

## Ordinary Meeting

**Meeting Date:** Monday, 22 January, 2024

**Location:** Council Chambers, City Administrative Building, Bridge Road, Nowra

## Attachments (Under Separate Cover)

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#### 12. Committee Reports

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## SB23.16 Sports Grants Program 2023 / 24 - Funding Determinations

**HPERM Ref:** D23/325693

**Department:** Recreation Projects - Planning & Delivery  
**Approver:** Jane Lewis, Director - City Lifestyles

**Attachments:** 1. Sports Grants Program (Capital Works) [↓](#)  
2. Weighted Score Evaluation [↓](#)

### Reason for Report

The purpose of this report is to advise the Shoalhaven Sports Board on funding applications for the Sports Grants Program 2023 / 24 and to seek the Boards approval for allocation of funding to the recommended projects outlined in this report to be submitted to Council for adoption.

### Recommendation

That the Shoalhaven Sports Board:

1. Endorse the following four applications for the 2023 / 24 Sports Grants Program:
  - a. Milton Ulladulla District Tennis Association – Synthetic grass resurfacing of two tennis courts - \$50,000.
  - b. Shoalhaven District Football Association – Improve pathway network – \$6,617.
  - c. Shoalhaven Hockey Incorporated – Wall rebuild – \$35,666.67.
  - d. Shoalhaven Dog Training Club – Kitchen refurbishment - \$6,906.

To be determined by Council.

### Options

1. Adopt the recommendation as written.

Implications: This will allow Sports Grants Program funds to be allocated and projects to proceed in line with sporting club plans throughout the Shoalhaven and appropriate utilisation of remaining funds.

2. Provide an alternative recommendation.

Implications: Unknown until advice received – This may delay the Sports Grants Program and may result in funding not being spent.

### Background

The Sports Grants Program's purpose is to assist Shoalhaven sporting groups to undertake new works or improvements to existing fixed assets at sporting facilities on Council managed land. This grant is not intended for maintenance activities.

#### Sports Grants Program – Applications 2023 / 24

Applications to the Sports Grants Program are invited annually, as outlined by the Sports Grants Policy (*Attachment 1*). This year, information was distributed to all sporting clubs on

SB23.16

CL24.1 - Attachment 1

Council's database, advising clubs of the scheme and requesting that clubs make an application prior to 30 June 2023.

The total 2023 / 24 Sports Grants Program budget is \$100,000. 16 applications for funding were received, with a total requested funding of \$309,574.43.

Applications were assessed against the criteria and provisions as outlined in the Sports Grants Policy (*Attachment 1*). Assessment scores are recorded in the Weighted Score Evaluation (*Attachment 2*).

The four top ranking applications total funding requests amount to \$99,189.67. There are insufficient funds to support further applications.

*Table 1 – Successful applications recommended to be endorsed.*

| Club   | Facility                       | Project  | Cost GST Inc (\$) (ex-in-kind labour) | Funds Requested (\$) | Club / Other Contribution (\$) |
|--|--------------------------------|--|---------------------------------------|----------------------|--------------------------------|
| Milton Ulladulla District Tennis Association | Ulladulla Tennis Centre        | Resurfacing of two tennis Courts.                    | \$107,873                             | <b>\$50,000</b>      | \$57,873.15                    |
| Shoalhaven District Football Association     | Ison Park - South Nowra        | Improve pathway network between seating and toilets. | \$9,926                               | <b>\$6,617</b>       | \$3,308                        |
| Shoalhaven Hockey Inc                        | Bernie Reagan Sporting Complex | Wall rebuild.  | \$53,500                              | <b>\$35,666.67</b>   | \$17,833.33                    |
| Shoalhaven Dog Training Club                 | Nowra Showground               | Install new kitchen in SDTC rooms.                   | \$10,359                              | <b>\$6,906</b>       | \$3,453                        |

SB23.16

*Table 2 – Unsuccessful applications.*

| Club                            | Facility                   | Project                              | Cost GST Inc (\$) (ex-in-kind labour) | Funds Requested (\$) | Club / Other Contribution (\$) |
|---------------------------------|----------------------------|--------------------------------------|---------------------------------------|----------------------|--------------------------------|
| Shoalhaven United Football Club | Lyrebird Park - Nowra      | Fencing and minor works - Field 4.   | \$31,060                              | <b>\$20,040</b>      | \$10,020                       |
| Berry Riding Club               | Berry Equestrian Centre    | Construct two watercourse crossings. | \$29,844.10                           | <b>\$19,844.10</b>   | \$10,000                       |
| Illaroo Football Club           | Sharman Park - North Nowra | Install boundary fence.              | \$19,772.94                           | <b>\$13,181.96</b>   | \$6,590.98                     |
| Shoalhaven                      | Rugby Park -               | Construct                            | \$96,910                              | <b>\$50,000</b>      | \$38,000                       |

CL24.1 - Attachment 1

| Club                              | Facility                        | Project   | Cost GST Inc (\$) (ex-in-kind labour) | Funds Requested (\$) | Club / Other Contribution (\$) |
|-----------------------------------|---------------------------------|---|---------------------------------------|----------------------|--------------------------------|
| Rugby Football Club               | South Nowra                     | storage shed and gym.                             |                                       |                      |                                |
| Kangaroo Valley Tennis Club       | Kangaroo Valley Tennis Club     | Floodlighting upgrade.                            | \$25,200                              | <b>\$16,800</b>      | \$8,400                        |
| Sussex Inlet Cricket Club         | Thomson St Sporting Complex     | Construct equipment shed.                         | \$49,961                              | <b>\$33,307.33</b>   | \$16,653.66                    |
| Huskisson Vincentia Football Club | Huskisson Sportsground          | Goal posts and fencing upgrade.                   | \$19,722.56                           | <b>\$13,148.37</b>   | \$6,574.19                     |
| Milton Ulladulla JRLFC            | Ulladulla Sports Park - Field 1 | Construct Team and Scorekeeper's Shelters.        | \$6,600                               | <b>\$4,400</b>       | \$2,200                        |
| Sussex Inlet & District RLFC Inc  | Finkernagel Oval - Sussex Inlet | Install Player Dugouts (first priority).          | \$16,728                              | <b>\$11,128</b>      | \$5,600                        |
| Sussex Inlet & District RLFC Inc  | Finkernagel Oval - Sussex Inlet | Extend Covered area of Canteen (second priority). | \$28,785                              | <b>\$18,785</b>      | \$10,000                       |
| Bay & Basin Cricket Club          | Sanctuary Point Oval            | Repair, replace and paint picket fence.           | \$3,100                               | <b>\$2,050</b>       | \$1,050                        |
| Milton Ulladulla RLFC             | Bill Andriske Oval - Mollymook  | Minor works.                                      | \$17,000                              | <b>\$7,700</b>       | \$3,300                        |

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CL24.1 - Attachment 1

### Community Engagement

The 2023 / 24 Sports Grants Program was opened for applications from all sporting groups and peak bodies on 3 April 2023. Reminder notifications were sent to these contacts on 1 May 2023 and 1 June 2023 to encourage a healthy uptake of the grant. The Sports Grants Program was also promoted on Shoalhaven Swim Sport Fitness website and social pages to provide further outreach to potential applicants.

### Initial Review of Applications

Applications are assessed against the weighting criteria to determine the application's alignment with the policy. This includes Council's compliance requirements, strategic plans, project readiness, club funding and in-kind contribution and project benefits to the community.

The below table demonstrates applications which have either been assessed as ineligible for funding or have been withdrawn by the applicant. These projects have not been included in the Weighted Score Evaluation. See Table 2 below.

Table 2 – Ineligible Applications.

Note, the below applications were determined ineligible and therefore are not included in Attachment 2.

| Applicant                                   | Reason for Ineligibility                        | Value of Funding Request |
|---|---|--------------------------|
| Milton Ulladulla Rugby League Football Club | Late Submission.                                | \$7,700                  |
| Kangaroo Valley Tennis Club                 | Does not meet Policy.                           | \$16,800                 |
| Sussex Inlet & District RLFC                | Second priority. Application withdrawn by club. | \$18,785                 |
| Bay and Basin Cricket Club                  | Maintenance Project. Does not meet Policy.      | \$2,050                  |

#### Policy Implications

The following projects did not adhere to the Sports Grants Policy (*Attachment 1*).

1. Milton Ulladulla Rugby League Football Club – Late submission.
2. Kangaroo Valley Tennis Club – Club funding source ineligible.
3. Bay and Basin Cricket Club – Maintenance request.

#### Financial Implications

|   |              |
|---|--------------|
| 2023 / 24 Sports Grants Program allocated budget.   | \$100,000    |
| Total funding requested under the 2023 / 24 Sports Grants Program, for 16 projects identified in this report. | \$309,574.43 |
| Total funding request of four recommended projects.   | \$99,189.67  |
| Funding request that will not be supported if the four recommended projects are approved.                     | \$210,384.76 |

#### Risk Implications

There are no foreseen risk implications with the four nominated applications.

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CL24.1 - Attachment 1



## Sports Grants Program (Capital Works)

|                        |  |
|------------------------|--|
| <b>Adoption Date:</b>  | 27/06/2006   |
| <b>Amendment Date:</b> | 18/12/2007, 28/04/2009, 21/12/2009, 18/05/2010, 21/05/2013, 28/03/2017, 17/04/2018, 29/10/2019, 26/09/2022     |
| <b>Minute Number:</b>  | MIN06.778, MIN07.1842, MIN09.509, MIN09.1789, MIN10.588, MIN13.532, MIN17.247, MIN18.273, MIN19.793, MIN22.667 |
| <b>Review Date:</b>    | 01/12/2024   |
| <b>Directorate:</b>    | City Lifestyles  |
| <b>Record Number:</b>  | POL22/64   |

SB23.16 - Attachment 1

CL24.1 - Attachment 1

Sports Grants Program (Capital Works)

## 1. Purpose

To define the funding framework for sports groups to partner with Council to deliver capital works projects / improvements. The funding framework allows for design and delivery of new infrastructure, or improvements to existing capital fixed assets at sporting facilities on Council managed land.

## 2. Statement

The Sports Grants Program (Capital Works) Policy is overseen by Council's Shoalhaven Swim Sport Fitness Department which manages all Council-managed showground and sporting facilities.

### 2.1. Who does the policy apply to?

The Sports Grants Program is available to all Shoalhaven based sports groups that meet the provisions of this policy and wish to undertake design for new infrastructure or improvements to existing fixed assets on Council managed land.

### 2.2. Council Funding

Council funding for this program is to be reviewed annually during the budget process.

Council's matching financial contribution for this program is available to eligible Shoalhaven based sporting groups on the basis of \$2.00 from Council for each \$1.00 contributed by sporting organisations. Eligible projects will require endorsement from the relevant sporting association.

The program also supports those Shoalhaven based sporting groups who wish to accumulate funds for strategic projects by carrying over Council's matching contribution to the next financial year.

### 2.3. Capital Improvements

Capital improvements to sporting facilities refer to the provision of new, or improvements to existing, capital fixed assets and should be in line with the Community Infrastructure Strategic Plan 2017-2036, and support or encourage the following strategic goals/criteria:

- Consolidation of assets
- Meet current legislative compliance
- Higher usage levels of fewer assets
- Multiple-use facilities
- Increased range of activities, services and programs being offered
- Increased participation, particularly by target groups (eg children, aged, disabled, different cultural backgrounds etc)

Such improvements typically include:

- Design costs for capital projects
- Lighting of sports fields
- Improvements to amenities
- Spectator facilities
- In-ground drainage and/or irrigation
- Improved playing surfaces

SB23.16 - Attachment 1

CL24.1 - Attachment 1

#### Sports Grants Program (Capital Works)

- Car park and access road sealing
- Long cycle refurbishment of tennis courts

Purchase or provision of machinery is not eligible under this Program.

#### **2.4. Sporting Groups involvement**

The nature of this Program allows Shoalhaven-based sporting groups to determine their level of involvement and their preferred methods of collection of funds to partner with Council in the improvement of facilities on Council-managed land. Such methods could include direct levy of participants, fundraising, sponsorship or successful grant applications.

Council's Sportsgrounds Management Policy outlines the process for all communication which will take place between relevant Sporting Associations or Peak Bodies and Council.

#### **2.5. Criteria for Prioritisation**

- a. Compliance with strategic and other plans of Council – 50%
- b. Value of additional in-kind labour to contribute – 15%
- c. Percentage of funding club is contributing – 10%
- d. The apparent 'readiness' of the project to proceed – 15%
- e. Benefit to other users of the Council-managed Land – 10%

### **3. Provisions**

The following provisions apply:

- This Program applies to all sports that occur on Council-managed land.
- Council's matching financial contribution is available for Shoalhaven sporting groups on the basis of \$2.00 from Council for each \$1.00 contributed by the applicant, with evidence of available funds at time of application.
- Applicants must read Council's Community Infrastructure Grants Guidelines and ensure projects meet these guidelines.
- Council will liaise with applicants to maximise project outcomes and meet the objectives of Council's Community Infrastructure Strategic Plan. Projects must be approved by Council prior to application to the Sports Grants Program.
- Applications are invited in April and close 30 June each year. Successful applications will be granted and expended during the following financial year.
- Applications will be assessed by a working party comprised of:
  - Three Shoalhaven Sports Board members
  - One Shoalhaven City Council Inclusion and Access Advisory Group member
  - Two or three Council staff from the Shoalhaven Swim Sport Fitness, Building Services and/or Works and Services Departments as appropriate to the applications under consideration
- The working party will meet to assess the applications and report to the first Shoalhaven Sports Board meeting following the working party's determinations.
- Applications must include the following:
  - A statement of community benefit

SB23.16 - Attachment 1

CL24.1 - Attachment 1

Sports Grants Program (Capital Works)

- Information regarding levels of participation in the sport
  - An assessment, either by the local sporting group or by the peak bodies of the relevant sporting codes, of that sport's future sporting facility requirements within the Shoalhaven over the next 20 years
  - An assessment of the club's financial capacity (including audited financial statements for the preceding three years)
  - A five year forward Business Plan, including financial projections
  - Site plans
  - Quotes for the planned work
- After 1 July the Shoalhaven Sports Board will prioritise the nominated projects based on these criteria and the ability of the project to be delivered or part-delivered in the relevant financial year. These priority projects will be reported to the Board for endorsement.
  - In-kind contributions may be used to value-add to projects but will not substitute for the cash contribution component.
  - Funds will not be carried over on a promise of raising matching funds in subsequent years and funds used to match previous Council contributions cannot be used to bid for funds in subsequent years.
  - Projects qualifying for the Program will be subject to a financial limit of \$50,000 in matching funds.
  - Where there is more than one application from a sporting code, the Association must indicate its priority. Associations should provide equal access for all clubs to Council's financial allocation. Where no Association / Peak Body exists, Council will liaise directly with the sporting clubs.
  - Council's funding commitment to this Program will be reviewed annually as part of Council's annual Management Plan/Budget review.
  - Once funding is approved contributory funds shall be paid to Council by the Sporting Association / Peak Body (or affiliated Club) prior to the project commencing. Council will provide Purchase Orders as per the successful quotes. All projects shall be overseen by a qualified / licensed operator approved by Council. This will require the qualified / licensed operator providing Council with relevant Work Health & Safety information and Safe Work Method Statements. Council has limited capacity to assist in project delivery and this may require that some funds be allocated to staffing costs. If Council is required to provide this service, it reserves the right to recoup its expenditure from the project allocation.
  - After considering a staff report, the Shoalhaven Sports Board will recommend to Council the allocation of any unexpended funds for improvements to sports facilities.
  - This Policy does not apply to:
    - Management Committees, other than committees administering tennis courts
    - Surf Life Saving Clubs
  - The following groups are eligible:
    - Management Committees with tennis courts – for tennis-related projects
    - Sporting groups with lease/licence agreements where lease/licence payments contribute to a capital improvement 'sinking' fund
    - All sporting clubs including tennis, swimming, water sports and skate clubs or groups

SB23.16 - Attachment 1

CL24.1 - Attachment 1

Sports Grants Program (Capital Works)

- Where a project has not commenced in the financial year following the year of allocation, the funding may be withdrawn and re-allocated. The sporting group will be advised prior to the withdrawal of funding.
- Where the total project cost is:
  - \$3,000 to \$29,999 – A minimum of one quote is required
  - \$30,000 - \$124,999 – A minimum of three written quotes are required
- All improvements or alterations to playing fields or facilities will become and remain the property of Council and cannot be removed by the hirer and/or user. Council is not required to compensate the hirer and/or user for the cost of such improvements or alterations.

**4. Implementation**

The City Lifestyles Directorate will administer this policy.

**5. Review**

To be reviewed within one year of the appointment of a new elected Council.

SB23.16 - Attachment 1

CL24.1 - Attachment 1

Sports Grants Program (Capital Works)

Sports Grants Program  
(Capital Works)  
**Project Nomination Form**  
Annual closing date is 30 June



**PART A: To be completed by the Club(s) nominating the project** (please print)

Project name: \_\_\_\_\_

Project description: \_\_\_\_\_

Name of reserve / location: \_\_\_\_\_

Is the land managed by Shoalhaven City Council? Yes / No

Name of Club: \_\_\_\_\_

Postal address: \_\_\_\_\_

Contact person: \_\_\_\_\_

Position held: \_\_\_\_\_

Business phone: \_\_\_\_\_ Mobile: \_\_\_\_\_

Fax: \_\_\_\_\_ Email: \_\_\_\_\_

Does your club have an ABN? Yes / No If yes please supply ABN No.: \_\_\_\_\_

Is your club registered for GST? Yes / No

Does your Club have a Business Plan? If yes, please provide a copy of your Business Plan for the next 5 years, including financial projections.

Please provide details of any community benefit as a result of the nominated project:

\_\_\_\_\_  
\_\_\_\_\_

Club user profile. Please provide a breakdown of your current Club membership:

Child (0-11yrs) Male\_\_\_\_Female\_\_\_\_ Adults (18-49yrs) Male\_\_\_\_Female\_\_\_\_  
Youth (12-17yrs) Male\_\_\_\_Female\_\_\_\_ Seniors (50+yrs) Male\_\_\_\_Female\_\_\_\_

Please highlight any changes to membership numbers as a result of this project

\_\_\_\_\_

Please provide audited financial statements for the preceding three years to enable assessment of the club's financial capacity.

Proposed project starting date: \_\_\_\_\_ Anticipated project completion date: \_\_\_\_\_



**Sports Grants Program (Capital Works)**

The information requested by Council on this form may constitute personal information under the Privacy and Personal Information Protection Act 1998. Council is allowed to collect the information from you to consider this matter. Supplying this information is voluntary. However if you cannot or do not wish to provide the information, Council may not be able to consider the matter. If you need further details, please contact the Information Officer, Shoalhaven City Council.

**PART B – To be completed by the relevant Association/Peak Body (please print)**

Name of organisation: \_\_\_\_\_

Postal address: \_\_\_\_\_

Contact person: \_\_\_\_\_

Position held: \_\_\_\_\_

Business phone: \_\_\_\_\_ Mobile: \_\_\_\_\_

Fax: \_\_\_\_\_ Email: \_\_\_\_\_

*Does the submitting group have a formal organisational structure (ie President, Secretary etc)? Yes / No. If Yes, please provide details:*

*Does the proposed project meet the high priority needs of the sport. Yes / No If yes, please provide details how?*

\_\_\_\_\_  
\_\_\_\_\_

*Please provide the future building and sporting facility requirements for your sporting organisation, within the City over the next 20 years.*

\_\_\_\_\_  
\_\_\_\_\_

Recommendation – If more than one application is submitted by your organisation a priority should be given to this project relative to other projects

\_\_\_\_\_  
\_\_\_\_\_

Signature of contact person: \_\_\_\_\_ Date: \_\_\_\_\_

The information requested by Council on this form may constitute personal information under the Privacy and Personal Information Protection Act 1998. Council is allowed to collect the information from you to consider this matter. Supplying this information is voluntary. However if you cannot or do not wish to provide the information, we may not be able to consider the matter. If you need further details, please contact the Information Officer, Shoalhaven City Council.

