ '000	2023 Current \$ '000	2023 Non-current \$ '000
Prepayments	1,061	–	1,017	–
Work in progress - service concession asset - Waste Processing Facility ¹	–	2,716	–	2,717
Total other assets	1,061	2,716	1,017	2,717

(1) Waste Processing Facility – Council entered into a contract for the construction and operation of a waste processing facility to be developed in West Nowra. The intention was to develop the facility with a partner from the private sector -BioelektraPty- to create a service concession asset to be recognised in accordance with AASB 1059 – Service Concession Arrangements: Grantors. In August 2023, Council resolved to terminate their contract with Bioelektra Pty Ltd. Whilst the contract has been terminated, an alternative waste processing solution will need to be developed and it is likely that the West Nowra site will provide the most suitable location for its construction. Therefore, the site improvements that have been carried out to date will remain assets and have been valued at \$2.7m in June 2024.

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: 8 McIntyre Way - 5 year lease - 2 year option exercised extending lease to 31 May 2024. Option to purchase not available. A new lease has not yet been entered into therefore Council has automatically moved to a month to month agreement.

Depot building: 2 McIntyre Way - 3 year lease - to 31 August 2025 - 2 year option available. Option to purchase not available.

Office building: 1/51 Graham Street - 1 year lease - to 3 June 2025 - 2 X 1 year options available. Option to purchase not available. The 3 year option on the previous lease was not exercised. The new lease creating an additional right of use asset.

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.

Extension options

Council includes options in the building leases to provide flexibility and certainty to Council operations and reduce costs of moving premises; and the extension options are at Council's discretion.

At commencement date and each subsequent reporting date, Council assesses where it is reasonably certain that the extension options will be exercised.

There are \$213,979 in potential future lease payments which are not included in lease liabilities as Council has assessed that the exercise of the option is not reasonably certain.

(a) Right of use assets

	Buildings \$ '000	Total \$ '000
2024		
Opening balance at 1 July	225	225
Additions to right-of-use assets	77	77
Adjustments to right-of-use assets due to re-measurement of lease liability	–	–
Depreciation charge	(181)	(181)
Balance at 30 June	121	121
2023		
Opening balance at 1 July	135	135
Additions to right-of-use assets	269	269
Adjustments to right-of-use assets due to re-measurement of lease liability	–	–
Depreciation charge	(179)	(179)
Balance at 30 June	225	225

C2-1 Council as a lessee (continued)

(b) Lease liabilities

	2024 Current \$ '000	2024 Non-current \$ '000	2023 Current \$ '000	2023 Non-current \$ '000
Lease liabilities	118	8	186	55
Total lease liabilities	118	8	186	55

(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
2024					
Cash flows	121	8	–	129	126
2023					
Cash flows	145	46	57	248	241

(d) Income Statement

	2024 \$ '000	2023 \$ '000
Expenses relating to leases of low-value assets	93	66
	93	66

(e) Statement of Cash Flows

	2024 \$ '000	2023 \$ '000
Total cash outflow for leases	198	191
	198	191

Material accounting policy information

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.

C2-1 Council as a lessee (continued)

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties and /or plant and equipment to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property (refer note C1-8).

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

	2024 \$ '000	2023 \$ '000
(i) Assets held as investment property		
Description	Lease term	
Nowra - Shop 1, 3 Schofields Lane	04/11/2022 to 03/11/2025	
Nowra - Shop 2, 3 Schofields Lane	19/10/2023 to 18/10/2024	
Nowra - Shop 3, 3 Schofields Lane	01/02/2024 to 31/01/2027	
Nowra - Shop 4, 3 Schofields Lane	01/09/2021 to 31/08/2024	
Nowra - Shop 5, 3 Schofields Lane	01/09/2023 to 31/08/2026	
Nowra Shop 6-7, 3 Schofields Lane	01/10/2024 to 30/09/2027	
Nowra - 37/43 Kinghorne St	10/06/2022 to 09/06/2025	
Nowra - 37A/43 Kinghorne St	01/07/2023 to 31/12/2024	
Nowra - 39/43 Kinghorne St	15/09/2023 to 14/09/2026	
Nowra - 39A/43 Kinghorne St	27/04/2023 to 26/04/2026	
Nowra - 41/43 Kinghorne St	13/03/2024 to 12/03/2027	
Nowra - 43/43 Kinghorne St	16/02/2023 to 15/02/2025	

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

Lease income (excluding variable lease payments not dependent on an index or rate)	280	281
Total income relating to operating leases for investment property assets	280	281
Direct operating expenses that generated rental income	92	66
Total expenses relating to operating leases	92	66

Material accounting policy information

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

	2024 Current \$ '000	2024 Non-current \$ '000	2023 Current \$ '000	2023 Non-current \$ '000
Goods and services	12,846	–	14,190	–
Accrued expenses:				
– Borrowings	1,380	–	1,476	–
– Salaries and wages	1,998	–	1,745	–
– Other expenditure accruals	11,546	–	17,184	–
Security bonds, deposits and retentions	4,516	–	4,778	–
ATO – net GST payable	687	–	–	–
Prepaid rates	4,625	–	4,284	–
Total payables	37,598	–	43,657	–

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

	2024 \$ '000	2023 \$ '000
Total payables	–	–

Material accounting policy information

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

	Notes	2024 Current \$ '000	2024 Non-current \$ '000	2023 Current \$ '000	2023 Non-current \$ '000
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	34,719	–	20,672	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	1,988	–	3,926	–
Total grants and contributions received in advance		36,707	–	24,598	–
User fees and charges received in advance:					
Deposits received in advance of services provided	(iii)	7,441	–	7,728	–
Total user fees and charges received in advance		7,441	–	7,728	–
Total contract liabilities		44,148	–	32,326	–

Notes

(i) Council has received funding to construct assets including sporting facilities, bridges, library and other infrastructure. The

C3-2 Contract Liabilities (continued)

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.

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

	2024 \$ '000	2023 \$ '000
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	13,184	20,735
Operating grants (received prior to performance obligation being satisfied)	1,178	3,319
Operating contributions (received prior to performance obligation being satisfied)	–	–
Total revenue recognised that was included in the contract liability balance at the beginning of the period	14,362	24,054

Material accounting policy information

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

	2024 Current \$ '000	2024 Non-current \$ '000	2023 Current \$ '000	2023 Non-current \$ '000
Loans – secured ¹	21,322	172,436	19,049	177,880
Ratepayers' advances	10	115	91	119
Total borrowings	21,332	172,551	19,140	177,999

(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.

(a) Changes in liabilities arising from financing activities

	2023		Non-cash movements				2024
	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	196,929	(3,192)	–	21	–	–	193,758
Ratepayers' advances	210	(85)	–	–	–	–	125
Lease liability (Note C2-1b)	241	(192)	77	–	–	–	126
Total liabilities from financing activities	197,380	(3,469)	77	21	–	–	194,009

	2022		Non-cash movements				2023
	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	159,730	37,171	–	28	–	–	196,929
Ratepayers' advances	290	(80)	–	–	–	–	210
Lease liability (Note C2-1b)	153	86	–	–	–	2	241
Total liabilities from financing activities	160,173	37,177	–	28	–	2	197,380

(b) Financing arrangements

	2024 \$ '000	2023 \$ '000
--	-----------------	-----------------

Total facilities

Total financing facilities available to Council at the reporting date are:

Credit cards/purchase cards	550	550
Total financing arrangements	550	550

Drawn facilities

Financing facilities drawn down at the reporting date are:

– Credit cards/purchase cards	71	110
Total drawn financing arrangements	71	110

Undrawn facilities

Undrawn financing facilities available to Council at the reporting date are:

– Credit cards/purchase cards	479	440
Total undrawn financing arrangements	479	440

C3-3 Borrowings (continued)

Additional financing arrangements information

Breaches and defaults

Council has entered into a series of loan agreements with NSW Treasury Corporation (TCorp).

In October 2024, Council was informed by NSW Treasury Corporation (TCorp) of a previous breach in its loan agreement debt covenants. More specifically, for 30 June 2023, Council did not meet one of the three financial ratios which form part of the 2021, 2022 and 2023 loan agreement. Under the loan agreements, Council is required to maintain an unrestricted cash expense ratio of at least 2. At 30 June 2023, the reported ratio was 0.5.

On 24 October 2024 TCorp waived these breaches and advised they will take no further action. With TCorp advising that no action will be taken, the impacted loan borrowings have not been wholly classified as a current liability in these financial statements.

At 30 June 2024, the ratio has been met with Council achieving a ratio of 2.2. The improvement in the ratio is due to the \$25M reduction in grants spent in advance from 30 June 2023 to 30 June 2024. As reported in Note C1-3, cash not subject to external restrictions increased from \$8.1M at 30 June 2023 to \$35.5M at 30 June 2024.

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.

Material accounting policy information

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

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

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or borrowing costs.

C3-4 Employee benefit provisions

	2024 Current \$ '000	2024 Non-current \$ '000	2023 Current \$ '000	2023 Non-current \$ '000
Annual leave	10,652	–	10,752	–
Sick leave	7,531	–	7,765	–
Long service leave	16,377	1,216	16,412	1,217
Total employee benefit provisions	34,560	1,216	34,929	1,217

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

	2024 \$ '000	2023 \$ '000
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The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

Provisions – employees benefits	20,039	20,206
	20,039	20,206

Material accounting policy information

Employee benefit provisions are presented as current liabilities in the Statement of Financial Position if Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur and therefore all annual leave and vested long service leave (or that which vests within 12 months) is presented as current.