[Sports Grants Program \(Capital Works\)](#)

Please send completed nomination forms to: [council@shoalhaven.nsw.gov.au](mailto:council@shoalhaven.nsw.gov.au) , or

The CEO  
Shoalhaven City Council  
PO Box 42  
Nowra NSW 2541

File Reference 24899E

**Further Information:** Please contact Council on 4429 3111 or [council@shoalhaven.nsw.gov.au](mailto:council@shoalhaven.nsw.gov.au)

SB23.16 - Attachment 1

CL24.1 - Attachment 1

**Weighted Score Evaluation**

**ATTACHMENT 2**

| <b>Applicant</b>   | <b>Compliance with strategic &amp; other plans of Council (50%)</b><br><br>/20 | <b>Value of additional in-kind labour to contribute (15%)</b><br><br>/6 | <b>Percentage of funding contributed by club (10%)</b><br><br>/4 | <b>Apparent 'readiness' of the project to proceed (15%)</b><br><br>/6 | <b>Benefit to other users of the Council-managed Land (10%)</b><br><br>/4 | <b>Total Score</b><br><br>/40 |
|--|--|---|--|---|---|-------------------------------|
| Shoalhaven United Football Club - Fencing and Minor Works - Field 4                            | 5  | 1   | 1  | 3   | 1   | 11                            |
| Shoalhaven District Football Association - Improve pathway network between seating and toilets | 15   | 3   | 2  | 5   | 4   | 29                            |
| Berry Riding Club - Construct 2x Watercourse Crossings   | 15   | 0   | 2  | 2   | 1   | 20                            |
| Illaroo Football Club - Install Boundary Fence   | 5  | 0   | 1  | 1   | 0   | 7                             |
| Shoalhaven Rugby Football Club - Construct Storage Shed and Gym                                | 15   | 3   | 3  | 2   | 0   | 23                            |
| Sussex Inlet Cricket Club - Construct Equipment Shed   | 10   | 0   | 1  | 3   | 0   | 14                            |

SB23.16 - Attachment 2

CL24.1 - Attachment 1

|  |      |   |   |   |   |      |
|--|------|---|---|---|---|------|
| Huskisson Vincentia Football Club - Goal Posts and Fencing Upgrade             | 12.5 | 0 | 1 | 6 | 2 | 21.5 |
| Shoalhaven Hockey Inc – Wall Rebuild   | 20   | 0 | 1 | 6 | 1 | 28   |
| Milton Ulladulla JRLFC - Construct team and scorekeeper's shelters             | 10   | 0 | 1 | 5 | 1 | 17   |
| Sussex Inlet & District RLFC Inc - Install Player Dugouts                      | 10   | 0 | 2 | 5 | 0 | 17   |
| Milton Ulladulla District Tennis Association - Resurfacing of 2x Tennis Courts | 20   | 4 | 4 | 6 | 1 | 35   |
| Shoalhaven Dog Training Club - Installation of new kitchen in SDTC rooms       | 20   | 0 | 1 | 5 | 0 | 26   |

SB23.16 - Attachment 2

CL24.1 - Attachment 1

Shoalhaven  
City Council

# Annual Financial Statements

2022-2023



CL24.5 - Attachment 1

# Shoalhaven City Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2023

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CL24.5 - Attachment 1

# Shoalhaven City Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2023

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## Shoalhaven City Council

### General Purpose Financial Statements

for the year ended 30 June 2023

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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](http://www.shoalhaven.nsw.gov.au).

## Shoalhaven City Council

### General Purpose Financial Statements for the year ended 30 June 2023

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 11 December 2023.



Amanda Findley  
Mayor  
12 December 2023



Evan Christen  
Deputy Mayor  
12 December 2023



Stephen Dunshea  
Chief Executive Officer  
12 December 2023



Katie Buckman  
Responsible Accounting Officer  
12 December 2023

CL24.5 - Attachment 1

Shoalhaven City Council | Income Statement | for the year ended 30 June 2023

## Shoalhaven City Council

### Income Statement

for the year ended 30 June 2023

| Original<br>unaudited<br>budget<br>2023<br>\$ '000 |  | Notes | Actual<br>2023<br>\$ '000 | Actual<br>2022<br>\$ '000 |
|--|--|-------|---------------------------|---------------------------|
|  | <b>Income from continuing operations</b>   |       |                           |                           |
| 167,655  | Rates and annual charges   | B2-1  | <b>167,708</b>            | 159,895                   |
| 90,636   | User charges and fees  | B2-2  | <b>92,478</b>             | 78,955                    |
| 4,058  | Other revenues   | B2-3  | <b>5,073</b>              | 3,758                     |
| 20,784   | Grants and contributions provided for operating purposes   | B2-4  | <b>52,485</b>             | 33,831                    |
| 40,370   | Grants and contributions provided for capital purposes   | B2-4  | <b>60,115</b>             | 54,029                    |
| 3,019  | Interest and investment income   | B2-5  | <b>4,930</b>              | 1,922                     |
| –  | Other income   | B2-6  | <b>4,245</b>              | 1,327                     |
| –  | Net gain from the disposal of assets   | B4-1  | <b>–</b>                  | 4,928                     |
| 326,522  | <b>Total income from continuing operations</b>   |       | <b>387,034</b>            | 338,645                   |
|  | <b>Expenses from continuing operations</b>   |       |                           |                           |
| 94,264   | Employee benefits and on-costs   | B3-1  | <b>112,733</b>            | 101,588                   |
| 91,274   | Materials and services   | B3-2  | <b>117,752</b>            | 90,161                    |
| 6,150  | Borrowing costs  | B3-3  | <b>6,366</b>              | 5,702                     |
| 75,135   | Depreciation, amortisation and impairment of non-financial assets                                      | B3-4  | <b>85,230</b>             | 79,521                    |
| 15,668   | Other expenses   | B3-5  | <b>19,180</b>             | 18,102                    |
| –  | Net loss from the disposal of assets   | B4-1  | <b>3,799</b>              | –                         |
| 282,491  | <b>Total expenses from continuing operations</b>   |       | <b>345,060</b>            | 295,074                   |
| 44,031   | <b>Operating result from continuing operations</b>   |       | <b>41,974</b>             | 43,571                    |
| 44,031   | <b>Net operating result for the year attributable to Council</b>                                       |       | <b>41,974</b>             | 43,571                    |
| 3,661  | <b>Net operating result for the year before grants and contributions provided for capital purposes</b> |       | <b>(18,141)</b>           | (10,458)                  |

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 2023

Shoalhaven City Council

Statement of Comprehensive Income  
for the year ended 30 June 2023

|  | 2023<br>\$ '000 | 2022<br>\$ '000 |
|--|-----------------|-----------------|
| Notes  |                 |                 |
| <b>Net operating result for the year – from Income Statement</b>   | <b>41,974</b>   | 43,571          |
| <b>Other comprehensive income:</b>   |                 |                 |
| Amounts which will not be reclassified subsequently to the operating result                              |                 |                 |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment C1-7                         | <b>514,287</b>  | 575,568         |
| Amounts which will be reclassified subsequently to the operating result when specific conditions are met |                 |                 |
| Other movements  | -               | (339)           |
| <b>Amounts that will be reclassified subsequent to operating result when specific conditions are met</b> | <b>-</b>        | (339)           |
| <b>Total other comprehensive income for the year</b>   | <b>514,287</b>  | 575,229         |
| <b>Total comprehensive income for the year attributable to Council</b>                                   | <b>556,261</b>  | 618,800         |

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

Shoalhaven City Council | Statement of Financial Position | for the year ended 30 June 2023

## Shoalhaven City Council

### Statement of Financial Position

as at 30 June 2023

|  | Notes | 2023<br>\$ '000  | 2022<br>\$ '000  |
|--|-------|------------------|------------------|
| <b>ASSETS</b>  |       |                  |                  |
| <b>Current assets</b>                                |       |                  |                  |
| Cash and cash equivalents                            | C1-1  | 27,431           | 21,416           |
| Investments  | C1-2  | 136,927          | 153,778          |
| Receivables  | C1-4  | 56,190           | 36,455           |
| Inventories  | C1-5  | 2,284            | 2,456            |
| Other  | C1-10 | 1,017            | 1,875            |
| Non-current assets classified as held for sale       | C1-6  | 2,581            | 3,381            |
| <b>Total current assets</b>                          |       | <b>226,430</b>   | <b>219,361</b>   |
| <b>Non-current assets</b>                            |       |                  |                  |
| Investments  | C1-2  | 2,000            | 22,000           |
| Receivables  | C1-4  | 5,737            | 5,010            |
| Inventories  | C1-5  | 5,503            | 5,512            |
| Infrastructure, property, plant and equipment (IPPE) | C1-7  | 4,745,251        | 4,128,553        |
| Investment property                                  | C1-8  | 3,497            | 3,400            |
| Intangible assets                                    | C1-9  | 501              | 493              |
| Right of use assets                                  | C2-1  | 225              | 135              |
| Other  | C1-10 | 2,717            | 1,712            |
| <b>Total non-current assets</b>                      |       | <b>4,765,431</b> | <b>4,166,815</b> |
| <b>Total assets</b>                                  |       | <b>4,991,861</b> | <b>4,386,176</b> |
| <b>LIABILITIES</b>                                   |       |                  |                  |
| <b>Current liabilities</b>                           |       |                  |                  |
| Payables   | C3-1  | 43,657           | 27,367           |
| Contract liabilities                                 | C3-2  | 32,326           | 39,129           |
| Lease liabilities                                    | C2-1  | 186              | 78               |
| Borrowings   | C3-3  | 19,140           | 16,303           |
| Employee benefit provisions                          | C3-4  | 34,929           | 34,361           |
| Provisions   | C3-5  | 974              | 2,229            |
| <b>Total current liabilities</b>                     |       | <b>131,212</b>   | <b>119,467</b>   |
| <b>Non-current liabilities</b>                       |       |                  |                  |
| Lease liabilities                                    | C2-1  | 55               | 75               |
| Borrowings   | C3-3  | 177,999          | 143,718          |
| Employee benefit provisions                          | C3-4  | 1,217            | 1,368            |
| Provisions   | C3-5  | 11,599           | 8,030            |
| <b>Total non-current liabilities</b>                 |       | <b>190,870</b>   | <b>153,191</b>   |
| <b>Total liabilities</b>                             |       | <b>322,082</b>   | <b>272,658</b>   |
| <b>Net assets</b>                                    |       | <b>4,669,779</b> | <b>4,113,518</b> |
| <b>EQUITY</b>  |       |                  |                  |
| Accumulated surplus                                  | C4-1  | 1,786,879        | 1,742,552        |
| IPPE revaluation reserve                             | C4-1  | 2,882,900        | 2,370,966        |
| <b>Total equity</b>                                  |       | <b>4,669,779</b> | <b>4,113,518</b> |

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 2023

|   | 2023                           |                                     |                         | 2022                           |                                     |                         |
|---|--------------------------------|-------------------------------------|-------------------------|--------------------------------|-------------------------------------|-------------------------|
|   | Accumulated surplus<br>\$ '000 | IPPE revaluation reserve<br>\$ '000 | Total equity<br>\$ '000 | Accumulated surplus<br>\$ '000 | IPPE revaluation reserve<br>\$ '000 | Total equity<br>\$ '000 |
| Opening balance at 1 July   | 1,742,552                      | 2,370,966                           | 4,113,518               | 1,693,822                      | 1,800,896                           | 3,494,718               |
| <b>Restated opening balance</b>   | <b>1,742,552</b>               | <b>2,370,966</b>                    | <b>4,113,518</b>        | <b>1,693,822</b>               | <b>1,800,896</b>                    | <b>3,494,718</b>        |
| Net operating result for the year   | 41,974                         | -                                   | 41,974                  | 43,571                         | -                                   | 43,571                  |
| <b>Other comprehensive income</b>   |                                |                                     |                         |                                |                                     |                         |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment | -                              | 514,287                             | 514,287                 | -                              | 575,568                             | 575,568                 |
| Realised Gain (loss) on infrastructure, property, plant and equipment       | 2,353                          | (2,353)                             | -                       | 5,498                          | (5,498)                             | -                       |
| - Other movements – inclusion of management committees retained earnings    | -                              | -                                   | -                       | -                              | -                                   | -                       |
| - Other movements – derecognition of management committee retained earnings | -                              | -                                   | -                       | (339)                          | -                                   | (339)                   |
| <b>Other comprehensive income</b>   | <b>2,353</b>                   | <b>511,934</b>                      | <b>514,287</b>          | <b>5,159</b>                   | <b>570,070</b>                      | <b>575,229</b>          |
| <b>Total comprehensive income</b>   | <b>44,327</b>                  | <b>511,934</b>                      | <b>556,261</b>          | <b>48,730</b>                  | <b>570,070</b>                      | <b>618,800</b>          |
| <b>Closing balance at 30 June</b>   | <b>1,786,879</b>               | <b>2,882,900</b>                    | <b>4,669,779</b>        | <b>1,742,552</b>               | <b>2,370,966</b>                    | <b>4,113,518</b>        |

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 2023

| Original<br>unaudited<br>budget<br>2023<br>\$ '000 |  | Notes | Actual<br>2023<br>\$ '000 | Actual<br>2022<br>\$ '000 |
|--|--|-------|---------------------------|---------------------------|
| <b>Cash flows from operating activities</b>        |  |       |                           |                           |
| <i>Receipts:</i>                                   |  |       |                           |                           |
| 167,655  | Rates and annual charges   |       | 167,812                   | 161,561                   |
| 90,635   | User charges and fees  |       | 97,573                    | 88,547                    |
| 3,019  | Interest received  |       | 3,789                     | 2,151                     |
| 61,154   | Grants and contributions   |       | 85,068                    | 93,392                    |
| -  | Bonds, deposits and retentions received                            |       | 1,169                     | 3,032                     |
| 4,058  | Other  |       | 29,146                    | 18,880                    |
| <i>Payments:</i>                                   |  |       |                           |                           |
| (93,075)   | Payments to employees  |       | (111,928)                 | (100,647)                 |
| (90,593)   | Payments for materials and services                                |       | (133,091)                 | (96,938)                  |
| (6,150)  | Borrowing costs  |       | (6,145)                   | (5,783)                   |
| -  | Bonds, deposits and retentions refunded                            |       | (1,312)                   | (903)                     |
| (11,781)   | Waste Levy   |       | (14,055)                  | (11,341)                  |
| (3,761)  | Other  |       | (418)                     | (24,209)                  |
| 121,161  | <b>Net cash provided from operating activities</b>                 | G1-1  | <b>117,608</b>            | <b>127,742</b>            |
| <b>Cash flows from investing activities</b>        |  |       |                           |                           |
| <i>Receipts:</i>                                   |  |       |                           |                           |
| 69,000   | Sale of investments  |       | 130,150                   | 83,497                    |
| 4,900  | Sale of real estate assets   |       | -                         | 4,369                     |
| 2,973  | Proceeds from sale of IPPE   |       | 5,968                     | 3,127                     |
| -  | Deferred debtors receipts  |       | 49                        | 14                        |
| <i>Payments:</i>                                   |  |       |                           |                           |
| -  | Purchase of investments  |       | (14,866)                  | (4,028)                   |
| -  | Acquisition of term deposits                                       |       | (75,500)                  | (83,000)                  |
| -  | Purchase of investment property                                    |       | (14)                      | -                         |
| (237,019)  | Payments for IPPE  |       | (194,154)                 | (140,032)                 |
| (9,920)  | Purchase of real estate assets                                     |       | -                         | -                         |
| -  | Purchase of intangible assets                                      |       | (137)                     | -                         |
| -  | Deferred debtors and advances made                                 |       | (26)                      | (34)                      |
| (170,066)  | <b>Net cash flows (used in) investing activities</b>               |       | <b>(148,530)</b>          | <b>(136,087)</b>          |
| <b>Cash flows from financing activities</b>        |  |       |                           |                           |
| <i>Receipts:</i>                                   |  |       |                           |                           |
| 21,080   | Proceeds from borrowings   |       | 54,895                    | 2,601                     |
| <i>Payments:</i>                                   |  |       |                           |                           |
| (18,129)   | Repayment of borrowings  |       | (17,777)                  | (17,517)                  |
| -  | Principal component of lease payments                              |       | (181)                     | (68)                      |
| 2,951  | <b>Net cash flows provided from/(used in) financing activities</b> |       | <b>36,937</b>             | <b>(14,984)</b>           |
| (45,954)   | <b>Net change in cash and cash equivalents</b>                     |       | <b>6,015</b>              | <b>(23,329)</b>           |
| 108,199  | Cash and cash equivalents at beginning of year                     |       | 21,416                    | 44,745                    |
| 62,245   | <b>Cash and cash equivalents at end of year</b>                    | C1-1  | <b>27,431</b>             | <b>21,416</b>             |

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

## Shoalhaven City Council

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## 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 11 December 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the Office of Local Government directs Council to amend the financial statements.

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

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

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

Council is a not-for-profit entity.

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

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

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

and are clearly marked.

#### **Historical cost convention**

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

#### **Significant accounting estimates and judgements**

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

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

#### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future.

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

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

- (i) 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) Estimated tip remediation provisions - refer Note C3-5
- (v) Employee benefit provisions - refer Note C3-4

continued on next page ...

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## 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.

#### Goods and Services Tax (GST)

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

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

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

#### Volunteer services

Council has about 1,373 volunteers who provided around 38,131 hours with an estimated \$2,380,126 across several Council departments including bush care, park committees, community care, cultural heritage and tourism, and library services. Their services are vital to the success of Shoalhaven City Council with many Council programs and initiatives relying heavily on assistance from local volunteers.

The use of volunteer services have not been recognised as they are not considered financially material and cannot be reliably measured.

#### 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 2023 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, NSW Council adopted all standards which were mandatorily effective for the first time at 30 June 2023.

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 |                  |
|--|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|--------------------------|-----------------|---------------------------|------------------|
|  | 2023<br>\$ '000 | 2022<br>\$ '000 | 2023<br>\$ '000 | 2022<br>\$ '000 | 2023<br>\$ '000  | 2022<br>\$ '000 | 2023<br>\$ '000          | 2022<br>\$ '000 | 2023<br>\$ '000           | 2022<br>\$ '000  |
| <b>Functions or activities</b>         |                 |                 |                 |                 |                  |                 |                          |                 |                           |                  |
| Buildings and Property                 | 1,772           | 1,212           | 14,115          | 11,046          | (12,343)         | (9,834)         | 442                      | 98              | 639,002                   | 507,410          |
| Commercial Undertakings                | 39,824          | 32,089          | 44,686          | 36,129          | (4,862)          | (4,040)         | 762                      | 535             | 273,495                   | 219,855          |
| Community and Culture                  | 5,123           | 5,621           | 10,355          | 9,559           | (5,232)          | (3,938)         | 4,646                    | 5,027           | 14,525                    | 13,486           |
| Economic Development                   | 2,124           | 8,240           | 682             | 883             | 1,442            | 7,357           | 2,187                    | 4,616           | 16,778                    | 12,919           |
| Environmental Management               | 1,508           | 1,696           | 3,008           | 3,064           | (1,500)          | (1,368)         | 1,497                    | 1,689           | 4,354                     | 3,035            |
| Fire Protection and Emergency Services | 27,642          | 11,126          | 17,916          | 7,695           | 9,726            | 3,431           | 27,680                   | 11,154          | 58,997                    | 16,834           |
| Governance and Civic                   | 40              | 73              | 8,032           | 8,010           | (7,992)          | (7,937)         | -                        | -               | 4                         | -                |
| Internal Corporate Services            | 121,443         | 111,658         | 28,471          | 27,343          | 92,972           | 84,315          | 26,940                   | 25,005          | 324,029                   | 272,493          |
| Land Use Planning                      | 781             | 581             | 3,741           | 3,520           | (2,960)          | (2,939)         | 82                       | 49              | 155                       | 23               |
| Open Space, Sport and Recreation       | 4,944           | 4,492           | 20,166          | 18,303          | (15,222)         | (13,811)        | 4,576                    | 4,344           | 155,038                   | 144,993          |
| Regulatory Services                    | 8,481           | 5,950           | 18,385          | 18,133          | (9,904)          | (12,183)        | 330                      | 309             | 639                       | 727              |
| Roads and Transport                    | 38,557          | 27,826          | 52,761          | 45,856          | (14,204)         | (18,030)        | 38,433                   | 27,748          | 1,975,509                 | 1,825,247        |
| Waste and Recycling Program            | 46,626          | 42,598          | 41,446          | 36,042          | 5,180            | 6,556           | 621                      | 908             | 77,539                    | 59,382           |
| Water and Sewer Services               | 88,169          | 85,483          | 81,296          | 69,491          | 6,873            | 15,992          | 4,404                    | 6,378           | 1,451,797                 | 1,309,772        |
| <b>Total functions and activities</b>  | <b>387,034</b>  | <b>338,645</b>  | <b>345,060</b>  | <b>295,074</b>  | <b>41,974</b>    | <b>43,571</b>   | <b>112,600</b>           | <b>87,860</b>   | <b>4,991,861</b>          | <b>4,386,176</b> |

## B1-2 Components of functions or activities

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

### **Buildings and Property**

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

### **Commercial Undertakings**

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

### **Community and Culture**

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

### **Economic Development**

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

### **Environmental Management**

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

### **Fire Protection and Emergency Services**

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

### **Governance and Civic**

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

### **Internal Corporate Services**

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

### **Land Use Planning**

Strategic planning for town planning and social and infrastructure planning.

### **Open Space, Sport and Recreation**

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

### **Regulatory Services**

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

### **Roads and Transport**

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

### **Waste and Recycling Program**

Domestic waste management and land fill and transfer station operation.

### **Water and Sewer Services**

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

## B2 Sources of income

### B2-1 Rates and annual charges

|  | 2023<br>\$ '000 | 2022<br>\$ '000 |
|--|-----------------|-----------------|
| <b>Ordinary rates</b>  |                 |                 |
| Residential  | 77,805          | 73,903          |
| Farmland   | 2,134           | 2,081           |
| Business   | 5,309           | 5,102           |
| Less: pensioner rebates  | <u>(2,068)</u>  | <u>(2,125)</u>  |
| <b>Rates levied to ratepayers</b>  | <b>83,180</b>   | <b>78,961</b>   |
| Pensioner rate subsidies received  | <u>1,064</u>    | <u>1,108</u>    |
| <b>Total ordinary rates</b>  | <b>84,244</b>   | <b>80,069</b>   |
| <b>Special rates</b>   |                 |                 |
| Town improvement   | 17              | 16              |
| Town planning  | <u>451</u>      | <u>451</u>      |
| <b>Total special rates</b>   | <b>468</b>      | <b>467</b>      |
| <b>Annual charges (pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</b> |                 |                 |
| Domestic waste management services   | 27,853          | 25,596          |
| Stormwater management services   | 1,166           | 1,155           |
| Water supply services  | 4,267           | 4,502           |
| Sewerage services  | 49,457          | 48,007          |
| Waste management services (non-domestic)                                     | 1,551           | 1,416           |
| Less: pensioner rebates (mandatory)  | <u>(2,635)</u>  | <u>(2,680)</u>  |
| <b>Annual charges levied</b>   | <b>81,659</b>   | <b>77,996</b>   |
| Pensioner annual charges subsidies received:                                 |                 |                 |
| – Water  | 472             | 483             |
| – Sewerage   | 469             | 478             |
| – Domestic waste management  | <u>396</u>      | <u>402</u>      |
| <b>Total annual charges</b>  | <b>82,996</b>   | <b>79,359</b>   |
| <b>Total rates and annual charges</b>  | <b>167,708</b>  | <b>159,895</b>  |

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

#### Accounting policy

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

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

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

## B2-2 User charges and fees

|  | 2023<br>\$ '000 | 2022<br>\$ '000 |
|--|-----------------|-----------------|
| <b>User charges</b>  |                 |                 |
| Water supply services  | 19,011          | 17,550          |
| Sewerage services  | 3,998           | 3,542           |
| Waste management services (non-domestic)                       | 16,290          | 14,206          |
| <b>Total user charges</b>                                      | <b>39,299</b>   | <b>35,298</b>   |
| <b>Fees</b>  |                 |                 |
| Cemeteries   | 2,025           | 1,958           |
| Communication charges  | 1,768           | 1,665           |
| Entertainment centre   | 2,179           | 730             |
| Family day care  | 56              | 50              |
| Health licence fees  | 121             | 126             |
| Leaseback fees – Council vehicles                              | 1,608           | 1,526           |
| Library  | 172             | 169             |
| Tourism  | 54              | 32              |
| Animal charges   | 299             | 265             |
| Swimming / leisure centres                                     | 5,873           | 4,077           |
| Food inspection fees   | 186             | 129             |
| Hire of council property                                       | 591             | 450             |
| Tourist parks  | 29,750          | 25,248          |
| Other  | 215             | 99              |
| Planning and building regulation                               | 5,688           | 4,088           |
| Private works - s67  | 1,827           | 2,202           |
| Section 10.7 certificates (EPA Act)                            | 559             | 558             |
| Section 603 certificates                                       | 208             | 285             |
| <b>Total fees</b>  | <b>53,179</b>   | <b>43,657</b>   |
| <b>Total user charges and fees</b>                             | <b>92,478</b>   | <b>78,955</b>   |
| <b>Timing of revenue recognition for user charges and fees</b> |                 |                 |
| User charges and fees recognised over time                     | 5,873           | 4,077           |
| User charges and fees recognised at a point in time            | 86,605          | 74,878          |
| <b>Total user charges and fees</b>                             | <b>92,478</b>   | <b>78,955</b>   |

### Accounting policy

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

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

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

**B2-3 Other revenues**

|   | 2023<br>\$ '000 | 2022<br>\$ '000 |
|---|-----------------|-----------------|
| Commissions and agency fees                             | 10              | 25              |
| Credit card service fees                                | 67              | 81              |
| Discounts received                                      | 24              | 9               |
| Fines – other   | 1,597           | 1,205           |
| Fines – parking   | 186             | 141             |
| Fuel tax credit   | 381             | 421             |
| Insurance claims recoveries                             | 779             | 452             |
| Legal fees recovery – other                             | 85              | 32              |
| Legal fees recovery – rates and charges (extra charges) | 153             | 170             |
| Library – other councils                                | 15              | 15              |
| Miscellaneous sales                                     | 13              | 29              |
| Recovery of other costs                                 | 717             | 314             |
| Recycled material refunds                               | 153             | 387             |
| Sponsorships  | –               | 116             |
| Other   | 893             | 361             |
| <b>Total other revenue</b>                              | <b>5,073</b>    | <b>3,758</b>    |
| <b>Timing of revenue recognition for other revenue</b>  |                 |                 |
| Other revenue recognised over time                      | –               | –               |
| Other revenue recognised at a point in time             | 5,073           | 3,758           |
| <b>Total other revenue</b>                              | <b>5,073</b>    | <b>3,758</b>    |

**Accounting policy for other revenue**

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

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

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

B2-4 Grants and contributions

|  | Operating<br>2023<br>\$ '000 | Operating<br>2022<br>\$ '000 | Capital<br>2023<br>\$ '000 | Capital<br>2022<br>\$ '000 |
|--|------------------------------|------------------------------|----------------------------|----------------------------|
| <b>General purpose grants and non-developer contributions (untied)</b>     |                              |                              |                            |                            |
| <b>General purpose (untied)</b>  |                              |                              |                            |                            |
| <b>Current year allocation</b>   |                              |                              |                            |                            |
| Financial assistance – general component                                   | 2,449                        | 4,773                        | –                          | –                          |
| Financial assistance – local roads component                               | 1,226                        | 1,892                        | –                          | –                          |
| <b>Payment in advance - future year allocation</b>                         |                              |                              |                            |                            |
| Financial assistance – general component                                   | 10,444                       | 7,327                        | –                          | –                          |
| Financial assistance – local roads component                               | 4,437                        | 2,918                        | –                          | –                          |
| <b>Amount recognised as income during current year</b>                     | <b>18,556</b>                | <b>16,910</b>                | <b>–</b>                   | <b>–</b>                   |
| <b>Special purpose grants and non-developer contributions (tied)</b>       |                              |                              |                            |                            |
| <b>Cash contributions</b>  |                              |                              |                            |                            |
| <b>Previously specific grants:</b>   |                              |                              |                            |                            |
| Bushfire and emergency services  | 948                          | 615                          | 463                        | 823                        |
| – Domestic waste management  | –                            | –                            | 599                        | –                          |
| Community care   | 1,703                        | 1,441                        | 949                        | 2                          |
| – Other  | –                            | –                            | 544                        | –                          |
| Community centres  | –                            | –                            | 54                         | 60                         |
| Economic development   | 255                          | 30                           | 4,242                      | 3,974                      |
| Environmental programs   | 1,561                        | 1,107                        | 771                        | 1,338                      |
| Heritage and cultural  | 152                          | 132                          | 27                         | 12                         |
| Library  | 341                          | 320                          | 450                        | –                          |
| Library – special projects   | 27                           | 9                            | –                          | –                          |
| LIRS subsidy & Low Cost Loan Initiative                                    | 281                          | 224                          | –                          | –                          |
| Noxious weeds  | 238                          | 181                          | –                          | –                          |
| Recreation and culture   | 207                          | 587                          | 4,376                      | 6,559                      |
| Sewerage services  | –                            | –                            | 297                        | 526                        |
| Storm/flood damage   | 21,666                       | 8,372                        | 6,588                      | 2,437                      |
| Street lighting  | 270                          | 265                          | –                          | –                          |
| Transport (other roads and bridges funding)                                | 1,526                        | 215                          | 29,130                     | 19,265                     |
| Water supplies   | 58                           | (5)                          | 884                        | 3,070                      |
| Transport (roads to recovery)  | –                            | –                            | 74                         | 1,478                      |
| Waste Management   | –                            | 88                           | –                          | 819                        |
| Other specific grants  | 206                          | 354                          | –                          | (85)                       |
| <b>Previously contributions:</b>   |                              |                              |                            |                            |
| Transport for NSW contributions (regional roads, block grant)              | 4,241                        | 2,198                        | 1,258                      | –                          |
| Other contributions  | 249                          | 788                          | –                          | 5                          |
| <b>Total special purpose grants and non-developer contributions – cash</b> | <b>33,929</b>                | <b>16,921</b>                | <b>50,706</b>              | <b>40,283</b>              |
| <b>Non-cash contributions</b>  |                              |                              |                            |                            |
| Bushfire services  | –                            | –                            | –                          | 527                        |
| Environmental Protection   | –                            | –                            | –                          | 1,012                      |
| Recreation and culture   | –                            | –                            | –                          | 10                         |
| Roads and bridges  | –                            | –                            | –                          | 1,651                      |
| Sewerage (excl. section 64 contributions)                                  | –                            | –                            | 569                        | 1,567                      |
| Other  | –                            | –                            | 777                        | –                          |
| Water supplies (excl. section 64 contributions)                            | –                            | –                            | 1,096                      | 547                        |
| <b>Total other contributions – non-cash</b>                                | <b>–</b>                     | <b>–</b>                     | <b>2,442</b>               | <b>5,314</b>               |
| <b>Total special purpose grants and non-developer contributions (tied)</b> | <b>33,929</b>                | <b>16,921</b>                | <b>53,148</b>              | <b>45,597</b>              |
| <b>Total grants and non-developer contributions</b>                        | <b>52,485</b>                | <b>33,831</b>                | <b>53,148</b>              | <b>45,597</b>              |

continued on next page ...

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Shoalhaven City Council | Notes to the Financial Statements 30 June 2023

**B2-4 Grants and contributions (continued)**

|                        | <b>Operating<br/>2023<br/>\$ '000</b> | Operating<br>2022<br>\$ '000 | <b>Capital<br/>2023<br/>\$ '000</b> | Capital<br>2022<br>\$ '000 |
|------------------------|---------------------------------------|------------------------------|-------------------------------------|----------------------------|
| <b>Comprising:</b>     |                                       |                              |                                     |                            |
| – Commonwealth funding | 19,853                                | 18,266                       | 7,657                               | 6,687                      |
| – State funding        | 32,529                                | 15,565                       | 39,903                              | 33,580                     |
| – Other funding        | 103                                   | –                            | 5,588                               | 5,330                      |
|                        | <b>52,485</b>                         | <b>33,831</b>                | <b>53,148</b>                       | <b>45,597</b>              |

**Developer contributions**

|  | <b>Operating<br/>2023<br/>\$ '000</b> | Operating<br>2022<br>\$ '000 | <b>Capital<br/>2023<br/>\$ '000</b> | Capital<br>2022<br>\$ '000 |
|--|---------------------------------------|------------------------------|-------------------------------------|----------------------------|
| Notes  |                                       |                              |                                     |                            |
| <b>Developer contributions:<br/>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b> |                                       |                              |                                     |                            |
| <b>Cash contributions</b>  |                                       |                              |                                     |                            |
| S 7.11 – contributions towards amenities/services                                      | –                                     | –                            | 4,378                               | 5,644                      |
| S 64 – water supply contributions  | –                                     | –                            | 1,155                               | 1,301                      |
| S 64 – sewerage service contributions  | –                                     | –                            | 1,434                               | 1,487                      |
| <b>Total developer contributions – cash</b>  | <b>–</b>                              | <b>–</b>                     | <b>6,967</b>                        | <b>8,432</b>               |
| <b>Total developer contributions</b>   | <b>–</b>                              | <b>–</b>                     | <b>6,967</b>                        | <b>8,432</b>               |
| <b>Total contributions</b>   | <b>–</b>                              | <b>–</b>                     | <b>6,967</b>                        | <b>8,432</b>               |
| <b>Total grants and contributions</b>  | <b>52,485</b>                         | <b>33,831</b>                | <b>60,115</b>                       | <b>54,029</b>              |
| <b>Timing of revenue recognition for grants and contributions</b>                      |                                       |                              |                                     |                            |
| Grants and contributions recognised over time  | 24,272                                | 2,321                        | 48,633                              | 30,813                     |
| Grants and contributions recognised at a point in time                                 | 28,213                                | 31,510                       | 11,482                              | 23,216                     |
| <b>Total grants and contributions</b>  | <b>52,485</b>                         | <b>33,831</b>                | <b>60,115</b>                       | <b>54,029</b>              |

CL24.5 - Attachment 1

## 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<br>2023<br>\$ '000 | Operating<br>2022<br>\$ '000 | Capital<br>2023<br>\$ '000 | Capital<br>2022<br>\$ '000 |
|---|------------------------------|------------------------------|----------------------------|----------------------------|
| <b>Unspent grants and contributions</b>   |                              |                              |                            |                            |
| Unspent funds at 1 July   | 4,319                        | 1,504                        | 27,635                     | 7,920                      |
| <b>Add:</b> Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions         | 3,940                        | 254                          | 702                        | –                          |
| <b>Add:</b> Funds received and not recognised as revenue in the current year  | 2,400                        | 3,812                        | 14,958                     | 25,091                     |
| <b>Less:</b> Funds recognised as revenue in previous years that have been spent during the reporting year                 | (261)                        | (789)                        | (86)                       | (1,152)                    |
| <b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year                          | (3,319)                      | (462)                        | (20,735)                   | (4,224)                    |
| <b>Unspent funds at 30 June</b>   | <b>7,079</b>                 | <b>4,319</b>                 | <b>22,474</b>              | <b>27,635</b>              |
| <b>Contributions</b>  |                              |                              |                            |                            |
| Unspent funds at 1 July   | –                            | –                            | 37,293                     | 34,884                     |
| <b>Add:</b> contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions | –                            | –                            | 3,412                      | 2,738                      |
| <b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year         | –                            | –                            | (3,910)                    | (329)                      |
| <b>Unspent contributions at 30 June</b>   | <b>–</b>                     | <b>–</b>                     | <b>36,795</b>              | <b>37,293</b>              |

### Accounting policy

#### 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)

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### 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.

Shoalhaven City Council | Notes to the Financial Statements 30 June 2023

### B2-5 Interest and investment income

|  | 2023<br>\$ '000 | 2022<br>\$ '000 |
|--|-----------------|-----------------|
| Interest on financial assets measured at amortised cost          |                 |                 |
| – Overdue rates and annual charges (incl. special purpose rates) | 578             | 146             |
| – Cash and investments   | 4,350           | 1,776           |
| Amortisation of premiums and discounts                           |                 |                 |
| – Interest free (and interest reduced) loans provided            | 2               | –               |
| <b>Total interest and investment income (losses)</b>             | <b>4,930</b>    | <b>1,922</b>    |

#### Accounting policy

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

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

### B2-6 Other income

|   | 2023<br>\$ '000 | 2022<br>\$ '000 |
|---|-----------------|-----------------|
| Fair value increment on investment properties               | 83              | 400             |
| Rental income - investment property                         | 281             | 134             |
| Rental income - other                                       | 1,065           | 793             |
| Fair value increment on investments through profit and loss | 2,816           | –               |
| <b>Total other income</b>                                   | <b>4,245</b>    | <b>1,327</b>    |

### B3 Costs of providing services

#### B3-1 Employee benefits and on-costs

|   | 2023<br>\$ '000 | 2022<br>\$ '000 |
|---|-----------------|-----------------|
| Salaries and wages                                | 86,765          | 80,987          |
| Employee termination costs                        | 72              | 44              |
| Travel expenses                                   | 239             | 233             |
| Employee leave entitlements (ELE)                 | 16,001          | 17,741          |
| Employee leave entitlement discounting adjustment | 1,172           | (1,197)         |
| Superannuation                                    | 10,531          | 9,697           |
| Workers' compensation insurance                   | 1,067           | 1,021           |
| Workers' compensation provision adjustment        | 2,046           | 1,168           |
| Fringe benefit tax (FBT)                          | 527             | 434             |
| Payroll tax                                       | 1,022           | 733             |
| Training costs (other than salaries and wages)    | 1,379           | 894             |
| Other   | 1,037           | 680             |
| <b>Total employee costs</b>                       | <b>121,858</b>  | <b>112,435</b>  |
| Less: capitalised costs                           | (9,125)         | (10,847)        |
| <b>Total employee costs expensed</b>              | <b>112,733</b>  | <b>101,588</b>  |

#### Accounting policy

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

#### Retirement benefit obligations

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

#### Superannuation plans

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

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

### B3-2 Materials and services

|   | Notes | 2023<br>\$ '000 | 2022<br>\$ '000 |
|---|-------|-----------------|-----------------|
| Raw materials and consumables                       |       | 20,548          | 14,968          |
| Contractor costs and consultancy costs              |       | 63,228          | 45,570          |
| Audit Fees  | F2-1  | 295             | 275             |
| Councillor and Mayoral fees and associated expenses | F1-2  | 739             | 658             |
| Advertising   |       | 1,649           | 1,513           |
| Bank charges  |       | 794             | 733             |
| Computer software, equipment and maintenance        |       | 6,327           | 3,953           |
| COVID-19 financial assistance to ratepayers         |       | –               | 4               |
| Expenses from leases of low value assets            |       | 469             | 400             |
| Fuel  |       | 3,663           | 3,097           |
| Insurance   |       | 3,773           | 3,422           |
| Light, power and heating                            |       | 7,266           | 5,632           |
| Motor vehicle registrations                         |       | 602             | 578             |
| Postage   |       | 265             | 338             |
| Printing and stationery                             |       | 426             | 474             |
| Street lighting                                     |       | 1,965           | 1,762           |
| Subscriptions and publications                      |       | 1,037           | 1,234           |
| Telephone and communications                        |       | 599             | 981             |
| Valuation fees                                      |       | 537             | 529             |
| Other expenses                                      |       | 1,442           | 2,669           |
| <b>Legal expenses:</b>                              |       |                 |                 |
| – Legal expenses: planning and development          |       | –               | 677             |
| – Legal expenses: other                             |       | 2,128           | 694             |
| <b>Total materials and services</b>                 |       | <b>117,752</b>  | <b>90,161</b>   |

#### Accounting policy

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

##### Software-as-a-Service (SaaS) arrangement

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

Shoalhaven City Council | Notes to the Financial Statements 30 June 2023

B3-3 Borrowing costs

|  | 2023<br>\$ '000 | 2022<br>\$ '000 |
|--|-----------------|-----------------|
| <b>(i) Interest bearing liability costs</b>                            |                 |                 |
| Interest on loans  | 6,328           | 5,645           |
| Interest on advances   | 10              | 23              |
| <b>Total interest bearing liability costs</b>                          | <b>6,338</b>    | <b>5,668</b>    |
| <b>(ii) Other borrowing costs</b>                                      |                 |                 |
| Fair value adjustments on recognition of advances and deferred debtors |                 |                 |
| – Interest free (or favourable) loans and advances made by Council     | 28              | 34              |
| <b>Total other borrowing costs</b>                                     | <b>28</b>       | <b>34</b>       |
| <b>Total borrowing costs expensed</b>                                  | <b>6,366</b>    | <b>5,702</b>    |

**Accounting policy**

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

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

|   | Notes     | 2023<br>\$ '000 | 2022<br>\$ '000 |
|---|-----------|-----------------|-----------------|
| <b>Depreciation and amortisation</b>  |           |                 |                 |
| Plant and equipment   |           | 9,450           | 9,948           |
| Rural Fire Service Red Fleet  |           | 860             | 816             |
| Office equipment  |           | 539             | 499             |
| Furniture and fittings  |           | 286             | 271             |
| Land improvements (depreciable)   |           | 151             | 51              |
| <b>Infrastructure:</b>  |           |                 |                 |
|   | C1-7      |                 |                 |
| – Buildings – non-specialised   |           | 45              | 37              |
| – Buildings – specialised   |           | 9,280           | 8,131           |
| – Other structures  |           | 3,907           | 1,269           |
| – Roads   |           | 23,475          | 24,104          |
| – Bridges   |           | 1,895           | 1,615           |
| – Footpaths   |           | 1,995           | 1,556           |
| – Stormwater drainage   |           | 2,810           | 2,687           |
| – Water supply network  |           | 11,587          | 8,822           |
| – Sewerage network  |           | 14,242          | 13,265          |
| – Swimming pools  |           | 554             | 452             |
| – Other open space/recreational assets  |           | 2,397           | 2,348           |
| – Other infrastructure  |           | 1,092           | 2,864           |
| <b>Other assets:</b>  |           |                 |                 |
| – Library books   |           | 410             | 205             |
| <b>Reinstatement, rehabilitation and restoration assets:</b>                    |           |                 |                 |
| – Tip assets  | C3-5,C1-7 | 126             | 484             |
| Intangible assets   | C1-9      | 129             | 97              |
| <b>Total depreciation and amortisation costs</b>                                |           | <b>85,230</b>   | <b>79,521</b>   |
| <b>Total depreciation, amortisation and impairment for non-financial assets</b> |           | <b>85,230</b>   | <b>79,521</b>   |

#### Accounting policy

##### Depreciation and amortisation

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

##### 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.

Shoalhaven City Council | Notes to the Financial Statements 30 June 2023

### B3-5 Other expenses

|  | Notes | 2023<br>\$ '000 | 2022<br>\$ '000 |
|--|-------|-----------------|-----------------|
| <b>Impairment of receivables</b>   |       |                 |                 |
| Other  |       | 1               | 427             |
| <b>Total impairment of receivables</b>                                       | C1-4  | <b>1</b>        | <b>427</b>      |
| <b>Fair value decrement on investments</b>                                   |       |                 |                 |
| Fair value decrement on investments through profit and loss                  |       | -               | 2,182           |
| <b>Total Fair value decrement on investments</b>                             | C1-2  | <b>-</b>        | <b>2,182</b>    |
| <b>Other</b>   |       |                 |                 |
| Contributions/levies to other levels of government                           |       |                 |                 |
| - NSW fire brigade levy  |       | 553             | 485             |
| - NSW rural fire service levy  |       | 1,711           | 1,282           |
| - State Emergency Services levy  |       | 287             | 155             |
| - Waste levy   |       | 14,056          | 11,341          |
| - Other contributions/levies   |       | 1,543           | 1,246           |
| Donations, contributions and assistance to other organisations (Section 356) |       | 1,029           | 984             |
| <b>Total other</b>   |       | <b>19,179</b>   | <b>15,493</b>   |
| <b>Total other expenses</b>  |       | <b>19,180</b>   | <b>18,102</b>   |

#### Accounting policy

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

Impairment expenses are recognised when identified.