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

These amounts include superannuation, 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.

C3-5 Provisions

	2024 Current \$ '000	2024 Non-Current \$ '000	2023 Current \$ '000	2023 Non-Current \$ '000
Self insurance – workers compensation	1,723	5,178	974	5,120
Asset remediation/restoration (future works)	–	6,700	–	6,479
Total provisions	1,723	11,878	974	11,599

C3-5 Provisions (continued)

Movements in provisions

	Self insurance \$ '000	Asset remediation \$ '000	Total \$ '000
2024			
At beginning of year	6,094	6,479	12,573
Changes to provision:			
– Revised costs	807	221	1,028
Total	6,901	6,700	13,601
2023			
At beginning of year	4,048	6,211	10,259
Changes to provision:			
– Revised costs	2,046	268	2,314
Total	6,094	6,479	12,573

Nature and purpose of provisions

Asset remediation

The asset remediation provision represents the present value estimate of future costs Council will incur to restore, rehabilitate and reinstate the tip and quarry as a result of past operations.

Self-insurance

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

Material accounting policy information

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

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

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

Asset remediation – tips and quarries

Restoration

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

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

Rehabilitation

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

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

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

C3-5 Provisions (continued)

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.

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 2024 \$ '000	Water 2024 \$ '000	Sewer 2024 \$ '000
Income from continuing operations			
Rates and annual charges	120,335	4,965	52,878
User charges and fees	67,664	24,714	5,598
Other revenues	5,388	99	30
Grants and contributions provided for operating purposes	21,946	–	–
Grants and contributions provided for capital purposes	104,738	9,503	10,517
Interest and investment income	4,372	2,158	1,041
Other income	3,532	–	–
Total income from continuing operations	327,975	41,439	70,064
Expenses from continuing operations			
Employee benefits and on-costs	93,183	9,215	13,244
Materials and services	74,970	11,540	19,179
Borrowing costs	4,146	–	3,058
Depreciation, amortisation and impairment of non-financial assets	61,135	14,854	16,769
Other expenses	17,906	1,957	1,818
Net losses from the disposal of assets	7,095	1,493	776
Total expenses from continuing operations	258,435	39,059	54,844
Operating result from continuing operations	69,540	2,380	15,220
Net operating result for the year	69,540	2,380	15,220
Net operating result attributable to each council fund	69,540	2,380	15,220
Net operating result for the year before grants and contributions provided for capital purposes	(35,198)	(7,123)	4,703

D1-2 Statement of Financial Position by fund

	General 2024 \$ '000	Water 2024 \$ '000	Sewer 2024 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	103,389	10,790	7,601
Investments	24,326	34,913	24,615
Receivables	21,610	2,836	5,382
Inventories	3,656	1,081	–
Other	1,061	–	–
Non-current assets classified as held for sale	9,294	–	–
Total current assets	163,336	49,620	37,598
Non-current assets			
Investments	4,276	4,447	3,277
Receivables	4,637	1,130	1,402
Inventories	2,226	–	–
Infrastructure, property, plant and equipment	3,585,214	594,032	870,716
Investment property	3,425	–	–
Intangible assets	306	60	2
Right of use assets	121	–	–
Other	2,716	–	–
Total non-current assets	3,602,921	599,669	875,397
Total assets	3,766,257	649,289	912,995
LIABILITIES			
Current liabilities			
Payables	33,370	2,603	1,625
Contract liabilities	29,601	495	14,052
Lease liabilities	118	–	–
Borrowings	16,287	–	5,045
Employee benefit provision	34,560	–	–
Provisions	1,723	–	–
Total current liabilities	115,659	3,098	20,722
Non-current liabilities			
Lease liabilities	8	–	–
Borrowings	103,390	–	69,161
Employee benefit provision	1,216	–	–
Provisions	11,878	–	–
Total non-current liabilities	116,492	–	69,161
Total liabilities	232,151	3,098	89,883
Net assets	3,534,106	646,191	823,112
EQUITY			
Accumulated surplus	1,173,021	231,269	469,729
Revaluation reserves	2,361,085	414,922	353,383
Council equity interest	3,534,106	646,191	823,112
Total equity	3,534,106	646,191	823,112

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)	1,247
Principal outstanding at end of year (\$'000)	Nil

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.

Accounting policy for subsidiaries

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

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost. Intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements. Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the Council. All controlled entities have a June financial year end.

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

Interests in Subsidiary	Ownership 2024	Ownership 2023	Principal place of business
Council's interest in Subsidiary	100%	100%	Nowra

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

	2024 \$ '000	2023 \$ '000
Summarised statement of comprehensive income		
Revenue	15	7
Expenses	–	(1)
Profit for the period	15	6
Total comprehensive income	15	6
Summarised statement of financial position		
Current assets	487	473
Total assets	487	473
Net assets	487	473
Summarised statement of cash flows		
Cash flows from operating activities	13	4
Net increase (decrease) in cash and cash equivalents	13	4

D2-2 Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Name of entity/operation	Principal activity/type of entity	2024	2024
		(\$'000) Net profit	(\$'000) Net assets
Shoalhaven City Council Management Committees	Use and management of community land and assets	31	341

Reasons for non-recognition

Council has assessed this operation as not material for recognition in these statements.

From 30 June 2022 Council no longer discloses its s355 Management Committees in its financial statements in Note D2-1 Subsidiaries. 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.

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. The values disclosed in D2-2 are Council's best estimate of the committees performance as at 30 June 2023.

Name of entity/operation	Principal activity/type of entity	2024	2024
		(\$'000) Net profit	(\$'000) Net assets
Illawarra Shoalhaven Joint Organisation	Inter-Governmental Collaboration Joint Venture	365	1,143

Reasons for non-recognition

Council has assessed this operation as not material for recognition in these statements.

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

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

Financial risk management is carried out by 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 2024 \$ '000	Carrying value 2023 \$ '000	Fair value 2024 \$ '000	Fair value 2023 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	121,780	27,431	121,695	27,431
Receivables	36,997	61,927	28,234	61,927
Investments				
– Debt securities at amortised cost	59,400	89,400	59,000	89,400
Fair value through profit and loss				
Cash and cash equivalents	–	–	–	–
Investments				
Cash and cash equivalents				
– Held for trading	36,454	49,527	36,454	49,527
Total financial assets	254,631	228,285	245,383	228,285
Financial liabilities				
Payables	37,598	43,657	36,753	43,657
Loans/advances	193,883	197,139	193,883	197,139
Lease liabilities	129	248	126	241
Total financial liabilities	231,610	241,044	230,762	241,037

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.

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

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.
- **Market risk - 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

	2024 \$ '000	2023 \$ '000
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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	2,447	2,283
Impact of a 10% movement in price of investments		
– Equity / Income Statement	3,645	4,953

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
2024				
Gross carrying amount	2,247	9,714	1,327	13,288
2023				
Gross carrying amount	2,415	7,797	1,113	11,325

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
2024						
Gross carrying amount	16,460	1,529	646	358	5,778	24,771
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.12%	0.10%
ECL provision	—	—	—	—	29	29
2023						
Gross carrying amount	43,351	2,087	959	387	4,892	51,676
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.53%	0.12%
ECL provision	—	—	—	—	26	26

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(c) 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
2024							
Payables	0.00%	4,516	33,081	–	–	37,597	37,598
Borrowings	4.01%	–	21,317	79,825	92,740	193,882	193,882
Lease liabilities	3.00%	–	121	8	–	129	129
Total financial liabilities		4,516	54,519	79,833	92,740	231,608	231,609
2023							
Payables	0.00%	4,778	38,879	–	–	43,657	43,657
Borrowings	3.92%	–	19,118	76,068	101,953	197,139	197,139
Lease liabilities	2.82%	–	145	46	57	248	248
Total financial liabilities		4,778	58,142	76,114	102,010	241,044	241,044

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

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- 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.

Fair value hierarchy

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).