**B4 Gains or losses**

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

|   | Notes | 2023<br>\$ '000 | 2022<br>\$ '000 |
|---|-------|-----------------|-----------------|
| <b>Gain (or loss) on disposal of property (excl. investment property)</b>             | C1-7  |                 |                 |
| Proceeds from disposal – property   |       | 2,958           | –               |
| Less: carrying amount of property assets sold/written off                             |       | (1,769)         | –               |
| <b>Gain (or loss) on disposal</b>   |       | <b>1,189</b>    | <b>–</b>        |
| <b>Gain (or loss) on disposal of plant and equipment</b>                              | C1-7  |                 |                 |
| Proceeds from disposal – plant and equipment  |       | 2,858           | 3,127           |
| Less: carrying amount of plant and equipment assets sold/written off                  |       | (1,564)         | (1,473)         |
| <b>Gain (or loss) on disposal</b>   |       | <b>1,294</b>    | <b>1,654</b>    |
| <b>Gain (or loss) on disposal of infrastructure</b>                                   | C1-7  |                 |                 |
| Proceeds from disposal – infrastructure   |       | 42              | –               |
| Less: carrying amount of infrastructure assets sold/written off                       |       | (5,751)         | (355)           |
| <b>Gain (or loss) on disposal</b>   |       | <b>(5,709)</b>  | <b>(355)</b>    |
| <b>Gain (or loss) on disposal of real estate assets held for sale</b>                 | C1-5  |                 |                 |
| Proceeds from disposal – real estate assets   |       | –               | 4,369           |
| Less: carrying amount of real estate assets sold/written off                          |       | –               | (733)           |
| <b>Gain (or loss) on disposal</b>   |       | <b>–</b>        | <b>3,636</b>    |
| <b>Gain (or loss) on disposal of investments</b>                                      | C1-2  |                 |                 |
| Proceeds from disposal/redemptions/maturities – investments                           |       | 31,792          | 17,497          |
| Less: carrying amount of investments sold/redeemed/matured                            |       | (31,675)        | (17,504)        |
| <b>Gain (or loss) on disposal</b>   |       | <b>117</b>      | <b>(7)</b>      |
| <b>Gain (or loss) on disposal of non-current assets classified as 'held for sale'</b> | C1-6  |                 |                 |
| Proceeds from disposal – non-current assets 'held for sale'                           |       | 110             | –               |
| Less: carrying amount of 'held for sale' assets sold/written off                      |       | (800)           | –               |
| <b>Gain (or loss) on disposal</b>   |       | <b>(690)</b>    | <b>–</b>        |
| <b>Net gain (or loss) from disposal of assets</b>                                     |       | <b>(3,799)</b>  | <b>4,928</b>    |

**Accounting policy**

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

## B5 Performance against budget

### B5-1 Material budget variations

Council's original budget was adopted by the Council on 27 June 2022 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  | 2023<br>Budget | 2023<br>Actual | 2023<br>----- Variance ----- |                |
|--|----------------|----------------|------------------------------|----------------|
| <b>Revenues</b>  |                |                |                              |                |
| <b>Rates and annual charges</b>  | 167,655        | 167,708        | 53                           | 0% <b>F</b>    |
| <b>User charges and fees</b>   | 90,636         | 92,478         | 1,842                        | 2% <b>F</b>    |
| <b>Other revenues</b>  | 4,058          | 5,073          | 1,015                        | 25% <b>F</b>   |
| The favourable variance is due to insurance claims received during the year and recovery of Council costs (which were unbudgeted).   |                |                |                              |                |
| <b>Operating grants and contributions</b>  | 20,784         | 52,485         | 31,701                       | 153% <b>F</b>  |
| The favourable variance is due to the receipt of disaster recovery funding, Regional and Local Roads repair program, and Fixing Local Roads Potholes.  |                |                |                              |                |
| <b>Capital grants and contributions</b>  | 40,370         | 60,115         | 19,745                       | 49% <b>F</b>   |
| The favourable variance is due to the receipt of capital grants and contributions relating to disaster recovery funding and Fixing Country Bridges.  |                |                |                              |                |
| <b>Interest and investment income</b>  | 3,019          | 4,930          | 1,911                        | 63% <b>F</b>   |
| The favourable variance in interest income is due to the unanticipated rate hikes implemented by the RBA during FY2023.  |                |                |                              |                |
| <b>Net gains from disposal of assets</b>   | -              | -              | -                            | ∞ <b>F</b>     |
| <b>Other income</b>  | -              | 4,245          | 4,245                        | ∞ <b>F</b>     |
| There is no budget set for Other Income - Other Income is combined with Other Revenues for the purpose of the budget. There was a favourable variance in fair value increments on Council investment (through profit and loss) compared to original budget |                |                |                              |                |
| <b>Expenses</b>  |                |                |                              |                |
| <b>Employee benefits and on-costs</b>  | 94,264         | 112,733        | (18,469)                     | (20)% <b>U</b> |
| The unfavourable variance in employee costs is primarily due to additional labour related costs associated with the natural disaster recovery works. There was also an increase in self insurance costs, workers compensation/medical costs and training.  |                |                |                              |                |
| <b>Materials and services</b>  | 91,274         | 117,752        | (26,478)                     | (29)% <b>U</b> |
| The unfavourable variance in materials and services is due to additional costs incurred for the maintenance of local roads and stormwater assets, maintenance of parks & precincts, building maintenance, as well as legal costs and electricity costs.    |                |                |                              |                |
| <b>Borrowing costs</b>   | 6,150          | 6,366          | (216)                        | (4)% <b>U</b>  |
| <b>Depreciation, amortisation and impairment of non-financial assets</b>   | 75,135         | 85,230         | (10,095)                     | (13)% <b>U</b> |

continued on next page ...

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**B5-1 Material budget variations (continued)**

| \$ '000  | 2023<br>Budget | 2023<br>Actual | 2023<br>----- Variance ----- |         |
|--|----------------|----------------|------------------------------|---------|
| The unfavourable variance is due to the significant FY2022 asset revaluations which took place after the original FY2023 budget was set. |                |                |                              |         |
| <b>Other expenses</b>  | 15,668         | 19,180         | (3,512)                      | (22)% U |
| <b>Net losses from disposal of assets</b>  | –              | 3,799          | (3,799)                      | ∞ U     |
| The unfavourable variance on disposal of assets is due to the disposal of infrastructure assets.   |                |                |                              |         |

**Statement of cash flows**

|   |           |           |         |          |
|---|-----------|-----------|---------|----------|
| <b>Cash flows from operating activities</b>   | 121,161   | 117,608   | (3,553) | (3)% U   |
| <b>Cash flows from investing activities</b>   | (170,066) | (148,530) | 21,536  | (13)% F  |
| The favourable variance from investing activities is due to large capital works projects included in the budget not being completed during the year, resulting in higher than budgeted cash reserves at 30 June 2023.   |           |           |         |          |
| <b>Cash flows from financing activities</b>   | 2,951     | 36,937    | 33,986  | 1,152% F |
| The unfavourable variance in financing activities is due to loans budgeted in the 2021/2022 year being drawn down in the 2022/2023 year, resulting in 2 years worth of budgeted loans being drawn down during the year. |           |           |         |          |

Shoalhaven City Council | Notes to the Financial Statements 30 June 2023

**C Financial position**

**C1 Assets we manage**

**C1-1 Cash and cash equivalents**

|  | 2023<br>\$ '000 | 2022<br>\$ '000 |
|--|-----------------|-----------------|
| Cash on hand and at bank               | 23,125          | 17,192          |
| Deposits at call                       | 4,306           | 4,224           |
| <b>Total cash and cash equivalents</b> | <b>27,431</b>   | <b>21,416</b>   |

**Reconciliation of cash and cash equivalents**

|   |               |               |
|---|---------------|---------------|
| Total cash and cash equivalents per Statement of Financial Position | 27,431        | 21,416        |
| <b>Balance as per the Statement of Cash Flows</b>                   | <b>27,431</b> | <b>21,416</b> |

**Accounting policy**

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

## C1-2 Financial investments

|   | 2023           |              | 2022           |               |
|---|----------------|--------------|----------------|---------------|
|   | Current        | Non-current  | Current        | Non-current   |
|   | \$ '000        | \$ '000      | \$ '000        | \$ '000       |
| <b>Financial assets at fair value through the profit and loss</b> |                |              |                |               |
| Managed funds   | 20,527         | –            | 18,498         | –             |
| Government and semi-government bonds                              | 5,000          | –            | 5,000          | –             |
| NCD's, FRN's (with maturities > 3 months)                         | 24,000         | –            | 39,880         | –             |
| <b>Total</b>  | <b>49,527</b>  | <b>–</b>     | <b>63,378</b>  | <b>–</b>      |
| <b>Debt securities at amortised cost</b>                          |                |              |                |               |
| Long term deposits  | 87,400         | 2,000        | 90,400         | 22,000        |
| <b>Total</b>  | <b>87,400</b>  | <b>2,000</b> | <b>90,400</b>  | <b>22,000</b> |
| <b>Total financial investments</b>                                | <b>136,927</b> | <b>2,000</b> | <b>153,778</b> | <b>22,000</b> |

### Accounting policy

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

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

### Financial assets

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

### Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

### Amortised cost

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

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

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

### Fair value through other comprehensive income – equity instruments

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

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in the Other Comprehensive Income Statement.

### Financial assets through profit or loss

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

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

Shoalhaven City Council | Notes to the Financial Statements 30 June 2023

**C1-3 Restricted and allocated cash, cash equivalents and investments**

|  | 2023<br>\$ '000  | 2022<br>\$ '000  |
|--|------------------|------------------|
| (a) Externally restricted cash, cash equivalents and investments                         |                  |                  |
| <b>Total cash, cash equivalents and investments</b>                                      | <b>166,358</b>   | 197,194          |
| Less: Externally restricted cash, cash equivalents and investments                       | <u>(158,213)</u> | <u>(161,400)</u> |
| <b>Cash, cash equivalents and investments not subject to external restrictions</b>       | <b>8,145</b>     | 35,794           |
| <b>External restrictions</b>   |                  |                  |
| External restrictions included in cash, cash equivalents and investments above comprise: |                  |                  |
| Specific purpose unexpended loans – general  | 31,014           | 12,636           |
| Specific purpose unexpended grants – general fund  | 21,960           | 30,239           |
| Specific purpose unexpended grants – water fund  | 582              | 583              |
| Specific purpose unexpended grants – sewer fund  | 2,054            | 520              |
| Self insurance claims  | 6,094            | 4,048            |
| Water fund   | 29,960           | 35,460           |
| Sewer fund   | 17,677           | 30,661           |
| Developer contributions – general  | 20,551           | 18,145           |
| Developer contributions – water fund   | 16,245           | 19,148           |
| Specific purpose unexpended grants (recognised as revenue) – general fund                | 4,957            | 612              |
| Domestic waste management  | 7,095            | 8,774            |
| Stormwater management  | 24               | 233              |
| Other special levies   | –                | 341              |
| <b>Total external restrictions</b>   | <b>158,213</b>   | 161,400          |

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)**

|  | 2023<br>\$ '000 | 2022<br>\$ '000 |
|--|-----------------|-----------------|
| <b>(b) Internal allocations</b>                                      |                 |                 |
| <b>Internal allocations</b>  |                 |                 |
| At 30 June, Council has internally allocated funds to the following: |                 |                 |
| Arts collection  | -               | 48              |
| Coastal Management   | -               | 392             |
| Committed capital works  | -               | 1,140           |
| Communication towers   | -               | 4,431           |
| Critical asset compliance  | -               | 480             |
| Deposits, retentions and bonds                                       | 4,761           | 4,862           |
| Dog off leash  | -               | 91              |
| Economic development projects  | -               | 637             |
| Employees leave entitlement  | 3,384           | 5,881           |
| Financial assistance grant   | -               | 3,904           |
| General insurance  | -               | 208             |
| Jervis Bay Territory   | -               | 93              |
| Jetty Licensing  | -               | 19              |
| Land development reserve   | -               | 4,138           |
| Plant and vehicle replacement  | -               | 1,224           |
| Plant replacement cemeteries   | -               | 29              |
| Renewal Energy Reserve   | -               | 100             |
| S7.11 matching funds   | -               | 311             |
| S7.11 recoupment funds   | -               | 3,261           |
| Shoalhaven Foreshore Development                                     | -               | 1,097           |
| Strategic projects   | -               | 867             |
| <b>Total internal allocations</b>                                    | <b>8,145</b>    | <b>33,213</b>   |

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 2023, Council had spent \$35m in grants spent in advance (\$17.9m Federal Natural Disaster Funding and \$17.1m Other Grants and Subsidies). This receivable is reflected in Note C1-4 Receivables (Government grants and subsidies). Council has utilised its internal restrictions to fund the grants spent in advance. 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.

Since 30 June 2023 and up to 12 September 2023, Council has received \$18.4m of the outstanding Government grants and subsidies balance (\$14.6m Federal Natural Disaster Funding and \$3.8m Other Grants and Subsidies).

Refer to Note G3-1 for additional information regarding grants in advance received after balance date.

Shoalhaven City Council | Notes to the Financial Statements 30 June 2023

#### C1-4 Receivables

|   | 2023<br>Current<br>\$ '000 | 2023<br>Non-current<br>\$ '000 | 2022<br>Current<br>\$ '000 | 2022<br>Non-current<br>\$ '000 |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Rates and annual charges                            | 7,372                      | 3,953                          | 7,891                      | 3,309                          |
| Interest and extra charges                          | 391                        | 1,361                          | 325                        | 1,178                          |
| User charges and fees                               | 8,668                      | 398                            | 7,363                      | 471                            |
| Accrued revenues                                    |                            |                                |                            |                                |
| – Interest on investments                           | 1,474                      | –                              | 584                        | –                              |
| – Other income accruals                             | 1,020                      | –                              | 976                        | –                              |
| Deferred debtors                                    | 14                         | 25                             | 36                         | 52                             |
| Government grants and subsidies                     | 35,165                     | –                              | 16,818                     | –                              |
| Net GST receivable                                  | 2,556                      | –                              | 2,728                      | –                              |
| Other debtors                                       | 604                        | –                              | 818                        | –                              |
| <b>Total</b>  | <b>57,264</b>              | <b>5,737</b>                   | <b>37,539</b>              | <b>5,010</b>                   |
| <b>Less: provision for impairment</b>               |                            |                                |                            |                                |
| Rates and annual charges                            | (79)                       | –                              | (97)                       | –                              |
| User charges and fees                               | (995)                      | –                              | (987)                      | –                              |
| <b>Total provision for impairment – receivables</b> | <b>(1,074)</b>             | <b>–</b>                       | <b>(1,084)</b>             | <b>–</b>                       |
| <b>Total net receivables</b>                        | <b>56,190</b>              | <b>5,737</b>                   | <b>36,455</b>              | <b>5,010</b>                   |

(\*) Since 30 June 2023 and up to 12 September 2023, Council has received \$18.4m of the outstanding Government grants and subsidies balance (\$14.6m Federal Natural Disaster Funding and \$3.8m Other Grants and Subsidies)

continued on next page ...

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## C1-4 Receivables (continued)

### Accounting policy

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

#### Impairment

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

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

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

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

## C1-5 Inventories

|                                  | 2023<br>Current<br>\$ '000 | 2023<br>Non-current<br>\$ '000 | 2022<br>Current<br>\$ '000 | 2022<br>Non-current<br>\$ '000 |
|----------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| <b>(i) Inventories at cost</b>   |                            |                                |                            |                                |
| Real estate for resale           | 228                        | 5,503                          | 219                        | 5,512                          |
| Stores and materials             | 2,056                      | –                              | 2,237                      | –                              |
| <b>Total inventories at cost</b> | <b>2,284</b>               | <b>5,503</b>                   | <b>2,456</b>               | <b>5,512</b>                   |
| <b>Total inventories</b>         | <b>2,284</b>               | <b>5,503</b>                   | <b>2,456</b>               | <b>5,512</b>                   |

## (ii) Other disclosures

|  | 2023<br>Current<br>\$ '000 | 2023<br>Non-current<br>\$ '000 | 2022<br>Current<br>\$ '000 | 2022<br>Non-current<br>\$ '000 |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| <b>Details for real estate development</b> |                            |                                |                            |                                |
| Industrial/commercial                      | 228                        | 5,503                          | 219                        | 5,512                          |
| <b>Total real estate for resale</b>        | <b>228</b>                 | <b>5,503</b>                   | <b>219</b>                 | <b>5,512</b>                   |

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

### Represented by:

|                                     |            |              |            |              |
|-------------------------------------|------------|--------------|------------|--------------|
| Acquisition costs                   | 228        | 5,503        | 219        | 5,512        |
| <b>Total costs</b>                  | <b>228</b> | <b>5,503</b> | <b>219</b> | <b>5,512</b> |
| <b>Total real estate for resale</b> | <b>228</b> | <b>5,503</b> | <b>219</b> | <b>5,512</b> |

### Movements:

|   |            |              |            |              |
|---|------------|--------------|------------|--------------|
| Real estate assets at beginning of the year       | 219        | 5,512        | 654        | 5,810        |
| – WDV of sales (expense)                          | –          | –            | (484)      | (249)        |
| Transfer out to IPP&E                             | –          | –            | –          | –            |
| Transfer in from IPP&E                            | –          | –            | –          | –            |
| Re-classification between Current and Non-current | 9          | (9)          | 49         | (49)         |
| <b>Total real estate for resale</b>               | <b>228</b> | <b>5,503</b> | <b>219</b> | <b>5,512</b> |

### Accounting policy

#### Raw materials and stores, work in progress and finished goods

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

#### Land held for resale

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

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

Shoalhaven City Council | Notes to the Financial Statements 30 June 2023

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

|   | <b>2023</b>    | 2022         |
|---|----------------|--------------|
|   | <b>Current</b> | Current      |
|   | <b>\$ '000</b> | \$ '000      |
| <b>Non-current assets held for sale</b>                     |                |              |
| Land  | 1,225          | 2,025        |
| Buildings   | 1,356          | 1,356        |
| <b>Total non-current assets classified as held for sale</b> | <b>2,581</b>   | <b>3,381</b> |

**Details of assets**

Two parcels of land, and one building, have been advertised for sale.