The table below shows the assigned level for each asset and liability held at fair value by Council:

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	
		2024	2023	2024	2023	2024	2023	2024	2023
Recurring fair value measurements									
Financial assets									
Financial investments	C1-2								
– 'Fair value through profit and loss' / 'Held for trading'		30/06/24	30/06/23	36,454	49,527	–	–	36,454	49,527
– 'Financial assets at fair value through other comprehensive income' / 'Available for sale'		30/06/24	30/06/23	–	–	–	–	–	–
Total financial assets				36,454	49,527	–	–	36,454	49,527
Investment property									
	C1-8								
Shops, 37-43 Kinghorne Street, Nowra		01/05/24	30/06/23	1,750	1,850	–	–	1,750	1,850
Shops, 3 Schofields Lane, Nowra		01/05/24	30/06/23	1,675	1,647	–	–	1,675	1,647
Total investment property				3,425	3,497	–	–	3,425	3,497

E2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy							
		Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2024	2023	2024	2023	2024	2023	2024	2023
Infrastructure, property, plant and equipment	C1-7								
Plant and equipment		30/06/24	30/06/23	–	–	60,908	56,591	60,908	56,591
Rural Fire Service Red Fleet		30/06/24	30/06/23	–	–	1,307	2,504	1,307	2,504
Office equipment		30/06/24	30/06/23	–	–	1,141	1,681	1,141	1,681
Furniture and fittings		30/06/24	30/06/23	–	–	1,452	2,101	1,452	2,101
Crown land		31/03/24	30/06/23	–	–	221,887	193,745	221,887	193,745
Operational land		31/03/24	30/06/23	–	–	247,852	277,488	247,852	277,488
Community land		31/03/24	30/06/23	–	–	264,672	270,537	264,672	270,537
Land under roads (post 30/06/08)		31/03/24	30/06/23	–	–	1,726	1,319	1,726	1,319
Land improvements – non-depreciable		31/03/24	30/06/23	–	–	51,594	50,298	51,594	50,298
Land improvements – depreciable		31/03/24	30/06/23	–	–	14,786	11,966	14,786	11,966
Buildings – non-specialised		31/03/24	30/06/23	1,493	1,754	–	–	1,493	1,754
Buildings – specialised		31/03/24	30/06/23	–	–	382,701	371,091	382,701	371,091
Other structures		31/03/24	31/03/23	–	–	87,500	83,530	87,500	83,530
Roads		31/03/24	30/06/23	–	–	1,243,313	1,176,875	1,243,313	1,176,875
Bridges		31/03/24	30/06/23	–	–	87,861	82,679	87,861	82,679
Footpaths		31/03/24	30/06/23	–	–	90,271	86,463	90,271	86,463
Bulk earthworks (non-depreciable)		31/03/24	30/06/23	–	–	348,914	336,117	348,914	336,117
Stormwater drainage		31/03/24	30/06/23	–	–	210,183	196,893	210,183	196,893
Water supply network		30/06/24	30/06/23	–	–	525,153	482,494	525,153	482,494
Sewerage network		30/06/24	30/06/23	–	–	767,376	719,798	767,376	719,798
Swimming pools		31/03/24	31/03/23	–	–	22,337	20,836	22,337	20,836
Other open space / recreational assets		31/03/24	31/03/23	–	–	59,566	58,536	59,566	58,536
Other infrastructure		31/03/24	30/06/23	–	–	36,870	36,452	36,870	36,452
Library books		30/06/24	30/06/23	–	–	905	1,370	905	1,370
Tip asset		30/06/24	30/06/23	–	–	3,634	3,516	3,634	3,516
Total infrastructure, property, plant and equipment				1,493	1,754	4,733,909	4,524,880	4,735,402	4,526,634
Non-recurring fair value measurements									
Non-current assets classified as held for sale	C1-6								
Operational Land		31/03/24	30/06/23	–	–	7,938	1,225	7,938	1,225
Buildings		31/03/24	30/06/23	–	–	1,356	1,356	1,356	1,356
Total NCA's classified as held for sale				–	–	9,294	2,581	9,294	2,581

E2-1 Fair value measurement (continued)

Valuation techniques

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

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

Financial assets

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

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

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 1 May 2024.

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 comprehensive valuation was undertaken by Mr Adam Hopcroft, AAPI, of Walsh & Monaghan effective 30th June 2023. Valuations were undertaken inhouse at 31 March 2024 using publicly available indicies to calculate the movement in fair value since the last comprehensive valuation date.

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 comprehensive valuation was undertaken effective 30th June 2022. Valuations were undertaken inhouse as at 30 June 2023 using publicly available indicies to calculate the movement in fair value since the last comprehensive valuation date.

E2-1 Fair value measurement (continued)

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 comprehensive valuation was undertaken effective 30th June 2020. Valuations were undertaken inhouse as at 31 March 2024 using publically available indices to calculate the movement in fair value since the last comprehensive valuation date.

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

Land Improvements - depreciable and non-depreciable

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

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.

The last comprehensive valuation was undertaken effective 30th June 2022. Valuations were undertaken inhouse as at 31 March 2024 using publically available indices to calculate the movement in fair value since the last comprehensive valuation date.

Buildings – Non specialised and Specialised

The fair value of buildings were determined by independent valuer, APV Valuers and Asset Management effective 31 March 2024. 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 last valuation was undertaken as at 31 March 2023, and has been performed by Morrison Low Consultants P/L. Valuations were undertaken inhouse as at 31 March 2024 using publically available indices to calculate the movement in fair value since the last comprehensive valuation date.

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

E2-1 Fair value measurement (continued)

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 comprehensive valuation of road infrastructure was undertaken effective 30 June 2021. Valuations were undertaken inhouse as at 31 March 2024 using publically available indicies to calculate the movement in fair value since the last comprehensive valuation date.

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

Bridges

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

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.

Valuations were undertaken inhouse as at 31 March 2024 using publically available indicies to calculate the movement in fair value since the last comprehensive valuation date.

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.

The last comprehensive valuation was undertaken effective 30th June 2022. Valuations were undertaken inhouse as at 31 March 2024 using publically available indicies to calculate the movement in fair value since the last comprehensive valuation date.

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. The last comprehensive valuation was completed by Morrison Low Consulting P/L based on actual costs and assumptions and the last valuation was completed effective 30th June 2021.

Valuations were undertaken inhouse as at 31 March 2024 using publically available indicies to calculate the movement in fair value since the last comprehensive valuation date.

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.

The last comprehensive valuation as completed by Morrison Low Consultants P/L based on actual costs and assumptions effective 30th June 2021. Valuations were undertaken inhouse as at 31 March 2024 using publically available indicies to calculate the movement in fair value since the last comprehensive valuation date.

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

E2-1 Fair value measurement (continued)

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. Valuations were undertaken inhouse as at 30 June 2024 using publically available indices to calculate the movement in fair value since the last comprehensive valuation date.

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

Sewerage Network

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

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

The last full valuation of the sewerage network was undertaken effective 30 June 2022. Valuations were undertaken inhouse as at 30 June 2024 using publically available indices to calculate the movement in fair value since the last comprehensive valuation date.

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.

The last valuation has been undertaken as at 31 March 2023 and has been performed by Morrison Low Consultants P/L. Valuations were undertaken inhouse as at 31 March 2024 using publically available indices to calculate the movement in fair value since the last comprehensive valuation date.

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.

The last valuation has been undertaken as at 31 March 2023, and has been performed by Morrison Low Consultants P/L. Valuations were undertaken inhouse as at 31 March 2024 using publically available indices to calculate the movement in fair value since the last comprehensive valuation date.

E2-1 Fair value measurement (continued)

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. Valuations were undertaken inhouse as at 31 March 2024 using publically available indicies to calculate the movement in fair value since the last comprehensive valuation date.

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.

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	Unit price
Infrastructure, property, plant and equipment		
Plant and equipment	Cost used to approximate fair value	- Gross replacement cost - Remaining useful life - Residual value
Office equipment	Cost used to approximate fair value	- Gross replacement cost - Remaining useful life - Residual value
Furniture and fittings	Cost used to approximate fair value	- Gross replacement cost - Remaining useful life
Operational land	External Valuer	Land value (price per square metre)
Community land	Land Values obtained from the NSW Valuer-General	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	- 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	- Gross replacement cost - Remaining useful life - Asset condition
Buildings – specialised	External Valuer - Replacement Cost used to approximate fair value	- Gross replacement cost - Remaining useful life - Asset condition
Other structures	Replacement Cost used to approximate fair value	- Gross replacement cost - Remaining useful life - Asset condition
Roads	External Valuer - Replacement Cost used to approximate fair value	- Gross replacement cost - Remaining useful life - Asset condition
Bridges	External Valuer - Replacement Cost used to approximate fair value	- Gross replacement cost - Remaining useful life - Asset condition
Footpaths	External Valuer - Replacement Cost used to approximate fair value	- Gross replacement cost - Remaining useful life - Asset condition
Bulk earthworks (nondepreciable)	External Valuer - Replacement Cost used to approximate fair value	Replacement cost
Stormwater drainage	External Valuer - Replacement Cost used to approximate fair value	- Gross replacement cost - Remaining useful life - Asset condition
Water supply network	Replacement Cost used to approximate fair value	- 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	- Gross replacement cost - Remaining useful life
Swimming pools – other open space / recreational assets	Replacement Cost used to approximate fair value	- Gross replacement cost - Remaining useful life - Residual value - Asset condition
Library books	Cost used to approximate fair value	- 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	Estimated restoration costs
Other open space / recreational assets	Replacement Cost used to approximate fair value	- Gross replacement cost - Remaining useful life
Other infrastructure	External Valuer - Replacement Cost used to approximate fair value	- 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:

	IPP&E	
	2024 \$ '000	2023 \$ '000
Opening balance	4,525,629	3,966,826
Total gains or losses for the period		
Other movements		
Transfers from/(to) another asset class	2,112	—
Purchases (GBV)	84,120	138,065
Disposals (WDV)	(22,509)	(8,437)
Depreciation and impairment	(92,590)	(85,056)
Asset revaluation reserve	246,441	514,231
Closing balance	4,743,203	4,525,629

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

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

The standard 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 8.5% of salaries for the year ending 30 June 2024 (increasing to 9.0% 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 \$20.0 million per annum for 1 July 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2023. 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 plan

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

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding past service contributions.

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

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

The amount of Council contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2024 was \$574,619.73. The last formal valuation of the Fund was undertaken by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2023.

Council's expected contributions to the Fund for the next annual reporting period are \$431,936.52.

E3-1 Contingencies (continued)

The estimated employer reserves financial position for the Pooled Employers at 30 June 2024 is:

Defined Benefit reserves only*	\$millions	Asset Coverage
Assets	2,237.5	
Past Service Liabilities	2,141.9	104.5%
Vested Benefits	2,159.8	103.6%

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

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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

Investment return	6.0% per annum
Salary inflation*	3.5% per annum
Increase in CPI	3.5% for FY 23/24 2.5% per annum thereafter

* Plus promotional increases

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.

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 2024.

(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 June 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 (no bank guarantees).

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 fourteen 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. Since 30 June 2024, Council has been served with three further appeals.

(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.

(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) any person who fills an above role in an 'acting' capacity.

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

	2024	2023
	\$ '000	\$ '000
Compensation:		
Short-term benefits	2,163	2,191
Post-employment benefits	272	243
Other long-term benefits	61	64
Termination benefits	443	–
Total	2,939	2,498

F1-2 Councillor and Mayoral fees and associated expenses

	2024	2023
	\$ '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	95	65
Councillors' fees	424	335
Other Councillors' expenses (including Mayor)	295	339
Total	814	739

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
2024						
Illawarra Shoalhaven Joint Organisation (ISJO) - income	D2-2	256	–	Council provide accounting services to ISJO with payments made at arm's length	–	–
Illawarra Shoalhaven Joint Organisation (ISJO) - expenses	D2-2	96	–	ISJO provides goods and services to Council with payments made at arm's length	–	–
2023						
Illawarra Shoalhaven Joint Organisation (ISJO) - income	D2-2	128	–	Council provide accounting services to ISJO with payments made at arm's length	–	–
Illawarra Shoalhaven Joint Organisation (ISJO) - expenses	D2-2	79	–	ISJO provides goods and services to Council with payments made at arm's length	–	–

F2 Other relationships

F2-1 Audit fees

	2024 \$ '000	2023 \$ '000
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During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council - NSW Auditor-General:

Audit of financial statements	244	232
2022/23 Financial Statement Audit Overruns	–	63

Total fees paid or payable to the Auditor-General

Total audit fees	244	295
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G Other matters

G1-1 Statement of Cash Flows information

(a) Reconciliation of Operating Result

	2024 \$ '000	2023 \$ '000
Net operating result from Income Statement	87,140	41,974
Add / (less) non-cash items:		
Depreciation and amortisation	92,758	85,230
(Gain) / loss on disposal of assets	9,364	3,799
Non-cash capital grants and contributions	(8,436)	(2,442)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	(2,068)	(2,816)
– Investment property	72	(83)
– Interest-free advances made by Council (deferred debtors)	22	28
Amortisation of premiums, discounts and prior period fair valuations		
– Interest on all fair value adjusted interest free advances made by Council	(2)	(2)
– 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	24,927	(20,501)
Increase / (decrease) in provision for impairment of receivables	(12)	(10)
(Increase) / decrease of inventories	(95)	181
(Increase) / decrease of other current assets	(43)	(147)
Increase / (decrease) in payables	(1,344)	(1,089)
Increase / (decrease) in accrued interest payable	(96)	193
Increase / (decrease) in other accrued expenses payable	(5,198)	17,261
Increase / (decrease) in other liabilities	766	104
Increase / (decrease) in contract liabilities	11,822	(6,803)
Increase / (decrease) in employee benefit provision	(370)	417
Increase / (decrease) in other provisions	1,058	2,314
Net cash flows from operating activities	210,265	117,608

(b) Non-cash investing and financing activities

Dedications	8,434	–
Total non-cash investing and financing activities	8,434	–

G2-1 Commitments

Capital commitments (exclusive of GST)

	2024 \$ '000	2023 \$ '000
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Natural Disaster Recovery	12,496	41,323
Buildings	1,922	148
Industrial Land Development	1,230	21
Parks and Reserves	557	364
Plant and equipment	–	1,260
Roads	2,139	3,325
Sewer assets	–	2,091
Swimming pools	–	12
Tourist Parks	104	972
Waste Management	976	1,358
Water assets	–	6,729
Drainage	259	–
Other	708	1,036
Total commitments	20,391	58,639

Details of capital commitments

Below is a list of the 10 largest capital commitments totalling \$10.6M

Burrier Rd-Major Landslip Package \$2.8M
 Kangaroo Valley Rd-Major Cracking CH4140.00 \$1.4M
 AATP Fire Water Storage \$1.1M
 ComerongIs.Rd-P11L1-Levee-PWA \$1.0M
 Wattamolla Rd-Major Landslip Package \$1.0M
 Lake Conjola RFS Upgrade Existing Station \$0.9M
 Woodhill Mountn Rd-Major Landslip Package \$0.6M
 Braidwood Rd-Pvmt \$0.6M
 Roskell Rd-Sinkhole CH0800 \$0.6M
 Lake Conjola Ent Rd - CH6.0-CH6.14 (R2R) \$0.6M

G3-1 Events occurring after the reporting date

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

G4 Statement of developer contributions

G4-1 Summary of developer contributions

	Opening balance at 1 July 2023 \$ '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 2024 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000					
Drainage	242	813	–	–	11	(813)	–	253	–
Roads	7,577	1,621	–	–	370	(1,700)	–	7,868	–
Parking	1,751	40	–	–	82	(2)	–	1,871	–
Open space	2,563	2,661	–	–	121	(1,573)	–	3,772	–
Community facilities	5,226	2,150	–	–	265	(1,079)	–	6,562	–
Other	587	743	–	–	29	(434)	–	925	–
Active recreation	2,605	2,554	–	–	134	(1,116)	–	4,177	–
S7.11 contributions – under a plan	20,551	10,582	–	–	1,012	(6,717)	–	25,428	–
Total S7.11 and S7.12 revenue under plans	20,551	10,582	–	–	1,012	(6,717)	–	25,428	–
S64 contributions	16,245	9,460	–	–	816	(14,319)	–	12,202	–
Total contributions	36,796	20,042	–	–	1,828	(21,036)	–	37,630	–

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

G4-2 Developer contributions by plan

	Opening balance at 1 July 2023 \$ '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 2024 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000					
Shoalhaven Contributions Plan									
Drainage	242	813	–	–	11	(813)	–	253	–
Roads	7,577	1,621	–	–	370	(1,700)	–	7,868	–
Parking	1,751	40	–	–	82	(2)	–	1,871	–
Open space	2,563	2,661	–	–	121	(1,573)	–	3,772	–
Community facilities	5,226	2,150	–	–	265	(1,079)	–	6,562	–
Active recreation	2,605	2,554	–	–	134	(1,116)	–	4,177	–
Other	587	743	–	–	29	(434)	–	925	–
Total	20,551	10,582	–	–	1,012	(6,717)	–	25,428	–

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2024	Indicator 2024	Indicators 2023	Indicators 2022	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	(28,486)	(9.11)%	(5.32)%	(4.72)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	312,652				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	290,706	66.46%	70.69%	73.64%	> 60.00%
Total continuing operating revenue inclusive of all grants and contributions ¹	437,410				
3. Unrestricted current ratio					
Current assets less all external restrictions	68,748	1.08x	0.67x	1.27x	> 1.50x
Current liabilities less specific purpose liabilities	63,676				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	71,476	2.69x	3.06x	3.09x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	26,544				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	15,403	8.01%	7.18%	7.22%	< 10.00%
Rates and annual charges collectable	192,307				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	181,180	7.17	4.92	6.24	> 3.00
Monthly payments from cash flow of operating and financing activities	25,284	months	months	months	months

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

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

G5-2 Statement of performance measures by fund

\$ '000	General Fund Indicators ³		Water Fund Indicators		Sewer Fund Indicators		Benchmark
	2024	2023	2024	2023	2024	2023	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	(13.67)%	(7.78)%	(17.11)%	(18.94)%	12.12%	12.69%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding all grants and contributions ¹	61.13%	63.77%	77.07%	88.54%	84.99%	95.98%	> 60.00%
Total continuing operating revenue inclusive of all grants and contributions ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	1.08x	0.67x	11.94x	8.88x	1.14x	2.29x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	1.88x	2.62x	∞	∞	3.43x	2.91x	> 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	7.03%	6.12%	9.72%	15.81%	9.85%	8.63%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	6.24 months	3.54 months	∞	20.80 months	26.56 months	4.27 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

(1) - (2) Refer to Notes at Note G5-1 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



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 2024, the Statement of Financial Position as at 30 June 2024, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including material accounting policy information 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 2024, 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).

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2024 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.



Min Lee
Delegate of the Auditor-General for New South Wales

31 October 2024
SYDNEY



Cr Patricia White
Mayor
Shoalhaven City Council
PO BOX 42 NOWRA NSW 2541

Contact: Min Lee
Phone no: 02 9275 7151
Our ref: R008-2124742775-8324

31 October 2024

Dear Mayor

Report on the Conduct of the Audit
for the year ended 30 June 2024
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 2024 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 2024 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2024 \$m	2023 \$m	Variance %
Rates and annual charges revenue	178.2	167.7	↑ 6.3
Grants and contributions revenue	146.7	112.6	↑ 30.3
Operating result from continuing operations	87.1	42.0	↑ 107.4
Net operating result before capital grants and contributions	(37.7)	(18.1)	↓ 108.3

Rates and annual charges revenue (\$178.2 million) increased by \$10.5 million (6.3 per cent) in 2023–24 mainly due to rate peg increase of 4.6 per cent.