**Accounting policy**

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

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

**C1-7 Infrastructure, property, plant and equipment**

| By aggregated asset class  | At 1 July 2022        |   |                     | Asset movements during the reporting period |                      |                             |                      |                  |                           |   |  | At 30 June 2023       |   |                     |
|--|-----------------------|---|---------------------|---|----------------------|-----------------------------|----------------------|------------------|---------------------------|---|--|-----------------------|---|---------------------|
|  | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount | Additions renewals <sup>1</sup>             | 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 Service 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               |
| <b>Land:</b>   |                       |   |                     |   |                      |                             |                      |                  |                           |   |  |                       |   |                     |
| – Crown land   | 145,830               | –                                       | 145,830             | –   | –                    | –                           | –                    | –                | –                         | –   | 47,915                                 | 193,745               | –                                       | 193,745             |
| – 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             |
| – 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              |
| <b>Infrastructure:</b>   |                       |   |                     |   |                      |                             |                      |                  |                           |   |  |                       |   |                     |
| – 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  | 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/recreation  | 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              |
| <b>Other assets:</b>   |                       |   |                     |   |                      |                             |                      |                  |                           |   |  |                       |   |                     |
| – Library books  | 10,012                | (8,653)                                 | 1,359               | –   | 421                  | –                           | (410)                | –                | –                         | –   | –                                      | 2,783                 | (1,413)                                 | 1,370               |
| <b>Reinstatement, rehabilitation and restoration assets (refer Note C3-5):</b> |                       |   |                     |   |                      |                             |                      |                  |                           |   |  |                       |   |                     |
| – Tip assets   | 5,562                 | (2,187)                                 | 3,375               | 267   | –                    | –                           | (126)                | –                | –                         | –   | –                                      | 5,510                 | (1,994)                                 | 3,516               |
| <b>Total infrastructure, property, plant and equipment</b>                     | <b>5,893,912</b>      | <b>(1,765,359)</b>                      | <b>4,128,553</b>    | <b>86,411</b>                               | <b>513,919</b>       | <b>(9,084)</b>              | <b>(85,101)</b>      | <b>(403,734)</b> | <b>–</b>                  | <b>(32,689)</b>                                   | <b>546,976</b>                         | <b>6,607,106</b>      | <b>(1,861,855)</b>                      | <b>4,745,251</b>    |

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

continued on next page ...

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

### Accounting policy

#### 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:

| <b>Plant and equipment</b>        | Years     | <b>Other equipment</b>                    | 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    | <b>Buildings</b>                          |            |
| Heavy plant/road making equipment | 5 to 8    | Buildings: Masonry                        | 50 to 100  |
| Other plant and equipment         | 5 to 15   | Buildings: Other                          | 20 to 40   |
|                                   |           |   |            |
| <b>Water and sewer assets</b>     |           | <b>Stormwater assets</b>                  |            |
| 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  | <b>Library Books</b>                      | 5          |
|                                   |           |   |            |
| <b>Transportation assets</b>      |           | <b>Other infrastructure assets</b>        |            |
| 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**

|   | 2023<br>\$ '000 | 2022<br>\$ '000 |
|---|-----------------|-----------------|
| <b>(iii) Impairment losses recognised direct to equity (ARR):</b> |                 |                 |
| Buildings   | 1,082           | –               |
| Land Improvements   | 22              | –               |
| Open Space & Recreation   | 15              | –               |
| Other Infrastructure  | 445             | –               |
| Other Structures  | 23              | –               |
| <b>Total impairment losses</b>                                    | <b>1,587</b>    | <b>–</b>        |
| <b>Impairment of assets – direct to equity (ARR)</b>              | <b>1,587</b>    | <b>–</b>        |

Shoalhaven City Council | Notes to the Financial Statements 30 June 2023

### C1-8 Investment properties

|   | 2023<br>\$ '000 | 2022<br>\$ '000 |
|---|-----------------|-----------------|
| <b>Owned investment property</b>            |                 |                 |
| Investment property on hand at fair value   | 3,497           | 3,400           |
| <b>Total owned investment property</b>      | <b>3,497</b>    | <b>3,400</b>    |
| <b>Owned investment property</b>            |                 |                 |
| <b>At fair value</b>                        |                 |                 |
| Opening balance at 1 July                   | 3,400           | 3,000           |
| Capitalised subsequent expenditure          | 14              | –               |
| Net gain/(loss) from fair value adjustments | 83              | 400             |
| <b>Closing balance at 30 June</b>           | <b>3,497</b>    | <b>3,400</b>    |

#### Accounting policy

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

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

## C1-9 Intangible assets

|   | 2023<br>\$ '000 | 2022<br>\$ '000 |
|---|-----------------|-----------------|
| <b>Software</b>                                 |                 |                 |
| <b>Opening values at 1 July</b>                 |                 |                 |
| Gross book value                                | 1,099           | 1,150           |
| Accumulated amortisation                        | (606)           | (528)           |
| <b>Net book value – opening balance</b>         | <b>493</b>      | <b>622</b>      |
| <b>Movements for the year</b>                   |                 |                 |
| Other movements                                 | –               | (32)            |
| Purchases                                       | 137             | –               |
| Amortisation charges                            | (129)           | (97)            |
| <b>Closing values at 30 June</b>                |                 |                 |
| Gross book value                                | 1,236           | 1,099           |
| Accumulated amortisation                        | (735)           | (606)           |
| <b>Total software – net book value</b>          | <b>501</b>      | <b>493</b>      |
| <b>Total intangible assets – net book value</b> | <b>501</b>      | <b>493</b>      |

### Accounting policy

#### IT development and software

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

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

C1-10 Other

Other assets

|  | 2023               |                        | 2022               |                        |
|--|--------------------|------------------------|--------------------|------------------------|
|  | Current<br>\$ '000 | Non-current<br>\$ '000 | Current<br>\$ '000 | Non-current<br>\$ '000 |
| Prepayments  | 1,017              | –                      | 1,875              | –                      |
| Work in progress - service concession asset - Waste Processing Facility <sup>1</sup> | –                  | 2,717                  | –                  | 1,712                  |
| <b>Total other assets</b>  | <b>1,017</b>       | <b>2,717</b>           | <b>1,875</b>       | <b>1,712</b>           |

(1) Waste Processing Facility – Council had entered into a contract with Bioelektra Pty Ltd for the construction and operation of a waste processing facility in West Nowra. Under the contract, Council was required to make payments to Bioelektra during the construction phase. These, together with other expenses incurred by Council prior to the facility becoming operational, will be carried as work in progress until the facility becomes operational. At that point a service concession asset will be recognised in accordance with AASB 1059 - Service Concession Arrangements: Grantors. On 14 August 2023, Council resolved to terminate their contract with Bioelektra Pty Ltd. Subsequent to the cessation of the contract, some delegated Council staff have undertaken unsolicited meetings with Green Waste management companies as well as Alternative Waste Technology (AWT) providers or potential financiers. The purpose of these meetings is to have without prejudice discussions about what options may exist for the Council. While the contract has been terminated, an alternate waste solution will need to be pursued, as without it, the life of Council's landfill will contract from approximately 50 year to approximately 8 years. Therefore, the assets that have been created on site to date will remain assets and will be incorporated into domiciling the assets that will need to be created as result of the creation of an alternative waster technology solution.

## 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.

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 - 3 year lease - to 4 June 2024 - 3 year option available. Option to purchase not available.

#### 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 \$266,850 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<br>\$ '000 | Total<br>\$ '000 |
|---|----------------------|------------------|
| <b>2023</b>   |                      |                  |
| 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)            |
| <b>Balance at 30 June</b>   | <b>225</b>           | <b>225</b>       |
| <b>2022</b>   |                      |                  |
| Opening balance at 1 July   | 76                   | 76               |
| Additions to right-of-use assets  | -                    | -                |
| Adjustments to right-of-use assets due to re-measurement of lease liability | 59                   | 59               |
| Depreciation charge   | -                    | -                |
| <b>Balance at 30 June</b>   | <b>135</b>           | <b>135</b>       |

C2-1 Council as a lessee (continued)

(b) Lease liabilities

|                                | 2023<br>Current<br>\$ '000 | 2023<br>Non-current<br>\$ '000 | 2022<br>Current<br>\$ '000 | 2022<br>Non-current<br>\$ '000 |
|--------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Lease liabilities              | 186                        | 55                             | 78                         | 75                             |
| <b>Total lease liabilities</b> | <b>186</b>                 | <b>55</b>                      | <b>78</b>                  | <b>75</b>                      |

(c) The maturity analysis

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

|             | < 1 year<br>\$ '000 | 1 – 5 years<br>\$ '000 | > 5 years<br>\$ '000 | Total<br>\$ '000 | Total per<br>Statement of<br>Financial<br>Position<br>\$ '000 |
|-------------|---------------------|------------------------|----------------------|------------------|---|
| <b>2023</b> |                     |                        |                      |                  |   |
| Cash flows  | 145                 | 46                     | 57                   | 248              | 241   |
| <b>2022</b> |                     |                        |                      |                  |   |
| Cash flows  | 60                  | 75                     | –                    | 135              | 153   |

(d) Income Statement

|                                       | 2023<br>\$ '000 | 2022<br>\$ '000 |
|---------------------------------------|-----------------|-----------------|
| Expenses relating to low-value leases | 66              | 400             |
|                                       | <b>66</b>       | <b>400</b>      |

(e) Statement of Cash Flows

|                               | 2023<br>\$ '000 | 2022<br>\$ '000 |
|-------------------------------|-----------------|-----------------|
| Total cash outflow for leases | 191             | 116             |
|                               | <b>191</b>      | <b>116</b>      |

**Accounting policy**

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

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

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

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

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

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## 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:

|  | 2023    | 2022    |
|--|---------|---------|
|  | \$ '000 | \$ '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 | 19/10/2022 to 18/10/2023 |
| Nowra - Shop 3, 3 Schofields Lane | 01/02/2021 to 31/01/2024 |
| Nowra - Shop 4, 3 Schofields Lane | 01/09/2021 to 31/08/2024 |
| Nowra - Shop 5, 3 Schofields Lane | 01/09/2020 to 31/08/2023 |
| Nowra Shop 6-7, 3 Schofields Lane | 01/10/2021 to 30/09/2024 |
| Nowra - 37/43 Kinghorne St        | 10/06/2022 to 09/06/2025 |
| Nowra - 37A/43 Kinghorne St       | Month to month basis     |
| Nowra - 39/43 Kinghorne St        | Month to month basis     |
| Nowra - 39A/43 Kinghorne St       | 24/04/2023 to 23/04/2026 |
| Nowra - 41/43 Kinghorne St        | 13/03/2021 to 12/03/2024 |
| Nowra - 43/43 Kinghorne St        | 15/08/2020 to 14/08/2023 |

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) | 281        | 131        |
| <b>Total income relating to operating leases for investment property assets</b>    | <b>281</b> | <b>131</b> |
| Direct operating expenses that generated rental income                             | 66         | 50         |
| <b>Total expenses relating to operating leases</b>                                 | <b>66</b>  | <b>50</b>  |

### Accounting policy

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

|   | 2023<br>Current<br>\$ '000 | 2023<br>Non-current<br>\$ '000 | 2022<br>Current<br>\$ '000 | 2022<br>Non-current<br>\$ '000 |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Goods and services                      | 14,190                     | –                              | 15,458                     | –                              |
| Accrued expenses:                       |                            |                                |                            |                                |
| – Borrowings                            | 1,476                      | –                              | 1,283                      | –                              |
| – Salaries and wages                    | 1,745                      | –                              | 1,263                      | –                              |
| – Other expenditure accruals            | 17,184                     | –                              | 405                        | –                              |
| Security bonds, deposits and retentions | 4,778                      | –                              | 4,921                      | –                              |
| Prepaid rates                           | 4,284                      | –                              | 4,037                      | –                              |
| <b>Total payables</b>                   | <b>43,657</b>              | <b>–</b>                       | <b>27,367</b>              | <b>–</b>                       |

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

|                       | 2023<br>\$ '000 | 2022<br>\$ '000 |
|-----------------------|-----------------|-----------------|
| <b>Total payables</b> | <b>–</b>        | <b>–</b>        |

#### Accounting policy

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

#### Payables

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

#### C3-2 Contract Liabilities

| Notes   | 2023<br>Current<br>\$ '000 | 2023<br>Non-current<br>\$ '000 | 2022<br>Current<br>\$ '000 | 2022<br>Non-current<br>\$ '000 |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| <b>Grants and contributions received in advance:</b>  |                            |                                |                            |                                |
| Unexpended capital grants (to construct Council controlled assets) (i)                      | 20,672                     | –                              | 27,415                     | –                              |
| Unexpended operating grants (received prior to performance obligation being satisfied) (ii) | 3,926                      | –                              | 3,926                      | –                              |
| <b>Total grants and contributions received in advance</b>                                   | <b>24,598</b>              | <b>–</b>                       | <b>31,341</b>              | <b>–</b>                       |
| <b>User fees and charges received in advance:</b>   |                            |                                |                            |                                |
| Deposits received in advance of services provided (iii)                                     | 7,728                      | –                              | 7,788                      | –                              |
| <b>Total user fees and charges received in advance</b>                                      | <b>7,728</b>               | <b>–</b>                       | <b>7,788</b>               | <b>–</b>                       |
| <b>Total contract liabilities</b>   | <b>32,326</b>              | <b>–</b>                       | <b>39,129</b>              | <b>–</b>                       |

#### Notes

(i) Council has received funding to construct assets including sporting facilities, bridges, library and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects

### C3-2 Contract Liabilities (continued)

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

|  | 2023<br>\$ '000 | 2022<br>\$ '000 |
|--|-----------------|-----------------|
| <b>Grants and contributions received in advance:</b>   |                 |                 |
| Capital grants (to construct Council controlled assets)  | 20,735          | 4,225           |
| Operating grants (received prior to performance obligation being satisfied)  | 3,319           | 462             |
| Operating contributions (received prior to performance obligation being satisfied)                                 | –               | –               |
| <b>Total revenue recognised that was included in the contract liability balance at the beginning of the period</b> | <b>24,054</b>   | <b>4,687</b>    |

#### Accounting policy

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

### C3-3 Borrowings

|                              | 2023<br>Current<br>\$ '000 | 2023<br>Non-current<br>\$ '000 | 2022<br>Current<br>\$ '000 | 2022<br>Non-current<br>\$ '000 |
|------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Loans – secured <sup>1</sup> | 19,049                     | 177,880                        | 16,213                     | 143,517                        |
| Ratepayers' advances         | 91                         | 119                            | 90                         | 201                            |
| <b>Total borrowings</b>      | <b>19,140</b>              | <b>177,999</b>                 | <b>16,303</b>              | <b>143,718</b>                 |

(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

|  | 2022                       |                       | Non-cash movements     |                               |   |                                    | 2023           |
|--|----------------------------|-----------------------|------------------------|-------------------------------|---|------------------------------------|----------------|
|  | Opening Balance<br>\$ '000 | Cash flows<br>\$ '000 | Acquisition<br>\$ '000 | Fair value changes<br>\$ '000 | Acquisition due to change in accounting policy<br>\$ '000 | Other non-cash movement<br>\$ '000 |                |
| Loans – secured                                    | 159,730                    | 37,171                | –                      | 28                            | –   | –                                  | 196,929        |
| Ratepayers' advances                               | 290                        | (80)                  | –                      | –                             | –   | –                                  | 210            |
| Lease liability (Note C2-1b)                       | 153                        | 86                    | –                      | –                             | –   | 2                                  | 241            |
| <b>Total liabilities from financing activities</b> | <b>160,173</b>             | <b>37,177</b>         | <b>–</b>               | <b>28</b>                     | <b>–</b>  | <b>2</b>                           | <b>197,380</b> |

|  | 2021                       |                       | Non-cash movements     |                               |   |                                    | 2022 |
|--|----------------------------|-----------------------|------------------------|-------------------------------|---|------------------------------------|------|
|  | Opening Balance<br>\$ '000 | Cash flows<br>\$ '000 | Acquisition<br>\$ '000 | Fair value changes<br>\$ '000 | Acquisition due to change in accounting policy<br>\$ '000 | Other non-cash movement<br>\$ '000 |      |

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Shoalhaven City Council | Notes to the Financial Statements 30 June 2023

C3-3 Borrowings (continued)

|  | 2021                       |                       | Non-cash movements     |                               |   |                                    | 2022                       |
|--|----------------------------|-----------------------|------------------------|-------------------------------|---|------------------------------------|----------------------------|
|  | Opening Balance<br>\$ '000 | Cash flows<br>\$ '000 | Acquisition<br>\$ '000 | Fair value changes<br>\$ '000 | Acquisition due to change in accounting policy<br>\$ '000 | Other non-cash movement<br>\$ '000 | Closing balance<br>\$ '000 |
| Loans – secured                                    | 174,593                    | (14,829)              | –                      | (34)                          | –   | –                                  | 159,730                    |
| Ratepayers' advances                               | 355                        | (65)                  | –                      | –                             | –   | –                                  | 290                        |
| Lease liability (Note C2-1b)                       | 83                         | 70                    | –                      | –                             | –   | –                                  | 153                        |
| <b>Total liabilities from financing activities</b> | <b>175,031</b>             | <b>(14,824)</b>       | <b>–</b>               | <b>(34)</b>                   | <b>–</b>  | <b>–</b>                           | <b>160,173</b>             |

(b) Financing arrangements

|   | 2023<br>\$ '000 | 2022<br>\$ '000 |
|---|-----------------|-----------------|
| <b>Total facilities</b>                     |                 |                 |
| Credit cards/purchase cards                 | 550             | 550             |
| <b>Total financing arrangements</b>         | <b>550</b>      | <b>550</b>      |
| <b>Drawn facilities</b>                     |                 |                 |
| – Credit cards/purchase cards               | 110             | 134             |
| <b>Total drawn financing arrangements</b>   | <b>110</b>      | <b>134</b>      |
| <b>Undrawn facilities</b>                   |                 |                 |
| – Credit cards/purchase cards               | 440             | 416             |
| <b>Total undrawn financing arrangements</b> | <b>440</b>      | <b>416</b>      |

Additional financing arrangements information

**Breaches and defaults**

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

**Security over loans**

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

**Accounting policy**

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

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

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

|  | 2023               |                        | 2022               |                        |
|--|--------------------|------------------------|--------------------|------------------------|
|  | Current<br>\$ '000 | Non-current<br>\$ '000 | Current<br>\$ '000 | Non-current<br>\$ '000 |
| Annual leave                             | 10,752             | –                      | 10,444             | –                      |
| Sick leave                               | 7,765              | –                      | 8,734              | –                      |
| Long service leave                       | 16,412             | 1,217                  | 15,183             | 1,368                  |
| <b>Total employee benefit provisions</b> | <b>34,929</b>      | <b>1,217</b>           | <b>34,361</b>      | <b>1,368</b>           |

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

|  | 2023<br>\$ '000 | 2022<br>\$ '000 |
|--|-----------------|-----------------|
| The following provisions, even though classified as current, are not expected to be settled in the next 12 months. |                 |                 |
| Provisions – employees benefits  | 20,206          | 19,738          |
|  | <b>20,206</b>   | <b>19,738</b>   |

#### Accounting policy

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

|  | 2023               |                        | 2022               |                        |
|--|--------------------|------------------------|--------------------|------------------------|
|  | Current<br>\$ '000 | Non-Current<br>\$ '000 | Current<br>\$ '000 | Non-Current<br>\$ '000 |
| Self insurance – workers compensation        | 974                | 5,120                  | 987                | 3,061                  |
| Asset remediation/restoration (future works) | –                  | 6,479                  | 1,242              | 4,969                  |
| <b>Total provisions</b>                      | <b>974</b>         | <b>11,599</b>          | <b>2,229</b>       | <b>8,030</b>           |

### C3-5 Provisions (continued)

#### Movements in provisions

|                         | Self<br>insurance<br>\$ '000 | Asset<br>remediation<br>\$ '000 | Total<br>\$ '000 |
|-------------------------|------------------------------|---------------------------------|------------------|
| <b>2023</b>             |                              |                                 |                  |
| 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           |
| <b>2022</b>             |                              |                                 |                  |
| At beginning of year    | 2,880                        | 3,392                           | 6,272            |
| Changes to provision:   |                              |                                 |                  |
| – Revised costs         | 1,168                        | 3,504                           | 4,672            |
| Amounts used (payments) | –                            | (685)                           | (685)            |
| Total                   | 4,048                        | 6,211                           | 10,259           |

#### 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.

##### Accounting policy

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

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

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

#### Asset remediation – tips and quarries

##### Restoration

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

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

##### Rehabilitation

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

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

### C3-5 Provisions (continued)

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

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

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

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

#### **Self-insurance**

Council has decided to self-insure for workers compensation.

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

## C4 Reserves

### C4-1 Nature and purpose of reserves

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#### **IPPE Revaluation reserve**

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

#### **Fair value through other comprehensive income reserve (FVOCI)**

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

D Council structure

D1 Results by fund

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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.