Grants and contributions revenue (\$146.7 million) increased by \$34.1 million (30.3 per cent) in 2023–24 due to:

- increase of \$13.0 million of developer contributions recognised during the year
- \$81.9 million of capital grants received for natural disaster recovery during the year, this is offset by \$21.0 million decrease in special purpose operating grants for storm and flood damage.

Council's operating result from continuing operations (\$87.1 million including depreciation, amortisation and impairment expense of \$92.8 million) was \$45.1 million higher than the 2022–23 result.

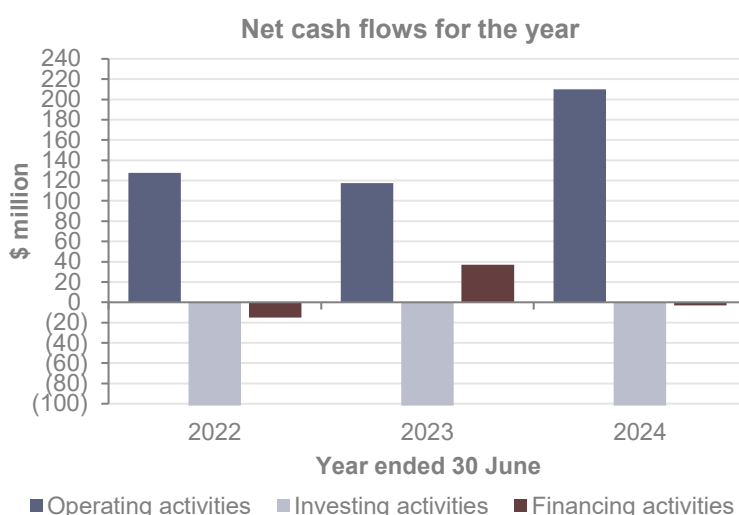
The net operating result before capital grants and contributions (loss of \$37.7 million) was \$19.6 million lower than the 2022–23 result.

STATEMENT OF CASH FLOWS

Cash inflows from operating activities increased compared to 2022–23, largely due to increased receipts from grants and contributions and decreased payments for materials and services.

Cash outflows from investing activities increased mainly due to increased sales of investments and decreased payments for purchases of infrastructure, property plant and equipment.

Cash from financing activities increased primarily due to borrowings.



FINANCIAL POSITION

Cash and investments

Cash and investments	2024	2023	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	217.6	166.4	Externally restricted balances comprise mainly of developer contributions, water and sewer funds.
Restricted and allocated cash, cash equivalents and investments:			Internal allocations are determined by council policies or decisions for forward plans including the works program. The decrease is primarily due to Council using its internal allocations to fund certain works, in advance of the receipt of grant funding.
• External restrictions	183.5	158.2	
• Internal allocations	34.2	8.2	

Debt

At 30 June 2024, Council had

- \$193.8 million in secured loans (196.9 million in 2022-23)
- \$0.6 million in credit card facility with \$0.1 million used.

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, Housing and Infrastructure.

Operating performance ratio

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

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



Own source operating revenue ratio

Council continued to exceed the benchmark for the current reporting period.

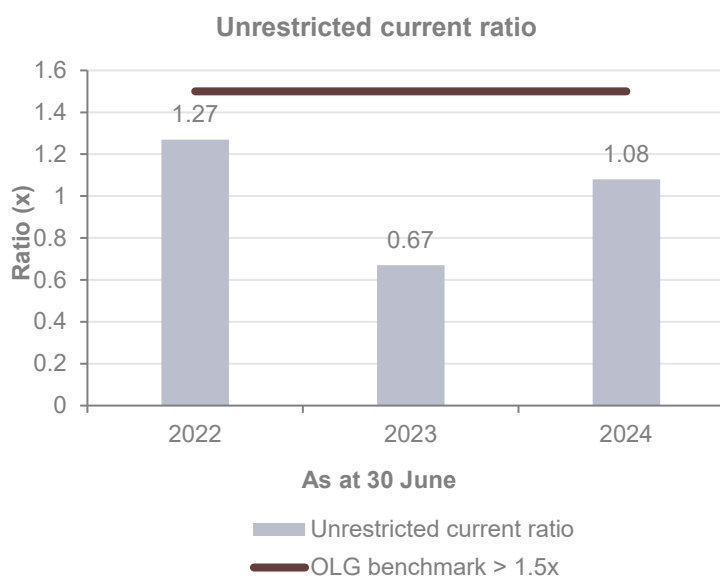
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

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

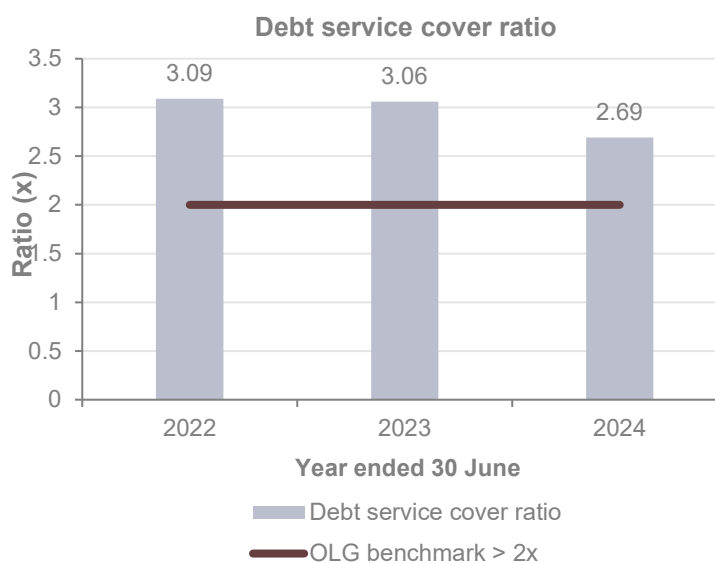
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council continued to exceed the benchmark for the current reporting period.

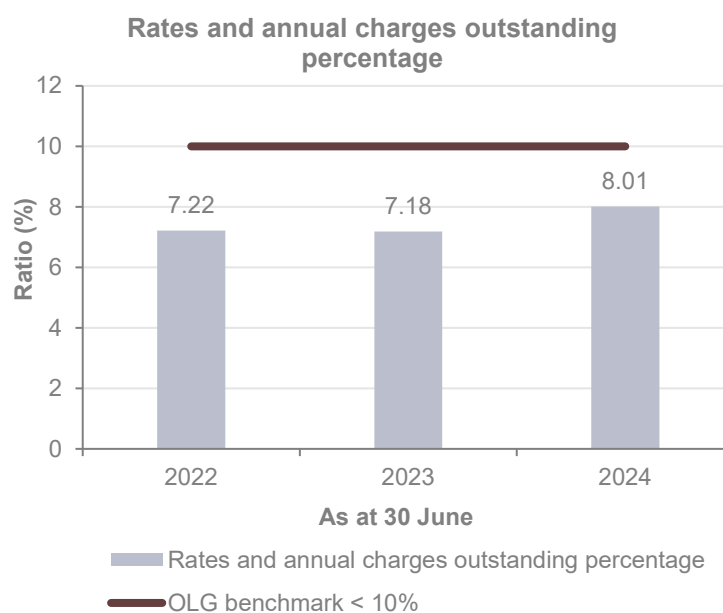
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

Council met the benchmark.

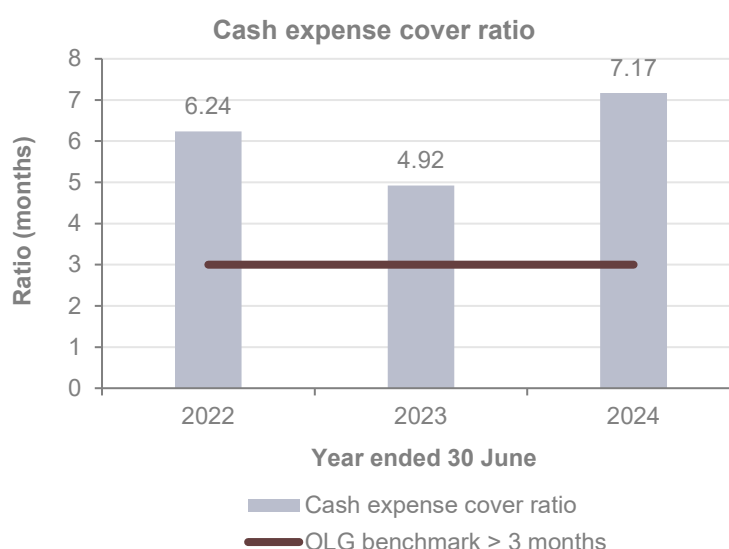
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

Council met the benchmark for the current reporting period.

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



Infrastructure, property, plant and equipment renewals

Council renewed \$0.2 million of infrastructure, property, plant and equipment during the 2023-24 financial year. A further \$179.9 million was spent on new assets equipment during the 2023-24 financial year. This was mainly spent on capital projects, plant and equipment, roads, water and sewer networks.

OTHER MATTERS

Legislative compliance

My audit procedures did not identify any instances of material non-compliance with the financial reporting requirements in Chapter 13, Part 3, Division 2 of the LG Act and the associated regulation or a material deficiency in the Council's accounting records or financial statements. The Council's:

- accounting records were maintained in a manner and form to allow the GPFS to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.

The Council's:

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

Min Lee
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

Special Purpose Financial Statements

For the year ended 30 June 2024



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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 2024

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:

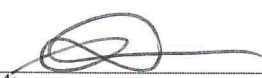
- NSW Government Policy Statement, *Application of National Competition Policy to Local Government*
- Division of Local Government Guidelines, *Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality*
- The Local Government Code of Accounting Practice and Financial Reporting
- Sections 3 and 4 of the NSW Department of Climate Change, Energy, the Environment and Water's (DCCEEW) *Regulatory and assurance framework for local water utilities, July 2022*.

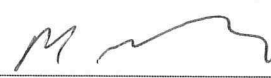
To the best of our knowledge and belief, these statements:

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

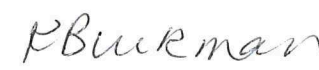
We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 05 September 2024.



Amanda Findley
Mayor
05 September 2024

Matthew Norris
Deputy Mayor
05 September 2024

Robyn Stevens
Chief Executive Officer
05 September 2024

Katie Buckman
Responsible Accounting Officer
05 September 2024

Shoalhaven City Council

Income Statement of water supply business activity

for the year ended 30 June 2024

	2024 \$ '000	2023 \$ '000
Income from continuing operations		
Access charges	4,965	4,661
User charges	21,442	18,975
Fees	3,272	3,219
Interest and investment income	2,158	1,662
Grants and contributions provided for operating purposes	–	58
Net gain from the disposal of assets	–	92
Other income	99	503
Total income from continuing operations	31,936	29,170
Expenses from continuing operations		
Employee benefits and on-costs ¹	9,215	8,635
Materials and services ²	11,540	12,484
Depreciation, amortisation and impairment	14,854	13,519
Net loss from the disposal of assets	1,493	–
Calculated taxation equivalents	222	222
Other expenses	1,790	56
Total expenses from continuing operations	39,114	34,916
Surplus (deficit) from continuing operations before capital amounts	(7,178)	(5,746)
Grants and contributions provided for capital purposes	9,503	3,711
Surplus (deficit) from continuing operations after capital amounts	2,325	(2,035)
Surplus (deficit) from all operations before tax	2,325	(2,035)
Surplus (deficit) after tax	2,325	(2,035)
Plus opening accumulated surplus	228,998	230,915
Plus/less: prior period adjustments	(109)	59
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	222	222
Less:		
– Tax equivalent dividend paid	(167)	(163)
Closing accumulated surplus	231,269	228,998
Return on capital %	(1.2)%	(1.1)%
Subsidy from Council	32,721	27,515
Calculation of dividend payable:		
Surplus (deficit) after tax	2,325	(2,035)
Less: capital grants and contributions (excluding developer contributions)	(9,503)	(3,711)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

(1) In 2022/23, some indirect administration overhead charges totalling \$3,657K were incorrectly classified as employee benefits and on-costs instead of materials and services. The 2022/23 comparatives have been restated by reducing employee benefits and on-costs by \$3,657K.

(2) In 2022/23, some indirect administration overhead charges totalling \$3,657K were incorrectly classified as employee benefits and on-costs instead of materials and services. The 2022/23 comparatives have been restated by increasing materials and services by \$3,657K.

Shoalhaven City Council

Income Statement of sewerage business activity

for the year ended 30 June 2024

	2024 \$ '000	2023 \$ '000
Income from continuing operations		
Access charges	52,878	49,455
User charges	4,069	3,507
Liquid trade waste charges	633	471
Fees	896	512
Interest and investment income	1,041	901
Net gain from the disposal of assets	–	13
Other income	30	24
Total income from continuing operations	59,547	54,883
Expenses from continuing operations		
Employee benefits and on-costs ¹	13,244	11,526
Borrowing costs	3,058	3,415
Materials and services ²	19,179	17,581
Depreciation, amortisation and impairment	16,769	15,364
Net loss from the disposal of assets	776	–
Calculated taxation equivalents	573	573
Other expenses	77	35
Total expenses from continuing operations	53,676	48,494
Surplus (deficit) from continuing operations before capital amounts	5,871	6,389
Grants and contributions provided for capital purposes	10,517	2,299
Surplus (deficit) from continuing operations after capital amounts	16,388	8,688
Surplus (deficit) from all operations before tax	16,388	8,688
Less: corporate taxation equivalent (25%) [based on result before capital]	(1,468)	(1,597)
Surplus (deficit) after tax	14,920	7,091
Plus opening accumulated surplus	454,517	446,737
Plus/less: prior period adjustments	–	87
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	573	573
– Corporate taxation equivalent	1,468	1,597
Less:		
– Tax equivalent dividend paid	(159)	(157)
– Surplus dividend paid	(1,590)	(1,411)
Closing accumulated surplus	469,729	454,517
Return on capital %	1.0%	1.2%
Subsidy from Council	28,512	23,046
Calculation of dividend payable:		
Surplus (deficit) after tax	14,920	7,091
Less: capital grants and contributions (excluding developer contributions)	(10,517)	(2,299)
Surplus for dividend calculation purposes	4,403	4,792
Potential dividend calculated from surplus	2,202	2,396

(1) In 2022/23, some indirect administration overhead charges totalling \$3,733K were incorrectly classified as employee benefits and on-costs instead of materials and services. The 2022/23 comparatives have been restated by reducing employee benefits and on-costs by \$3,733K.

(2) In 2022/23, some indirect administration overhead charges totalling \$3,733K were incorrectly classified as employee benefits and on-costs instead of materials and services. The 2022/23 comparatives have been restated by increasing materials and services by \$3,733K.

Shoalhaven City Council

Income Statement of Holiday Haven Tourist Parks

for the year ended 30 June 2024

	2024 Category 1 \$ '000	2023 Category 1 \$ '000
Income from continuing operations		
User charges	31,315	29,618
Net gain from the disposal of assets	2,043	292
Other income	25	31
Total income from continuing operations	33,383	29,941
Expenses from continuing operations		
Employee benefits and on-costs	1,895	972
Borrowing costs	680	506
Materials and services	15,250	15,877
Depreciation, amortisation and impairment	3,915	3,884
Calculated taxation equivalents	990	976
Other expenses	1,662	1,333
Total expenses from continuing operations	24,392	23,548
Surplus (deficit) from continuing operations before capital amounts	8,991	6,393
Surplus (deficit) from continuing operations after capital amounts	8,991	6,393
Surplus (deficit) from all operations before tax	8,991	6,393
Less: corporate taxation equivalent (25%) [based on result before capital]	(2,248)	(1,598)
Surplus (deficit) after tax	6,743	4,795
Plus opening accumulated surplus	41,903	41,903
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	990	976
– Corporate taxation equivalent	2,248	1,598
Less:		
– Dividend paid	(9,981)	(7,369)
Closing accumulated surplus	41,903	41,903
Return on capital %	8.9%	6.7%

Shoalhaven City Council

Income Statement of Bereavement Services

for the year ended 30 June 2024

	2024 Category 2 \$ '000	2023 Category 2 \$ '000
Income from continuing operations		
User charges	2,085	1,860
Net gain from the disposal of assets	146	40
Other income	–	35
Total income from continuing operations	2,231	1,935
Expenses from continuing operations		
Employee benefits and on-costs	1,278	1,179
Borrowing costs	20	24
Materials and services	1,000	1,066
Depreciation, amortisation and impairment	425	372
Calculated taxation equivalents	59	63
Total expenses from continuing operations	2,782	2,704
Surplus (deficit) from continuing operations before capital amounts	(551)	(769)
Surplus (deficit) from continuing operations after capital amounts	(551)	(769)
Surplus (deficit) from all operations before tax	(551)	(769)
Surplus (deficit) after tax	(551)	(769)
Plus opening accumulated surplus	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	59	63
– Subsidy paid/contribution to operations	553	706
– Dividend paid	–	–
Closing accumulated surplus	61	–
Return on capital %	(2.3)%	(4.6)%
Subsidy from Council	1,514	1,394

Shoalhaven City Council

Income Statement of Mechanical Services

for the year ended 30 June 2024

	2024 Category 1 \$ '000	2023 Category 1 \$ '000
Income from continuing operations		
User charges	1,523	2,064
Other income	1	8
Total income from continuing operations	1,524	2,072
Expenses from continuing operations		
Employee benefits and on-costs	765	847
Materials and services	3,573	2,708
Depreciation, amortisation and impairment	15	16
Calculated taxation equivalents	42	114
Total expenses from continuing operations	4,395	3,685
Surplus (deficit) from continuing operations before capital amounts	(2,871)	(1,613)
Surplus (deficit) from continuing operations after capital amounts	(2,871)	(1,613)
Surplus (deficit) from all operations before tax	(2,871)	(1,613)
Surplus (deficit) after tax	(2,871)	(1,613)
Plus opening accumulated surplus	(644)	855
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	42	114
Closing accumulated surplus	(3,473)	(644)
Return on capital %	(522.0)%	(427.9)%
Subsidy from Council	2,895	1,628