Shoalhaven City Council | Notes to the Financial Statements 30 June 2023

### D1-1 Income Statement by fund

|  | <b>General<br/>2023<br/>\$ '000</b> | <b>Water<br/>2023<br/>\$ '000</b> | <b>Sewer<br/>2023<br/>\$ '000</b> |
|--|-------------------------------------|-----------------------------------|-----------------------------------|
| <b>Income from continuing operations</b>   |                                     |                                   |                                   |
| Rates and annual charges   | 113,592                             | 4,661                             | 49,455                            |
| User charges and fees  | 65,794                              | 22,194                            | 4,490                             |
| Interest and investment income   | 2,367                               | 1,662                             | 901                               |
| Other revenues   | 4,547                               | 503                               | 24                                |
| Grants and contributions provided for operating purposes   | 52,427                              | 58                                | –                                 |
| Grants and contributions provided for capital purposes   | 54,105                              | 3,711                             | 2,299                             |
| Net gains from disposal of assets  | –                                   | 92                                | 13                                |
| Other income   | 4,245                               | –                                 | –                                 |
| <b>Total income from continuing operations</b>   | <b>297,077</b>                      | <b>32,881</b>                     | <b>57,182</b>                     |
| <b>Expenses from continuing operations</b>   |                                     |                                   |                                   |
| Employee benefits and on-costs   | 85,182                              | 12,292                            | 15,259                            |
| Materials and services   | 95,077                              | 8,827                             | 13,848                            |
| Borrowing costs  | 2,951                               | –                                 | 3,415                             |
| Depreciation, amortisation and impairment of non-financial assets                                      | 56,348                              | 13,519                            | 15,364                            |
| Other expenses   | 19,089                              | 56                                | 35                                |
| Net losses from the disposal of assets   | 3,904                               | –                                 | –                                 |
| <b>Total expenses from continuing operations</b>   | <b>262,551</b>                      | <b>34,694</b>                     | <b>47,921</b>                     |
| <b>Operating result from continuing operations</b>   | <b>34,526</b>                       | <b>(1,813)</b>                    | <b>9,261</b>                      |
| <b>Net operating result for the year</b>   | <b>34,526</b>                       | <b>(1,813)</b>                    | <b>9,261</b>                      |
| <b>Net operating result attributable to each council fund</b>  | <b>34,526</b>                       | <b>(1,813)</b>                    | <b>9,261</b>                      |
| <b>Net operating result for the year before grants and contributions provided for capital purposes</b> | <b>(19,579)</b>                     | <b>(5,524)</b>                    | <b>6,962</b>                      |

CL24.5 - Attachment 1

D1-2 Statement of Financial Position by fund

|  | General<br>2023<br>\$ '000 | Water<br>2023<br>\$ '000 | Sewer<br>2023<br>\$ '000 |
|--|----------------------------|--------------------------|--------------------------|
| <b>ASSETS</b>                                  |                            |                          |                          |
| <b>Current assets</b>                          |                            |                          |                          |
| Cash and cash equivalents                      | 15,564                     | 8,613                    | 3,254                    |
| Investments                                    | 77,694                     | 42,993                   | 16,240                   |
| Receivables **                                 | 45,694                     | 6,923                    | 4,763                    |
| Inventories                                    | 985                        | 1,299                    | –                        |
| Other  | 1,017                      | –                        | –                        |
| Non-current assets classified as held for sale | 2,581                      | –                        | –                        |
| <b>Total current assets</b>                    | <b>143,535</b>             | <b>59,828</b>            | <b>24,257</b>            |
| <b>Non-current assets</b>                      |                            |                          |                          |
| Investments                                    | 1,135                      | 628                      | 237                      |
| Receivables                                    | 3,689                      | 823                      | 1,225                    |
| Inventories                                    | 5,503                      | –                        | –                        |
| Infrastructure, property, plant and equipment  | 3,386,579                  | 541,508                  | 817,164                  |
| Investment property                            | 3,497                      | –                        | –                        |
| Intangible assets                              | 372                        | 120                      | 9                        |
| Right of use assets                            | 225                        | –                        | –                        |
| Other  | 2,717                      | –                        | –                        |
| <b>Total non-current assets</b>                | <b>3,403,717</b>           | <b>543,079</b>           | <b>818,635</b>           |
| <b>Total assets</b>                            | <b>3,547,252</b>           | <b>602,907</b>           | <b>842,892</b>           |
| <b>LIABILITIES</b>                             |                            |                          |                          |
| <b>Current liabilities</b>                     |                            |                          |                          |
| Payables                                       | 38,401                     | 3,614                    | 1,642                    |
| Contract liabilities                           | 29,050                     | 1,228                    | 2,048                    |
| Lease liabilities                              | 186                        | –                        | –                        |
| Borrowings **                                  | 14,307                     | –                        | 6,023                    |
| Employee benefit provision                     | 34,929                     | –                        | –                        |
| Provisions                                     | 974                        | –                        | –                        |
| <b>Total current liabilities</b>               | <b>117,847</b>             | <b>4,842</b>             | <b>9,713</b>             |
| <b>Non-current liabilities</b>                 |                            |                          |                          |
| Lease liabilities                              | 55                         | –                        | –                        |
| Borrowings                                     | 103,793                    | –                        | 74,206                   |
| Employee benefit provision                     | 1,217                      | –                        | –                        |
| Provisions                                     | 11,599                     | –                        | –                        |
| <b>Total non-current liabilities</b>           | <b>116,664</b>             | <b>–</b>                 | <b>74,206</b>            |
| <b>Total liabilities</b>                       | <b>234,511</b>             | <b>4,842</b>             | <b>83,919</b>            |
| <b>Net assets</b>                              | <b>3,312,741</b>           | <b>598,065</b>           | <b>758,973</b>           |
| <b>EQUITY</b>                                  |                            |                          |                          |
| Accumulated surplus                            | 1,103,361                  | 228,999                  | 454,519                  |
| Revaluation reserves                           | 2,209,380                  | 369,066                  | 304,454                  |
| <b>Council equity interest</b>                 | <b>3,312,741</b>           | <b>598,065</b>           | <b>758,973</b>           |
| <b>Total equity</b>                            | <b>3,312,741</b>           | <b>598,065</b>           | <b>758,973</b>           |

(\*\*) The amounts in this statement by fund do not agree with the face of the consolidated statement due to the internal loan between Water and Sewer funds. The \$1.19M variance in receivables nets off with the \$1.19M variance in borrowings.

### D1-3 Details of internal loans

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

| <b>Details of individual internal loans</b>                | <b>Min9/542</b> |
|--|-----------------|
| 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           |
| <b>Principal outstanding at end of year (\$'000)</b>       | <b>1,190</b>    |

## 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          | Principal place of business | Ownership 2023 | Ownership 2022 |
|----------------------------------|-----------------------------|----------------|----------------|
| Council's interest in Subsidiary | Nowra                       | 100%           | 100%           |

#### The nature and extent of significant restrictions relating to the Subsidiary

Southern Water Services is limited by shares under the Corporations Act (2001)  
As sole shareholder Council controls full voting rights over Southern Water Services.  
Dividends paid by Southern Water Services to Council are restricted by S254T of Corporations Act (2001)

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

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

#### Summarised financial information for the Subsidiary

|   | 2023<br>\$ '000 | 2022<br>\$ '000 |
|---|-----------------|-----------------|
| <b>Summarised statement of comprehensive income</b>         |                 |                 |
| Revenue   | 7               | –               |
| Expenses  | (1)             | 1               |
| <b>Profit for the period</b>                                | <b>6</b>        | <b>1</b>        |
| <b>Total comprehensive income</b>                           | <b>6</b>        | <b>1</b>        |
| <b>Summarised statement of financial position</b>           |                 |                 |
| Current assets  | 473             | 466             |
| <b>Total assets</b>   | <b>473</b>      | <b>466</b>      |
| <b>Net assets</b>   | <b>473</b>      | <b>466</b>      |
| <b>Summarised statement of cash flows</b>                   |                 |                 |
| Cash flows from operating activities                        | 4               | (1)             |
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>4</b>        | <b>(1)</b>      |

## 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               | 2023                   | 2023                   |
|--|---|------------------------|------------------------|
|  |   | (\$'000)<br>Net profit | (\$'000)<br>Net assets |
| <b>Shoalhaven City Council Management Committees</b> | Use and management of community land and assets | 54                     | 260                    |

### 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              | 2023                   | 2023                   |
|--|--|------------------------|------------------------|
|  |  | (\$'000)<br>Net profit | (\$'000)<br>Net assets |
| <b>Illawarra Shoalhaven Joint Organisation</b> | Inter-Governmental Collaboration Joint Venture | (93)                   | 777                    |

### 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<br>2023<br>\$ '000 | Carrying value<br>2022<br>\$ '000 | Fair value<br>2023<br>\$ '000 | Fair value<br>2022<br>\$ '000 |
|---|-----------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| <b>Financial assets</b>                   |                                   |                                   |                               |                               |
| <b>Measured at amortised cost</b>         |                                   |                                   |                               |                               |
| Cash and cash equivalents                 | 27,431                            | 21,416                            | 27,431                        | 21,416                        |
| Receivables                               | 61,927                            | 41,465                            | 61,927                        | 41,465                        |
| Investments                               |                                   |                                   |                               |                               |
| – Debt securities at amortised cost       | 89,400                            | 112,400                           | 89,400                        | 112,400                       |
| <b>Fair value through profit and loss</b> |                                   |                                   |                               |                               |
| Cash and cash equivalents                 | –                                 | –                                 | –                             | –                             |
| Investments                               |                                   |                                   |                               |                               |
| Cash and cash equivalents                 |                                   |                                   |                               |                               |
| – Held for trading                        | 49,527                            | 63,378                            | 49,527                        | 63,378                        |
| <b>Total financial assets</b>             | <b>228,285</b>                    | <b>238,659</b>                    | <b>228,285</b>                | <b>238,659</b>                |
| <b>Financial liabilities</b>              |                                   |                                   |                               |                               |
| Payables                                  | 43,657                            | 27,367                            | 43,657                        | 37,307                        |
| Loans/advances                            | 197,139                           | 160,021                           | 197,139                       | 160,021                       |
| <b>Total financial liabilities</b>        | <b>240,796</b>                    | <b>187,388</b>                    | <b>240,796</b>                | <b>197,328</b>                |

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.
- **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

|   | 2023<br>\$ '000 | 2022<br>\$ '000 |
|---|-----------------|-----------------|
| The impact on the results for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date. |                 |                 |
| Impact of a 1% movement in interest rates   |                 |                 |
| – Equity / Income Statement   | 2,283           | 2,279           |
| Impact of a 10% movement in price of investments  |                 |                 |
| – Equity / Income Statement   | 4,953           | 6,338           |

## 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<br>overdue<br>\$ '000 | overdue rates and annual charges<br>< 5 years<br>\$ '000 | ≥ 5 years<br>\$ '000 | Total<br>\$ '000 |
|-----------------------|-------------------------------|--|----------------------|------------------|
| <b>2023</b>           |                               |  |                      |                  |
| Gross carrying amount | 2,415                         | 7,797  | 1,113                | 11,325           |
| <b>2022</b>           |                               |  |                      |                  |
| Gross carrying amount | 2,559                         | 7,536  | 1,105                | 11,200           |

##### 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<br>overdue<br>\$ '000 | 0 - 30 days<br>\$ '000 | Overdue debts           |                         |                      | Total<br>\$ '000 |
|------------------------|-------------------------------|------------------------|-------------------------|-------------------------|----------------------|------------------|
|                        |                               |                        | 31 - 60 days<br>\$ '000 | 61 - 90 days<br>\$ '000 | > 90 days<br>\$ '000 |                  |
| <b>2023</b>            |                               |                        |                         |                         |                      |                  |
| 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%            |
| <b>ECL provision</b>   | –                             | –                      | –                       | –                       | 26                   | 26               |
| <b>2022</b>            |                               |                        |                         |                         |                      |                  |
| Gross carrying amount  | 25,261                        | 853                    | 659                     | 627                     | 3,949                | 31,349           |
| Expected loss rate (%) | 0.00%                         | 0.00%                  | 0.00%                   | 0.00%                   | 10.02%               | 1.26%            |
| <b>ECL provision</b>   | –                             | –                      | –                       | –                       | 396                  | 396              |

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**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:      |                     |                   | Total cash outflows \$ '000 | Actual carrying values \$ '000 |
|------------------------------------|----------------------------------|--------------------------------|------------------|---------------------|-------------------|-----------------------------|--------------------------------|
|                                    |                                  |                                | ≤ 1 Year \$ '000 | 1 - 5 Years \$ '000 | > 5 Years \$ '000 |                             |                                |
| <b>2023</b>                        |                                  |                                |                  |                     |                   |                             |                                |
| 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                  | 0.00%                            | -                              | 145              | 46                  | 57                | 248                         | 248                            |
| <b>Total financial liabilities</b> |                                  | <b>4,778</b>                   | <b>58,142</b>    | <b>76,114</b>       | <b>102,010</b>    | <b>241,044</b>              | <b>241,044</b>                 |
| <b>2022</b>                        |                                  |                                |                  |                     |                   |                             |                                |
| Payables                           | 0.00%                            | 4,921                          | 22,446           | -                   | -                 | 27,367                      | 27,367                         |
| Borrowings                         | 3.85%                            | -                              | 16,275           | 58,372              | 85,374            | 160,021                     | 160,021                        |
| Lease liabilities                  | 0.00%                            | -                              | 78               | 75                  | -                 | 153                         | 153                            |
| <b>Total financial liabilities</b> |                                  | <b>4,921</b>                   | <b>38,799</b>    | <b>58,447</b>       | <b>85,374</b>     | <b>187,541</b>              | <b>187,541</b>                 |

## E2-1 Fair value measurement

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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)

| \$ '000  | Notes | Fair value measurement hierarchy |          |                                       |              |   |               |               |               |
|--|-------|----------------------------------|----------|---------------------------------------|--------------|---|---------------|---------------|---------------|
|  |       | Date of latest valuation         |          | Level 2 Significant observable inputs |              | Level 3 Significant unobservable inputs |               | Total         |               |
|  |       | 2023                             | 2022     | 2023                                  | 2022         | 2023                                    | 2022          | 2023          | 2022          |
| <b>Recurring fair value measurements</b>   |       |                                  |          |                                       |              |   |               |               |               |
| <b>Financial assets</b>  |       |                                  |          |                                       |              |   |               |               |               |
|  | C1-2  |                                  |          |                                       |              |   |               |               |               |
| Financial investments  |       |                                  |          |                                       |              |   |               |               |               |
| – 'Fair value through profit and loss' / 'Held for trading'                                  |       | 30/06/23                         | 30/06/22 | –                                     | –            | 49,527                                  | 63,378        | 49,527        | 63,378        |
| – 'Financial assets at fair value through other comprehensive income' / 'Available for sale' |       | 30/06/23                         | 30/06/22 | –                                     | –            | –                                       | –             | –             | –             |
| <b>Total financial assets</b>  |       |                                  |          | <b>–</b>                              | <b>–</b>     | <b>49,527</b>                           | <b>63,378</b> | <b>49,527</b> | <b>63,378</b> |
| <b>Investment property</b>   |       |                                  |          |                                       |              |   |               |               |               |
|  | C1-8  |                                  |          |                                       |              |   |               |               |               |
| Shops, 37-43 Kinghorne Street, Nowra   |       | 30/06/23                         | 30/06/22 | 1,850                                 | 1,800        | –                                       | –             | 1,850         | 1,800         |
| Shops, 3 Schofields Lane, Nowra  |       | 30/06/23                         | 30/06/22 | 1,647                                 | 1,600        | –                                       | –             | 1,647         | 1,600         |
| <b>Total investment property</b>   |       |                                  |          | <b>3,497</b>                          | <b>3,400</b> | <b>–</b>                                | <b>–</b>      | <b>3,497</b>  | <b>3,400</b>  |

**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            |                  |
|  |       | 2023                             | 2022     | 2023                                  | 2022         | 2023                                    | 2022             | 2023             | 2022             |
| <b>Infrastructure, property, plant and equipment</b>       | C1-7  |                                  |          |                                       |              |   |                  |                  |                  |
| Plant and equipment  |       | 30/06/23                         | 30/06/22 | -                                     | -            | 56,591                                  | 47,802           | 56,591           | 47,802           |
| Rural Fire Service Red Fleet                               |       | 30/06/23                         | 30/06/22 | -                                     | -            | 2,504                                   | 3,364            | 2,504            | 3,364            |
| Office equipment   |       | 30/06/23                         | 30/06/22 | -                                     | -            | 1,681                                   | 2,170            | 1,681            | 2,170            |
| Furniture and fittings                                     |       | 30/06/23                         | 30/06/22 | -                                     | -            | 2,101                                   | 2,352            | 2,101            | 2,352            |
| Crown land   |       | 30/06/23                         | 30/06/22 | -                                     | -            | 193,745                                 | 145,830          | 193,745          | 145,830          |
| Operational land   |       | 30/06/23                         | 30/06/21 | -                                     | -            | 277,488                                 | 208,181          | 277,488          | 208,181          |
| Community land   |       | 30/06/23                         | 30/06/22 | -                                     | -            | 270,537                                 | 197,635          | 270,537          | 197,635          |
| Land under roads (post 30/06/08)                           |       | 30/06/23                         | 30/06/20 | -                                     | -            | 1,319                                   | 1,744            | 1,319            | 1,744            |
| Land improvements – non-depreciable                        |       | 30/06/23                         | 30/06/22 | -                                     | -            | 50,298                                  | 47,347           | 50,298           | 47,347           |
| Land improvements – depreciable                            |       | 30/06/23                         | 30/06/22 | -                                     | -            | 11,966                                  | 9,539            | 11,966           | 9,539            |
| Buildings – non-specialised                                |       | 30/06/23                         | 30/06/19 | 1,754                                 | 2,342        | -                                       | -                | 1,754            | 2,342            |
| Buildings – specialised                                    |       | 30/06/23                         | 30/06/19 | -                                     | -            | 371,091                                 | 329,878          | 371,091          | 329,878          |
| Other structures   |       | 31/03/23                         | 30/06/16 | -                                     | -            | 83,530                                  | 117,133          | 83,530           | 117,133          |
| Roads  |       | 30/06/23                         | 30/06/21 | -                                     | -            | 1,176,875                               | 1,046,981        | 1,176,875        | 1,046,981        |
| Bridges  |       | 30/06/23                         | 30/06/21 | -                                     | -            | 82,679                                  | 73,311           | 82,679           | 73,311           |
| Footpaths  |       | 30/06/23                         | 30/06/22 | -                                     | -            | 86,463                                  | 73,655           | 86,463           | 73,655           |
| Bulk earthworks (non-depreciable)                          |       | 30/06/23                         | 30/06/21 | -                                     | -            | 336,117                                 | 317,067          | 336,117          | 317,067          |
| Stormwater drainage  |       | 30/06/23                         | 30/06/21 | -                                     | -            | 196,893                                 | 178,888          | 196,893          | 178,888          |
| Water supply network                                       |       | 30/06/23                         | 30/06/22 | -                                     | -            | 482,494                                 | 422,538          | 482,494          | 422,538          |
| Sewerage network   |       | 30/06/23                         | 30/06/22 | -                                     | -            | 719,798                                 | 654,856          | 719,798          | 654,856          |
| Swimming pools   |       | 31/03/23                         | 30/06/16 | -                                     | -            | 20,836                                  | 11,691           | 20,836           | 11,691           |
| Other open space / recreational assets                     |       | 31/03/23                         | 30/06/16 | -                                     | -            | 58,536                                  | 38,283           | 58,536           | 38,283           |
| Other infrastructure                                       |       | 30/06/23                         | 30/06/22 | -                                     | -            | 36,452                                  | 31,847           | 36,452           | 31,847           |
| Library books  |       | 30/06/23                         | 30/06/22 | -                                     | -            | 1,370                                   | 1,359            | 1,370            | 1,359            |
| Tip asset  |       | 30/06/23                         | 30/06/22 | -                                     | -            | 3,516                                   | 3,375            | 3,516            | 3,375            |
| <b>Total infrastructure, property, plant and equipment</b> |       |                                  |          | <b>1,754</b>                          | <b>2,342</b> | <b>4,524,880</b>                        | <b>3,966,826</b> | <b>4,526,634</b> | <b>3,969,168</b> |
| <b>Non-recurring fair value measurements</b>               |       |                                  |          |                                       |              |   |                  |                  |                  |
| <b>Non-current assets classified as held for sale</b>      | C1-6  |                                  |          |                                       |              |   |                  |                  |                  |
| Operational Land   |       | 30/06/23                         | 30/06/22 | -                                     | -            | 1,225                                   | 2,025            | 1,225            | 2,025            |
| Buildings  |       | 30/06/23                         | 30/06/22 | -                                     | -            | 1,356                                   | 1,356            | 1,356            | 1,356            |
| <b>Total NCA's classified as held for sale</b>             |       |                                  |          | <b>-</b>                              | <b>-</b>     | <b>2,581</b>                            | <b>3,381</b>     | <b>2,581</b>     | <b>3,381</b>     |

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## 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 30 June 2023.