Shoalhaven City Council

Income Statement of Shoalhaven Entertainment Centre

for the year ended 30 June 2024

	2024 Category 2 \$ '000	2023 Category 2 \$ '000
Income from continuing operations		
User charges	2,173	2,170
Other income	–	3
Total income from continuing operations	2,173	2,173
Expenses from continuing operations		
Employee benefits and on-costs	2,050	1,775
Materials and services	1,824	2,316
Depreciation, amortisation and impairment	768	531
Calculated taxation equivalents	185	148
Other expenses	–	1
Total expenses from continuing operations	4,827	4,771
Surplus (deficit) from continuing operations before capital amounts	(2,654)	(2,598)
Surplus (deficit) from continuing operations after capital amounts	(2,654)	(2,598)
Surplus (deficit) from all operations before tax	(2,654)	(2,598)
Surplus (deficit) after tax	(2,654)	(2,598)
Plus opening accumulated surplus	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	185	148
Add:		
– Subsidy paid/contribution to operations	2,468	2,450
Closing accumulated surplus	(1)	–
Return on capital %	(7.5)%	(7.5)%
Subsidy from Council	4,167	3,998

Shoalhaven City Council

Income Statement of Aquatic Recreation Facilities

for the year ended 30 June 2024

	2024 Category 1 \$ '000	2023 Category 1 \$ '000
Income from continuing operations		
User charges	6,038	5,603
Net gain from the disposal of assets	1,045	132
Total income from continuing operations	7,083	5,735
Expenses from continuing operations		
Employee benefits and on-costs	5,726	5,568
Borrowing costs	37	56
Materials and services	3,510	4,704
Depreciation, amortisation and impairment	3,200	2,957
Calculated taxation equivalents	393	386
Other expenses	20	21
Total expenses from continuing operations	12,886	13,692
Surplus (deficit) from continuing operations before capital amounts	(5,803)	(7,957)
Surplus (deficit) from continuing operations after capital amounts	(5,803)	(7,957)
Surplus (deficit) from all operations before tax	(5,803)	(7,957)
Surplus (deficit) after tax	(5,803)	(7,957)
Plus opening accumulated surplus	1	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	393	386
Add:		
– Subsidy paid/contribution to operations	5,409	7,572
Closing accumulated surplus	–	1
Return on capital %	(4.3)%	(6.7)%
Subsidy from Council	11,555	12,625

Shoalhaven City Council

Statement of Financial Position of water supply business activity

as at 30 June 2024

	2024 \$ '000	2023 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	10,790	8,613
Investments	34,913	42,993
Receivables	2,836	6,923
Inventories	1,081	1,299
Total current assets	49,620	59,828
Non-current assets		
Investments	4,447	628
Receivables	1,130	823
Infrastructure, property, plant and equipment	594,032	541,508
Intangible assets	60	120
Total non-current assets	599,669	543,079
Total assets	649,289	602,907
LIABILITIES		
Current liabilities		
Payables	2,603	3,614
Contract liabilities	495	1,228
Total current liabilities	3,098	4,842
Total liabilities	3,098	4,842
Net assets	646,191	598,065
EQUITY		
Accumulated surplus	231,269	228,999
Revaluation reserves	414,922	369,066
Total equity	646,191	598,065

Shoalhaven City Council

Statement of Financial Position of sewerage business activity

as at 30 June 2024

	2024 \$ '000	2023 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	7,601	3,254
Investments	24,615	16,240
Receivables	5,382	4,763
Total current assets	37,598	24,257
Non-current assets		
Investments	3,277	237
Receivables	1,402	1,225
Infrastructure, property, plant and equipment	870,716	817,164
Intangible assets	2	9
Total non-current assets	875,397	818,635
Total assets	912,995	842,892
LIABILITIES		
Current liabilities		
Payables	1,625	1,642
Borrowings	5,045	6,023
Contract liabilities	14,052	2,048
Employee benefit provisions	—	—
Total current liabilities	20,722	9,713
Non-current liabilities		
Borrowings	69,161	74,206
Total non-current liabilities	69,161	74,206
Total liabilities	89,883	83,919
Net assets	823,112	758,973
EQUITY		
Accumulated surplus	469,729	454,519
Revaluation reserves	353,383	304,454
Total equity	823,112	758,973

Shoalhaven City Council

Statement of Financial Position of Holiday Haven Tourist Parks

as at 30 June 2024

	2024 Category 1 \$ '000	2023 Category 1 \$ '000
ASSETS		
Current assets		
Receivables	647	1,447
Total current assets	647	1,447
Non-current assets		
Infrastructure, property, plant and equipment	108,796	102,965
Other	7,600	5,291
Total non-current assets	116,396	108,256
Total assets	117,043	109,703
LIABILITIES		
Current liabilities		
Payables	1,277	1,277
Borrowings	2,460	2,282
Total current liabilities	3,737	3,559
Non-current liabilities		
Borrowings	13,415	14,833
Total non-current liabilities	13,415	14,833
Total liabilities	17,152	18,392
Net assets	99,891	91,311
EQUITY		
Accumulated surplus	41,903	41,903
Revaluation reserves	57,988	49,408
Total equity	99,891	91,311

Shoalhaven City Council

Statement of Financial Position of Bereavement Services

as at 30 June 2024

	2024 Category 2 \$ '000	2023 Category 2 \$ '000
ASSETS		
Current assets		
Receivables	495	693
Total current assets	495	693
Non-current assets		
Infrastructure, property, plant and equipment	22,872	16,134
Total non-current assets	22,872	16,134
Total assets	23,367	16,827
LIABILITIES		
Current liabilities		
Payables	21	21
Borrowings	78	76
Total current liabilities	99	97
Non-current liabilities		
Borrowings	215	293
Other Liabilities	9,557	10,107
Total non-current liabilities	9,772	10,400
Total liabilities	9,871	10,497
Net assets	13,496	6,330
EQUITY		
Revaluation reserves	13,496	6,330
Total equity	13,496	6,330

Shoalhaven City Council

Statement of Financial Position of Mechanical Services

as at 30 June 2024

	2024 Category 1 \$ '000	2023 Category 1 \$ '000
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	550	377
Other	1,437	1,595
Total non-current assets	1,987	1,972
Total assets	1,987	1,972
LIABILITIES		
Current liabilities		
Payables	44	44
Total current liabilities	44	44
Total liabilities	44	44
Net assets	1,943	1,928
EQUITY		
Accumulated surplus	1,903	1,903
Revaluation reserves	40	25
Total equity	1,943	1,928

Shoalhaven City Council

Statement of Financial Position of Shoalhaven Entertainment Centre

as at 30 June 2024

	2024 Category 2 \$ '000	2023 Category 2 \$ '000
ASSETS		
Current assets		
Receivables	31	9
Total current assets	31	9
Non-current assets		
Infrastructure, property, plant and equipment	35,183	34,814
Total non-current assets	35,183	34,814
Total assets	35,214	34,823
LIABILITIES		
Current liabilities		
Payables	79	79
Borrowings	1,113	1,064
Total current liabilities	1,192	1,143
Non-current liabilities		
Borrowings	5,695	6,807
Other Liabilities	13,563	12,525
Total non-current liabilities	19,258	19,332
Total liabilities	20,450	20,475
Net assets	14,764	14,348
EQUITY		
Revaluation reserves	14,764	14,348
Total equity	14,764	14,348

Shoalhaven City Council

Statement of Financial Position of Aquatic Recreation Facilities

as at 30 June 2024

	2024 Category 1 \$ '000	2023 Category 1 \$ '000
ASSETS		
Current assets		
Receivables	237	480
Total current assets	237	480
Non-current assets		
Infrastructure, property, plant and equipment	134,629	117,504
Total non-current assets	134,629	117,504
Total assets	134,866	117,984
LIABILITIES		
Current liabilities		
Payables	89	89
Borrowings	1,033	1,002
Total current liabilities	1,122	1,091
Non-current liabilities		
Borrowings	1,622	2,654
Other Liabilities	40,322	34,154
Total non-current liabilities	41,944	36,808
Total liabilities	43,066	37,899
Net assets	91,800	80,085
EQUITY		
Revaluation reserves	91,800	80,085
Total equity	91,800	80,085

Note – Material accounting policy information

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 2021* (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
- f. Shoalhaven Entertainment Centre**
Venue for entertainment, hire and community activities

Category 2

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

- a. Bereavement Services**
Cemetery and Crematorium Services

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 – Material accounting policy information (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%** (21/22 25%) (20/21 26%)

Land tax – the first \$969,000 of combined land values attracts **0%**. For the combined land values in excess of \$969,000 up to \$5,925,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$5,925,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$1,200,000.

In accordance with the Department of Planning and 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 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 – Material accounting policy information (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.

(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 Planning and Environment – 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 2023 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Department of Planning and Environment – 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 Planning and Environment – 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 2024, the Statement of Financial Position of each Declared Business Activity as at 30 June 2024 and the Material accounting policy information note.

The Declared Business Activities of the Council are:

- Water supply
- Sewage
- 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 2024, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Material accounting policy information note and the Local Government Code of Accounting Practice and Financial Reporting 2023–24 (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).

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the Material accounting policy information 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 2024 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 Material accounting policy information 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.



Min Lee
Delegate of the Auditor-General for New South Wales

31 October 2024

SYDNEY

Special Schedules

For the year ended 30 June 2024



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Permissible income for general rates	3
Report on Infrastructure Assets	7

Shoalhaven City Council

Permissible income for general rates

	Notes	Calculation 2023/24 \$ '000	Calculation 2024/25 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	86,003	90,511
Plus or minus adjustments ²	b	453	521
Notional general income	c = a + b	86,456	91,032
Permissible income calculation			
Percentage increase	d	4.60%	4.50%
Plus percentage increase amount ³	f = d x (c + e)	3,977	4,096
Sub-total	g = (c + e + f)	90,433	95,128
Plus (or minus) last year's carry forward total	h	53	6
Less valuation objections claimed in the previous year	i	—	(31)
Sub-total	j = (h + i)	53	(25)
Total permissible income	k = g + j	90,486	95,103
Less notional general income yield	l	90,511	95,100
Catch-up or (excess) result	m = k - l	(25)	3
Plus income lost due to valuation objections claimed ⁴	n	31	—
Carry forward to next year ⁶	p = m + n + o	6	3

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW)*.
- (3) The 'percentage increase' is inclusive of the rate-peg percentage, and/or special variation and/or Crown land adjustment (where applicable).
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer General. Councils can claim the value of the income lost due to valuation objections in any single 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 2025.

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 2023–24 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2024 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 2024.

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.



Min Lee
Delegate of the Auditor-General for New South Wales

31 October 2024
SYDNEY

Shoalhaven City Council

Report on Infrastructure Assets

as at 30 June 2024

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, bi}	2023/24 Required maintenance ^c	2023/24 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1 ¹	2 ²	3 ³	4 ⁴	5 ⁵
Buildings	Buildings	8,544	6,267	16,591	14,741	384,194	580,414	28.0%	34.0%	33.0%	4.0%	1.0%
	Sub-total	8,544	6,267	16,591	14,741	384,194	580,414	28.0%	34.0%	33.0%	4.0%	1.0%
Other structures	Other structures	8,537	4,340	621	454	87,500	145,106	21.0%	27.0%	31.0%	19.0%	2.0%
	Sub-total	8,537	4,340	621	454	87,500	145,106	21.0%	27.0%	31.0%	19.0%	2.0%
Roads	Sealed roads	112,373	75,206	34,500	30,750	1,223,129	1,750,017	11.0%	27.0%	36.0%	26.0%	0.0%
	Unsealed roads	1,757	864	374	341	10,126	28,694	4.0%	35.0%	37.0%	24.0%	0.0%
	Bridges	3,671	3,206	189	116	87,861	146,669	43.0%	25.0%	24.0%	5.0%	3.0%
	Footpaths	738	613	437	226	90,271	126,154	31.0%	44.0%	23.0%	2.0%	0.0%
	Other road assets	177	2,747	833	746	10,058	21,964	79.0%	9.0%	8.0%	4.0%	0.0%
	Bulk earthworks	—	—	—	—	348,914	350,278	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	118,716	82,636	36,333	32,179	1,770,359	2,423,776	27.4%	23.8%	29.2%	19.5%	0.1%
Water supply network	Water supply network	29,418	13,433	11,000	10,211	525,153	976,855	4.0%	26.0%	58.0%	11.0%	1.0%
	Sub-total	29,418	13,433	11,000	10,211	525,153	976,855	4.0%	26.0%	58.0%	11.0%	1.0%
Sewerage network	Sewerage network	13,516	4,808	1,900	18,352	767,376	1,083,811	18.0%	36.0%	41.0%	4.0%	1.0%
	Sub-total	13,516	4,808	1,900	18,352	767,376	1,083,811	18.0%	36.0%	41.0%	4.0%	1.0%
Stormwater drainage	Stormwater drainage	3,884	1,720	734	646	210,183	327,912	48.0%	27.0%	21.0%	3.0%	1.0%
	Sub-total	3,884	1,720	734	646	210,183	327,912	48.0%	27.0%	21.0%	3.0%	1.0%
Open space / recreational assets	Swimming pools	1,812	685	2,499	1,943	22,337	41,479	11.0%	9.0%	62.0%	18.0%	0.0%
	Other open space / Recreational Assets	1,946	1,240	15,701	10,862	59,566	88,287	29.0%	16.0%	48.0%	5.0%	2.0%
	Sub-total	3,758	1,925	18,200	12,805	81,903	129,766	23.2%	13.8%	52.5%	9.2%	1.3%
Other infrastructure assets	Other infrastructure assets	3,240	2,026	17	13	36,870	65,122	13.0%	22.0%	50.0%	9.0%	6.0%
	Sub-total	3,240	2,026	17	13	36,870	65,122	13.0%	22.0%	50.0%	9.0%	6.0%
Total – all assets		189,613	117,155	85,396	89,401	3,863,538	5,732,762	22.4%	27.5%	37.0%	12.2%	0.9%

continued on next page ...

Shoalhaven City Council

Report on Infrastructure Assets (continued)

as at 30 June 2024

- (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 2024

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2024	Indicator 2024	Indicators 2023 2022		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	56,799	71.29%	96.49%	95.25%	> 100.00%
Depreciation, amortisation and impairment	79,673				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	189,613	4.54%	4.87%	4.22%	< 2.00%
Net carrying amount of infrastructure assets	4,178,098				
Asset maintenance ratio					
Actual asset maintenance	89,401	104.69%	107.47%	89.68%	> 100.00%
Required asset maintenance	85,396				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	117,155	2.04%	1.62%	1.36%	
Gross replacement cost	5,732,762				

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

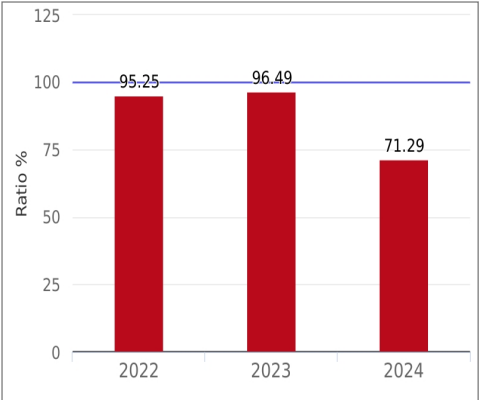
(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Shoalhaven City Council

Report on Infrastructure Assets

as at 30 June 2024

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

23/24 ratio 71.29%

Due to funding constraints, expenditures Council wide were reduced during the 24FY, as is reflected in the ratio.

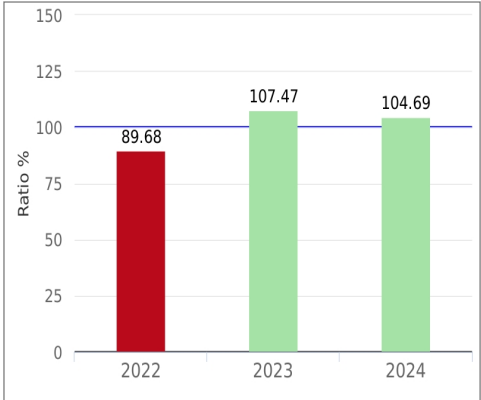
Benchmark: — > 100.00%

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

23/24 ratio 104.69%

Although the Asset Maintenance ratio appears to be above the benchmark, the data is skewed by the natural disaster recovery work being prioritised and improving road asset conditions.

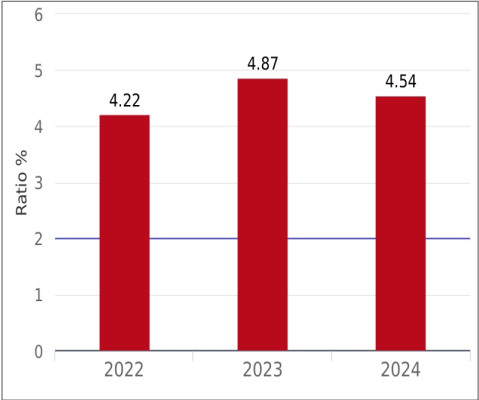
Benchmark: — > 100.00%

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

23/24 ratio 4.54%

Although the backlog appears to have made some improvements during the year, this is due to the natural disaster recovery work being prioritised. The ratio still exceeds the benchmark by 2.5 times.

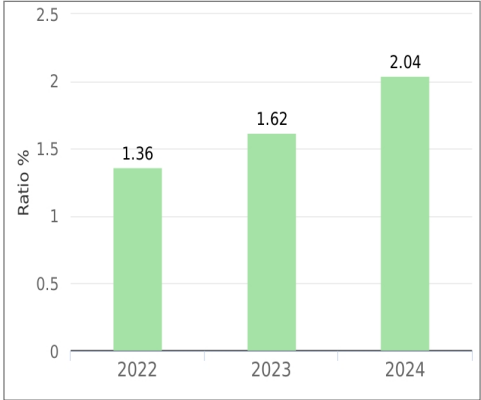
Benchmark: — < 2.00%

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

23/24 ratio 2.04%

The gap continues to grow due to a combination of changes in the asset value via regular revaluations, and overall asset condition in the portfolio. Funding to improve asset condition (or a reduction in assets) will be a key factor in reducing this gap.

Shoalhaven City Council

Report on Infrastructure Assets

as at 30 June 2024

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2024	2023	2024	2023	2024	2023	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	101.21%	149.02%	36.62%	0.00%	4.83%	0.00%	> 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	5.30%	5.45%	5.12%	5.87%	1.62%	2.06%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	83.92%	113.84%	92.83%	98.23%	965.89%	96.99%	> 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	2.69%	1.94%	1.38%	0.80%	0.44%	1.30%	

(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.