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.

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 publically available indicies to calculate the movement in fair value since the last comprehensive valuation date.

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## 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 30 June 2023 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.

### 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 30 June 2023 using publically available indicies 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 30 June 2019. Where there is a market for Council building assets, fair value has been derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach were price per square metre.

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

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

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

Valuations were undertaken inhouse as at 30 June 2023 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.

### 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.

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

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## 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 30 June 2023 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 30 June 2023 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 30 June 2023 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 30 June 2023 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 30 June 2023 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.

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## 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 2023 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 2023 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.

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.

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.

## E2-1 Fair value measurement (continued)

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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 30 June 2023 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  |
|--|--|--|
| <b>Financial assets</b>                              |  |  |
| Investments  | Independent Investment Advisor Reports   | <ul style="list-style-type: none"> <li>Unit price</li> </ul>   |
| <b>Infrastructure, property, plant and equipment</b> |  |  |
| Plant and equipment                                  | Cost used to approximate fair value  | <ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Remaining useful life</li> <li>Residual value</li> </ul>                                      |
| Office equipment                                     | Cost used to approximate fair value  | <ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Remaining useful life</li> <li>Residual value</li> </ul>                                      |
| Furniture and fittings                               | Cost used to approximate fair value  | <ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Remaining useful life</li> </ul>  |
| Operational land                                     | External Valuer  | <ul style="list-style-type: none"> <li>Land value (price per square metre)</li> </ul>  |
| Community land                                       | Land Values obtained from the NSW Valuer-General   | <ul style="list-style-type: none"> <li>Land value (price per square metre)</li> </ul>  |
| Land under roads (post 30/06/08)                     | Valuation of road segments at the average unit value of valued land within the Shoalhaven local government area with a discount for restricted use | <ul style="list-style-type: none"> <li>Average value of valued land within the Shoalhaven local government area</li> <li>discount rate for restricted use</li> </ul> |
| Land improvements and other infrastructure           | Replacement Cost used to approximate fair value  | <ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Remaining useful life</li> <li>Asset condition</li> </ul>                                     |
| Buildings – specialised                              | External Valuer - Replacement Cost used to approximate fair value  | <ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Remaining useful life</li> <li>Asset condition</li> </ul>                                     |
| Other structures                                     | Replacement Cost used to approximate fair value  | <ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Remaining useful life</li> <li>Asset condition</li> </ul>                                     |
| Roads  | External Valuer - Replacement Cost used to approximate fair value  | <ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Remaining useful life</li> <li>Asset condition</li> </ul>                                     |
| Bridges  | External Valuer - Replacement Cost used to approximate fair value  | <ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Remaining useful life</li> <li>Asset condition</li> </ul>                                     |
| Footpaths  | External Valuer - Replacement Cost used to approximate fair value  | <ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Remaining useful life</li> <li>Asset condition</li> </ul>                                     |
| Bulk earthworks (nondepreciable)                     | External Valuer - Replacement Cost used to approximate fair value  | <ul style="list-style-type: none"> <li>Replacement cost</li> </ul>   |
| Stormwater drainage                                  | External Valuer - Replacement Cost used to approximate fair value  | <ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Remaining useful life</li> <li>Asset condition</li> </ul>                                     |
| Water supply network                                 | Replacement Cost used to approximate fair value  | <ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Remaining useful life</li> </ul>  |

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## E2-1 Fair value measurement (continued)

|   | Valuation technique/s   | Unobservable inputs  |
|---|---|--|
| Sewerage network  | Replacement Cost used to approximate fair value   | <ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Remaining useful life</li> </ul>  |
| Swimming pools – other open space / recreational assets | Replacement Cost used to approximate fair value   | <ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Remaining useful life</li> <li>Residual value</li> <li>Asset condition</li> </ul> |
| Library books   | Cost used to approximate fair value   | <ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Remaining useful life</li> <li>Residual value</li> <li>Asset condition</li> </ul> |
| Tip asset   | Present value of future expenditures expected to be incurred on waste depot sites restoration | <ul style="list-style-type: none"> <li>Estimated restoration costs</li> </ul>  |
| Other open space / recreational assets                  | Replacement Cost used to approximate fair value   | <ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Remaining useful life</li> </ul>  |
| Other infrastructure                                    | External Valuer - Replacement Cost used to approximate fair value                             | <ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Remaining useful life</li> </ul>  |

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

|  | Investments     |                 | IPP&E            |                 | Total            |                 |
|--|-----------------|-----------------|------------------|-----------------|------------------|-----------------|
|  | 2023<br>\$ '000 | 2022<br>\$ '000 | 2023<br>\$ '000  | 2022<br>\$ '000 | 2023<br>\$ '000  | 2022<br>\$ '000 |
| <b>Opening balance</b>                                       | <b>63,378</b>   | 64,964          | <b>3,966,826</b> | 3,408,068       | <b>4,030,204</b> | 3,473,032       |
| <b>Total gains or losses for the period</b>                  |                 |                 |                  |                 |                  |                 |
| Recognised in profit or loss – realised (refer to Note B2-6) | 2,200           | (2,182)         | –                | –               | 2,200            | (2,182)         |
| <b>Other movements</b>                                       |                 |                 |                  |                 |                  |                 |
| Purchases (GBV)  | 15,600          | 18,100          | 138,065          | 64,643          | 153,665          | 82,743          |
| Disposals (WDV)  | (31,650)        | (17,504)        | (8,437)          | (1,828)         | (40,087)         | (19,332)        |
| Depreciation and impairment                                  | –               | –               | (85,056)         | (79,390)        | (85,056)         | (79,390)        |
| Asset revaluation reserve                                    | –               | –               | 514,231          | 575,333         | 514,231          | 575,333         |
| <b>Closing balance</b>                                       | <b>49,528</b>   | 63,378          | <b>4,525,629</b> | 3,966,826       | <b>4,575,157</b> | 4,030,204       |

### 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 8.0% of salaries for the year ending 30 June 2023 (increasing to 8.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$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 2022. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

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

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

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

##### *A description of any agreed allocation of a deficit or surplus on:*

###### *(i) wind-up of the plan*

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

###### *(ii) the entity's withdrawal from the plan*

continued on next page ...

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### E3-1 Contingencies (continued)

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

The expected contributions to the plan for the next annual reporting period are \$647,828.40.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2023 is:

| Defined Benefit reserves only*   | \$millions | Asset Coverage |
|--|------------|----------------|
| Assets   | 2,290.9    |                |
| Past Service Liabilities   | 2,236.1    | 102.4%         |
| Vested Benefits  | 2,253.6    | 101.7%         |
| <ul style="list-style-type: none"> <li>excluding other accumulation accounts and reserves in both assets and liabilities.</li> </ul> |            |                |

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   | 6.0% for FY 22/23<br>2.5% per annum thereafter |

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed by December 2023.

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

An employer's past service contribution per annum was 2.04% as a percentage of the total past service contributions for all Pooled Employers (\$20m for each year from 1 July 2022 to 31 December 2024) provides an indication of the level of participation of that employer compared with other employers in the Pooled Employer sub-group.

#### (ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30 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 three appeals against planning decisions made prior to the reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

#### (ii) Third party claims

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

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

Contingent liabilities: Council has estimated the sum of \$1,728,900 as a potential liability that could arise due to ongoing legal cases with different parties. Council believes that the liabilities are appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

#### (iii) S7.11 and S64 Developer Contributions Plans

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

### ASSETS NOT RECOGNISED

#### (i) Land under roads

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

#### (ii) Infringement notices/fines

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

#### (iii) S7.11 and S64 Developer Contributions

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

(a) Mayor, (b) Councillors, (c) CEO (d) Directors and (e) any person who fills an above role in an 'acting' capacity.

Key management personnel (KMP) as defined in the previous Related Party Disclosure policy applicable to the 2022 financial year included department managers. For comparison with 2023 department managers have been excluded from compensation values for 2022 and restated to comply with the current policy.

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

|                          | 2023         | 2022                |
|--------------------------|--------------|---------------------|
|                          | \$ '000      | Restated<br>\$ '000 |
| <b>Compensation:</b>     |              |                     |
| Short-term benefits      | 2,191        | 2,101               |
| Post-employment benefits | 243          | 165                 |
| Other long-term benefits | 64           | 89                  |
| <b>Total</b>             | <b>2,498</b> | <b>2,355</b>        |

Shoalhaven City Council | Notes to the Financial Statements 30 June 2023

F1-2 Councillor and Mayoral fees and associated expenses

|  | 2023    | 2022    |
|--|---------|---------|
|  | \$ '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                                   | 65         | 57         |
| Councillors' fees                             | 335        | 306        |
| Other Councillors' expenses (including Mayor) | 339        | 295        |
| <b>Total</b>                                  | <b>739</b> | <b>658</b> |

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 |
|--|------|--------------------------------------|--|--|--|----------------------------|
| <b>2023</b>  |      |                                      |  |  |  |                            |
| 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 2022 | D2-2 | 79                                   | -  | ISJO provides goods and services to Council with payments made at arm's length | -  | -                          |
| Illawarra Shoalhaven Joint Organisation (ISJO) - income        | D2-2 | 95                                   | -  | Council provide accounting services to ISJO with payments made at arm's length | -  | -                          |
| Illawarra Shoalhaven Joint Organisation (ISJO) - expenses      | D2-2 | 125                                  | -  | ISJO provides goods and services to Council with payments made at arm's length | -  | -                          |

Shoalhaven City Council | Notes to the Financial Statements 30 June 2023

F2 Other relationships

F2-1 Audit fees

|   | 2023<br>\$ '000 | 2022<br>\$ '000 |
|---|-----------------|-----------------|
| Audit and other assurance services: Auditors of NSW Council - NSW Auditor-General |                 |                 |
| Audit of financial statements   | 232             | 167             |
| 2021/22 Financial Statement Audit Overruns  | 63              | -               |
| <b>Total fees paid or payable to the Auditor-General</b>                          | <b>295</b>      | <b>167</b>      |
| Other services  | -               | 108             |
| <b>Total audit fees</b>   | <b>295</b>      | <b>275</b>      |

**G Other matters**

**G1-1 Statement of Cash Flows information**

**(a) Reconciliation of net operating result to cash provided from operating activities**

|  | 2023<br>\$ '000 | 2022<br>\$ '000 |
|--|-----------------|-----------------|
| <b>Net operating result from Income Statement</b>  | <b>41,974</b>   | 43,571          |
| <b>Add / (less) non-cash items:</b>  |                 |                 |
| Depreciation and amortisation  | 85,230          | 79,521          |
| (Gain) / loss on disposal of assets  | 3,799           | (4,928)         |
| Non-cash capital grants and contributions  | (2,442)         | (5,314)         |
| Losses/(gains) recognised on fair value re-measurements through the P&L:                       |                 |                 |
| – Investments classified as 'at fair value' or 'held for trading'                              | (2,816)         | 2,182           |
| – Investment property  | (83)            | (400)           |
| – Interest-free advances made by Council (deferred debtors)                                    | 28              | 34              |
| Amortisation of premiums, discounts and prior period fair valuations                           |                 |                 |
| – Interest on all fair value adjusted interest free advances made by Council                   | (2)             | –               |
| – Financial asset at fair value through other comprehensive income / available for sale (2018) | –               | –               |
| <b>Movements in operating assets and liabilities and other cash items:</b>                     |                 |                 |
| (Increase) / decrease of receivables   | (20,501)        | (12,869)        |
| Increase / (decrease) in provision for impairment of receivables                               | (10)            | 411             |
| (Increase) / decrease of inventories   | 181             | (329)           |
| (Increase) / decrease of other current assets  | (147)           | (2,657)         |
| Increase / (decrease) in payables  | (1,089)         | 3,958           |
| Increase / (decrease) in accrued interest payable  | 193             | (115)           |
| Increase / (decrease) in other accrued expenses payable  | 17,261          | (9,580)         |
| Increase / (decrease) in other liabilities   | 104             | 2,236           |
| Increase / (decrease) in contract liabilities  | (6,803)         | 27,491          |
| Increase / (decrease) in employee benefit provision  | 417             | 475             |
| Increase / (decrease) in other provisions  | 2,314           | 3,987           |
| <b>Net cash flows from operating activities</b>  | <b>117,608</b>  | 127,674         |

**(b) Non-cash investing and financing activities**

|  |          |              |
|--|----------|--------------|
| Other dedications  | –        | 2,115        |
| <b>Total non-cash investing and financing activities</b> | <b>–</b> | <b>2,115</b> |

## G2-1 Commitments

### Capital commitments (exclusive of GST)

|  | 2023<br>\$ '000 | 2022<br>\$ '000 |
|--|-----------------|-----------------|
| Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities: |                 |                 |
| <b>Property, plant and equipment</b>   |                 |                 |
| Natural Disaster Recovery  | 41,323          | –               |
| Buildings  | 148             | 3,991           |
| Industrial Land Development  | 21              | 9,851           |
| Parks and Reserves   | 364             | 8,611           |
| Plant and equipment  | 1,260           | 6,350           |
| Roads  | 3,325           | 39,116          |
| Sewer assets   | 2,091           | 25,439          |
| Swimming pools   | 12              | 144             |
| Tourist Parks  | 972             | 3,340           |
| Waste Management   | 1,358           | 26,687          |
| Water assets   | 6,729           | 12,942          |
| Other  | 1,036           | 3,724           |
| <b>Total commitments</b>   | <b>58,639</b>   | <b>140,195</b>  |

#### Details of capital commitments

Below is a list of the 10 largest capital commitments totalling \$54.4M:

Abernethy's Rd Budgong Natural Disaster \$41.0M  
 Nowra Sth, Flinders Depot electrical work \$3.4M  
 Water Renewals \$2.4M  
 Meroo Rd - LRRP CH0.3 CH1.5 Cons Urban Renewal (R2R) \$2.0M  
 Fleet Vehicle Purchases \$1.3M  
 Waste Plant and Vehicle Purchases \$1.2M  
 Fleet Plant Purchases \$1.0M  
 Water Plant Purchases \$0.8M  
 Sewer Renewals \$0.8M  
 Ulladulla Headland Trails \$0.5M

## G3-1 Events occurring after the reporting date

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

#### Update on grants spent in advance (refer note C1-3 (b))

As noted in note C1-3 (b), Council had spent \$35m in grants spent in advance (\$17.9m Federal Natural Disaster Funding and \$17.1m Other Grants and Subsidies). This receivable is reflected in Note C1-4 Receivables (Government grants and subsidies). Council has utilised its internal restrictions to fund the grants spent in advance. 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.

Since 30 June 2023 and up to 12 September 2023, Council has received \$18.4m of the outstanding Government grants and subsidies balance (\$14.6m Federal Natural Disaster Funding and \$3.8m Other Grants and Subsidies).

The receipt of these grants has allowed Council to reinstate its internal reserve balances to their original amounts. Council's internal reserves as at 30 September 2023 are reported in the July - September 2023 Quarterly Budget Review (unaudited) and is available on Council's website.

## G4 Statement of developer contributions as at 30 June 2023

### G4-1 Summary of developer contributions

|  | Opening balance at 1 July 2022<br>\$ '000 | Contributions received during the year |                          |                           |            | Interest and investment income earned<br>\$ '000 | Amounts expended<br>\$ '000 | Internal borrowings<br>\$ '000 | Held as restricted asset at 30 June 2023<br>\$ '000 | Cumulative balance of internal borrowings (to)/from<br>\$ '000 |
|--|---|--|--------------------------|---------------------------|------------|--|-----------------------------|--------------------------------|---|--|
|  |   | Cash<br>\$ '000                        | Non-cash Land<br>\$ '000 | Non-cash Other<br>\$ '000 |            |  |                             |                                |   |  |
| Drainage   | 236                                       | 17                                     | -                        | -                         | 6          | (17)   | -                           | 242                            | -   |  |
| Roads  | 6,911                                     | 870                                    | -                        | -                         | 182        | (386)  | -                           | 7,577                          | -   |  |
| Parking  | 1,670                                     | 265                                    | -                        | -                         | 46         | (230)  | -                           | 1,751                          | -   |  |
| Open space                                       | 2,410                                     | 456                                    | -                        | -                         | 64         | (367)  | -                           | 2,563                          | -   |  |
| Community facilities                             | 4,576                                     | 1,116                                  | -                        | -                         | 116        | (582)  | -                           | 5,226                          | -   |  |
| Other  | 536                                       | 498                                    | -                        | -                         | 8          | (455)  | -                           | 587                            | -   |  |
| Active recreation                                | 1,806                                     | 1,156                                  | -                        | -                         | 56         | (413)  | -                           | 2,605                          | -   |  |
| <b>S7.11 contributions – under a plan</b>        | <b>18,145</b>                             | <b>4,378</b>                           | <b>-</b>                 | <b>-</b>                  | <b>478</b> | <b>(2,450)</b>                                   | <b>-</b>                    | <b>20,551</b>                  | <b>-</b>  |  |
| <b>Total S7.11 and S7.12 revenue under plans</b> | <b>18,145</b>                             | <b>4,378</b>                           | <b>-</b>                 | <b>-</b>                  | <b>478</b> | <b>(2,450)</b>                                   | <b>-</b>                    | <b>20,551</b>                  | <b>-</b>  |  |
| S64 contributions                                | 19,148                                    | 2,589                                  | -                        | -                         | 513        | (6,005)  | -                           | 16,245                         | -   |  |
| <b>Total contributions</b>                       | <b>37,293</b>                             | <b>6,967</b>                           | <b>-</b>                 | <b>-</b>                  | <b>991</b> | <b>(8,455)</b>                                   | <b>-</b>                    | <b>36,796</b>                  | <b>-</b>  |  |

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 2022<br>\$ '000 | Contributions received during the year |                          |                           | Interest and investment income earned<br>\$ '000 | Amounts expended<br>\$ '000 | Internal borrowings<br>\$ '000 | Held as restricted asset at 30 June 2023<br>\$ '000 | Cumulative balance of internal borrowings (to)/from<br>\$ '000 |
|--------------------------------------|---|--|--------------------------|---------------------------|--|-----------------------------|--------------------------------|---|--|
|                                      |   | Cash<br>\$ '000                        | Non-cash Land<br>\$ '000 | Non-cash Other<br>\$ '000 |  |                             |                                |   |  |
| <b>Shoalhaven Contributions Plan</b> |   |  |                          |                           |  |                             |                                |   |  |
| Drainage                             | 236                                       | 17                                     | -                        | -                         | 6  | (17)                        | -                              | 242   | -  |
| Roads                                | 6,911                                     | 870                                    | -                        | -                         | 182  | (386)                       | -                              | 7,577   | -  |
| Parking                              | 1,670                                     | 265                                    | -                        | -                         | 46   | (230)                       | -                              | 1,751   | -  |
| Open space                           | 2,410                                     | 456                                    | -                        | -                         | 64   | (367)                       | -                              | 2,563   | -  |
| Community facilities                 | 4,576                                     | 1,116                                  | -                        | -                         | 116  | (582)                       | -                              | 5,226   | -  |
| Active recreation                    | 1,806                                     | 1,156                                  | -                        | -                         | 56   | (413)                       | -                              | 2,605   | -  |
| Other                                | 536                                       | 498                                    | -                        | -                         | 8  | (455)                       | -                              | 587   | -  |
| <b>Total</b>                         | <b>18,145</b>                             | <b>4,378</b>                           | <b>-</b>                 | <b>-</b>                  | <b>478</b>                                       | <b>(2,450)</b>              | <b>-</b>                       | <b>20,551</b>                                       | <b>-</b>   |

G Other matters

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

| \$ '000  | Amounts<br>2023 | Indicator<br>2023 | Indicators<br>2022 | Indicators<br>2021 | Benchmark |
|--|-----------------|-------------------|--------------------|--------------------|-----------|
| <b>1. Operating performance ratio</b>  |                 |                   |                    |                    |           |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup> | <b>(17,240)</b> | <b>(5.32)%</b>    | (4.72)%            | (3.55)%            | > 0.00%   |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                           | <b>324,020</b>  |                   |                    |                    |           |
| <b>2. Own source operating revenue ratio</b>   |                 |                   |                    |                    |           |
| Total continuing operating revenue excluding all grants and contributions <sup>1</sup>                               | <b>271,535</b>  | <b>70.69%</b>     | 73.64%             | 82.43%             | > 60.00%  |
| Total continuing operating revenue inclusive of all grants and contributions <sup>1</sup>                            | <b>384,135</b>  |                   |                    |                    |           |
| <b>3. Unrestricted current ratio</b>   |                 |                   |                    |                    |           |
| Current assets less all external restrictions  | <b>47,094</b>   | <b>0.67x</b>      | 1.27x              | 1.53x              | > 1.50x   |
| Current liabilities less specific purpose liabilities  | <b>70,710</b>   |                   |                    |                    |           |
| <b>4. Debt service cover ratio</b>   |                 |                   |                    |                    |           |
| Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>             | <b>74,356</b>   | <b>3.06x</b>      | 3.09x              | 3.47x              | > 2.00x   |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)                               | <b>24,324</b>   |                   |                    |                    |           |
| <b>5. Rates and annual charges outstanding percentage</b>  |                 |                   |                    |                    |           |
| Rates and annual charges outstanding   | <b>12,998</b>   | <b>7.18%</b>      | 7.22%              | 8.57%              | < 10.00%  |
| Rates and annual charges collectable   | <b>181,045</b>  |                   |                    |                    |           |
| <b>6. Cash expense cover ratio</b>   |                 |                   |                    |                    |           |
| Current year's cash and cash equivalents plus all term deposits  | <b>116,831</b>  | <b>4.92</b>       | 6.53               | 8.03               | > 3.00    |
| Monthly payments from cash flow of operating and financing activities  | <b>23,742</b>   | <b>months</b>     | months             | months             | months    |

<sup>(1)</sup> 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

<sup>(2)</sup> 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 Indicators <sup>3</sup> |         | Water Indicators |         | Sewer Indicators |        | Benchmark |
|--|---------------------------------|---------|------------------|---------|------------------|--------|-----------|
|  | 2023                            | 2022    | 2023             | 2022    | 2023             | 2022   |           |
| <b>1. Operating performance ratio</b>  |                                 |         |                  |         |                  |        |           |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup> | <b>(7.78)%</b>                  | (8.52)% | <b>(18.94)%</b>  | (9.97)% | <b>12.69%</b>    | 19.17% | > 0.00%   |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                           |                                 |         |                  |         |                  |        |           |
| <b>2. Own source operating revenue ratio</b>   |                                 |         |                  |         |                  |        |           |
| Total continuing operating revenue excluding all grants and contributions <sup>1</sup>                               | <b>63.77%</b>                   | 68.14%  | <b>88.54%</b>    | 84.29%  | <b>95.98%</b>    | 93.63% | > 60.00%  |
| Total continuing operating revenue inclusive of all grants and contributions <sup>1</sup>                            |                                 |         |                  |         |                  |        |           |
| <b>3. Unrestricted current ratio</b>   |                                 |         |                  |         |                  |        |           |
| Current assets less all external restrictions  | <b>0.67x</b>                    | 1.27x   | <b>8.88x</b>     | 14.14x  | <b>2.29x</b>     | 3.79x  | > 1.50x   |
| Current liabilities less specific purpose liabilities  |                                 |         |                  |         |                  |        |           |
| <b>4. Debt service cover ratio</b>   |                                 |         |                  |         |                  |        |           |
| Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>             | <b>1.94x</b>                    | 2.96x   | ∞                | ∞       | <b>7.54x</b>     | 2.47x  | > 2.00x   |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)                               |                                 |         |                  |         |                  |        |           |
| <b>5. Rates and annual charges outstanding percentage</b>  |                                 |         |                  |         |                  |        |           |
| Rates and annual charges outstanding   | <b>6.12%</b>                    | 5.65%   | <b>15.81%</b>    | 16.82%  | <b>8.63%</b>     | 9.63%  | < 10.00%  |
| Rates and annual charges collectable   |                                 |         |                  |         |                  |        |           |
| <b>6. Cash expense cover ratio</b>   |                                 |         |                  |         |                  |        |           |
| Current year's cash and cash equivalents plus all term deposits  | <b>3.54</b>                     | 4.52    | <b>20.80</b>     | 26.18   | <b>4.27</b>      | 6.83   | > 3.00    |
| Monthly payments from cash flow of operating and financing activities  | <b>months</b>                   | months  | <b>months</b>    | months  | <b>months</b>    | months | months    |

(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.

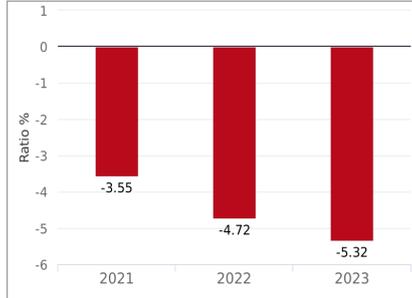
**End of the audited financial statements**

**CL24.5 - Attachment 1**

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2022/23 result

2022/23 ratio (5.32)%

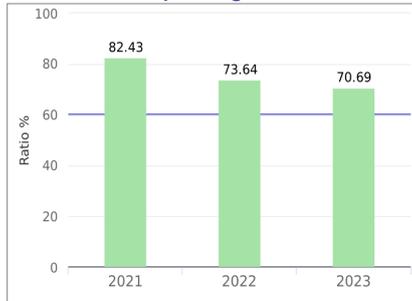
The continued recovery efforts from the 2021/22 natural disasters alongside the additional natural disasters experienced in 2022/23 resulted in a further deterioration in the operating performance ratio. Additional depreciation arising from asset revaluations and re-assessment of assets' useful lives has also contributed to the fall in this ratio.

Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark  
Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2022/23 result

2022/23 ratio 70.69%

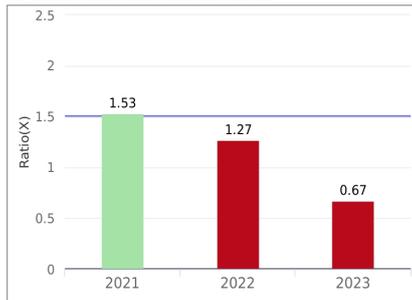
Council's own source operating revenue has remained well above the benchmark of 60% which continues to indicate that Council has sufficient financial flexibility in the event of being faced with unforeseen events.

Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark  
Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2022/23 result

2022/23 ratio 0.67x

This ratio has been impacted by the timing of receiving compensation for expenses related to the recovery efforts of natural disasters during the 2021/22 and 2022/23 financial years. Council expends a significant amount of money ahead of receiving funding. This ratio will improve when those funds are received.

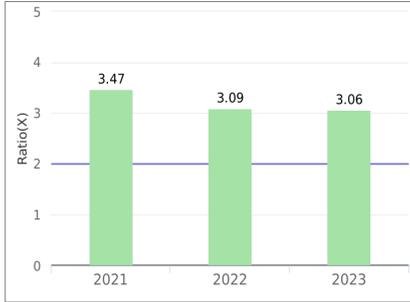
Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark  
Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2022/23 result

2022/23 ratio 3.06x

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

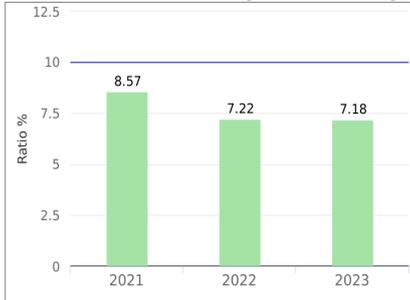
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2022/23 result

2022/23 ratio 7.18%

This ratio remains well below the 10% benchmark. The slight further reduction in rates and annual charges outstanding can be attributed to the continued debt recovery processes of charging interest and issuing reminder notices.

Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2022/23 result

2022/23 ratio 4.92 months

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

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements Shoalhaven City Council

To the Councillors of Shoalhaven City Council

#### Opinion

I have audited the accompanying financial statements of Shoalhaven City Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been prepared, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2023, 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 2023 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 comprises 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 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](http://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 referenced or hyperlinked to/from the financial statements.



David Daniels  
Delegate of the Auditor-General for New South Wales

13 December 2023  
SYDNEY



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

Contact: David Daniels  
Phone no: 02 9275 7103  
Our ref: R008-16585809-48334

13 December 2023

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2023  
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 2023 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 2023 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

**SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS**

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

**Quality and timeliness of financial statements**

While we noted some improvements compared to the prior year, delays were again encountered in relation to the provision of financial statements to the audit team, which were due at the start of the audit on 28 August 2023, but not provided in entirety until 18 October 2023.

An incomplete draft set of financial statements was provided on 15 September 2023, but this version contained a number of misstatements and disclosure deficiencies. In addition, not all supporting work papers were provided by the agreed dates.

The Council requested and received extensions for the lodgement of the Audited Financial Statements with the Office of Local Government initially to 30 November 2023, and then to 21 December 2023.

## INCOME STATEMENT

### Operating result

|  | 2023  | 2022  | Variance   |
|--|-------|-------|--|
|  | \$m   | \$m   | %  |
| Rates and annual charges revenue                             | 167.7 | 159.9 |  4.9  |
| Grants and contributions revenue                             | 112.6 | 87.9  |  28.1 |
| Operating result from continuing operations                  | 42.0  | 43.6  |  3.7  |
| Net operating result before capital grants and contributions | -18.1 | -10.5 |  72.4 |

The Council's operating result from continuing operations of \$42.0 million (including depreciation and amortisation costs of \$85.2 million) was \$1.6 million lower than the 2021–22 result.

Compared to 2021-22, expenditure in the current year increased by \$50.0 million to \$345 million, primarily due to an \$11.1 million increase in employee benefits and on-costs, and a \$27.6 million increase in materials and services. This was largely offset by a \$48.4 million increase in income from continuing operations, which increased to \$387 million. The 2021-22 reported amounts were at times impacted by COVID-19.

Grants and contributions revenue increased by \$24.7 million to \$112.6 million, mainly due to increases in special purpose grants of \$17.4 million for storm and flood damage, and \$11.2 million relating to transport (other roads and bridges funding).

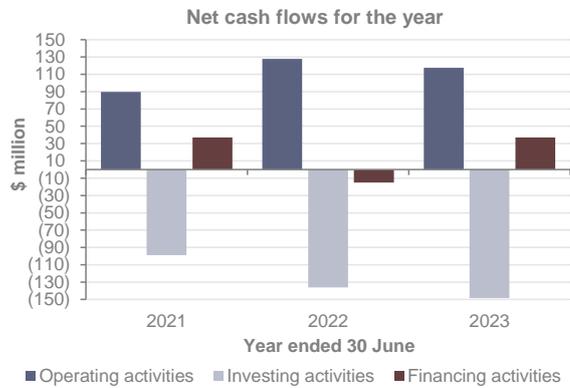
User charges and fees increased by \$13.5 million to \$92.5 million, while rates and annual charges revenue increased by \$7.8 million to \$167.7 million.

## STATEMENT OF CASH FLOWS

Cash inflows from operating activities decreased compared to 2021-22, largely due to increased payments for materials and services, and payments to employees. The payments increase partly reflects Council using its internal allocations in advance of the receipt of grant funding, for certain works.

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

Cash from financing activities increased primarily due to borrowings.



## FINANCIAL POSITION

### Cash and investments

| Cash and investments   | 2023         | 2022         | Commentary   |
|--|--------------|--------------|--|
|  | \$m          | \$m          |  |
| <b>Total cash, cash equivalents and investments</b>              | <b>166.4</b> | <b>197.2</b> | Externally restricted balances include specific purpose unspent loans and grants, developer contributions, and 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  | 158.2        | 161.4        |  |
| • Internal allocations   | 8.2          | 33.2         |  |
| • Unrestricted allocations                                       | -            | 2.6          |  |

### Debt

At 30 June 2023, Council had \$196.9 million in secured loans (\$159.7 million in 2021-22).

## PERFORMANCE

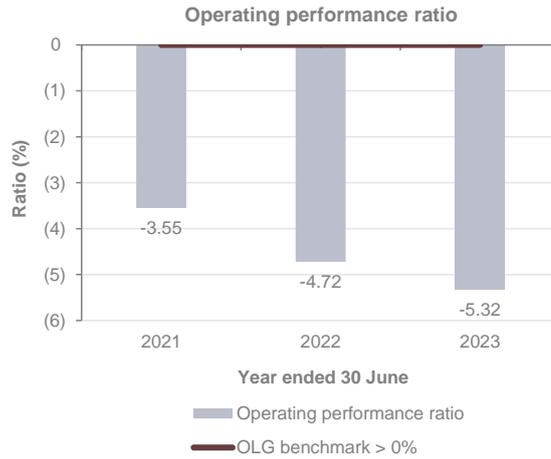
### Performance measures

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

#### Operating performance ratio

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

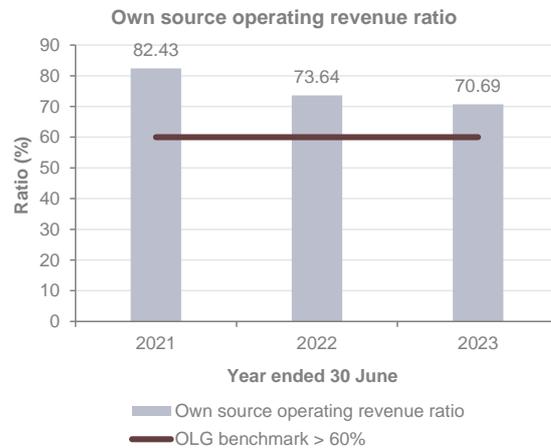
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



#### Own source operating revenue ratio

The Council continued to exceed the benchmark.

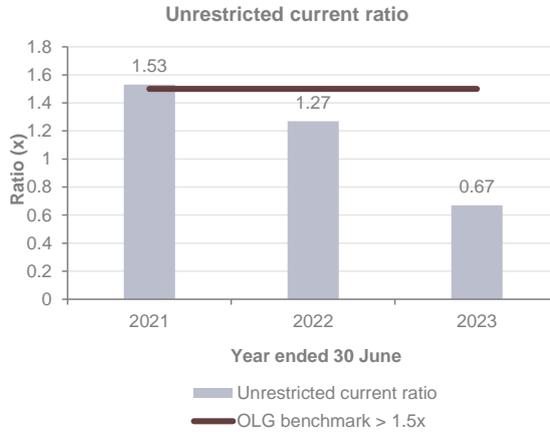
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



**Unrestricted current ratio**

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

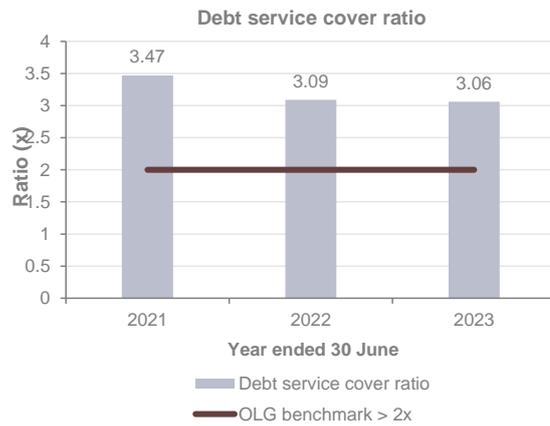
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



**Debt service cover ratio**

The Council continued to meet the benchmark.

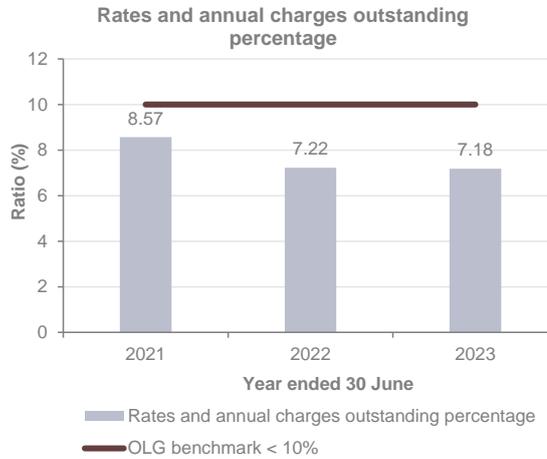
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



**Rates and annual charges outstanding percentage**

The Council continued to meet the benchmark.

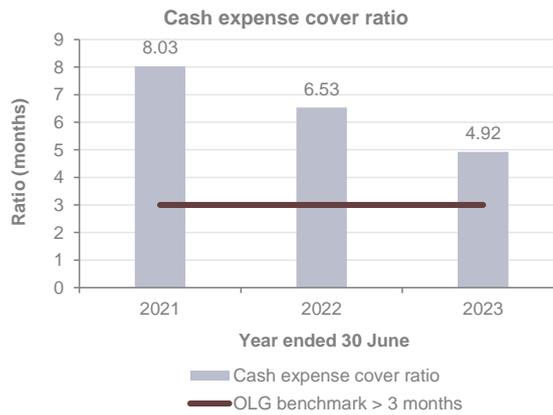
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



**Cash expense cover ratio**

The 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 \$86.4 million of infrastructure, property, plant and equipment (IPPE) during the 2022-23 financial year. This was mainly spent on roads, specialised buildings, and plant and equipment.

Council's total IPPE increased by \$617 million to \$4.7 billion, inclusive of asset revaluation increments of \$547 million.

## OTHER MATTERS

### Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements 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.



David Daniels  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

## Shoalhaven City Council

### Unaudited Additional Information

for the year ended 30 June 2023

#### Update on Council's internal reserves

At 30 June 2023, Council had spent \$35m in grants spent in advance (\$17.9m Federal Natural Disaster Funding and \$17.1m Other Grants and Subsidies). This receivable is reflected in Note C1-4 Receivables (Government grants and subsidies).

Council has utilised its internal restrictions to fund the grants spent in advance. 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. The closing internal restrictions balance after activating the Liquidity Contingency Plan, have been disclosed in Note C1-3 (b), and are include in the table below under "June 2023 Balance Note C1-3(b) (audited)"

Had Council not been required to fund Government grants and subsidies in advance, the final balance of Council's internal reserves would be those disclosed in the table below under "June 2023 Revised internal allocations (unaudited)".

Since 30 June 2023 and up to 12 September 2023, Council has received \$18.4m of the outstanding Government grants and subsidies balance (\$14.6m Federal Natural Disaster Funding and \$3.8m Other Grants and Subsidies).

As at 30 September 2023, after returning the received funds to their internal allocations, Council has reported the following internally allocated funds as part of the 30 September 2023 Quarterly Budget Review (unaudited):

|                                     | June 2023 Balance<br>Note C1-3(b)<br>(audited) | June 2023 Revised<br>internal allocations<br>(unaudited) | 30 September 2023<br>balance<br>(unaudited) |
|-------------------------------------|--|--|---|
| Arts Collection                     | 0  | 45   | 45  |
| Cemeteries                          | 0  | 60   | 68  |
| Coastal Management                  | 0  | 477  | 393   |
| Committed Capital Works             | 0  | 0  | 0   |
| Communication Towers                | 0  | 5,403  | 4,732                                       |
| Critical Asset Compliance           | 0  | 314  | 304   |
| Deposits, retentions and bonds      | 4,761  | 4,761  | 4,868                                       |
| Dog-Off leash                       | 0  | 40   | 46  |
| Economic Development Projects       | 0  | 233  | 217   |
| Employee Leave Entitlement          | 3,384  | 5,880  | 5,880                                       |
| Financial Assistance Grant          | 0  | 14,882   | 3,271                                       |
| General Insurance                   | 0  | 296  | 346   |
| Jervis Bay Territory Contract       | 0  | 56   | 89  |
| Jetty Licensing                     | 0  | 19   | 19  |
| Land Development reserve            | 0  | 1,846  | 641   |
| Plant Replacement                   | 0  | 419  | 0   |
| REFund Reserve                      | 0  | 244  | 238   |
| S7.11 Matching Funds                | 0  | 0  | 0   |
| S7.11 Recoupment                    | 0  | 2,292  | 4,545                                       |
| Shoalhaven Foreshore<br>Development | 0  | 985  | 907   |
| Sporting Facilities                 | 0  | 28   | 68  |
| Strategic Projects                  | 0  | 0  | 0   |
| Strategic Property Reserve          | 0  | 856  | 840   |
| <b>Total Internally Restricted</b>  | <b>8,145</b>                                   | <b>39,136</b>  | <b>27,517</b>                               |



# Special Purpose Financial Statements

2022-2023



CL24.5 - Attachment 1

## Shoalhaven City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2023

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## Shoalhaven City Council

### Special Purpose Financial Statements for the year ended 30 June 2023

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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 2023

#### 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 Planning and Environment, *Water's Regulatory and assurance framework for local water utilities*.

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 11 December 2023.



Amanda Findley  
Mayor  
12 December 2023



Evan Christen  
Deputy Mayor  
12 December 2023



Stephen Dunshea  
Chief Executive Officer  
12 December 2023



Katie Buckman  
Responsible Accounting Officer  
12 December 2023

Shoalhaven City Council | Income Statement of water supply business activity | for the year ended 30 June 2023

## Shoalhaven City Council

### Income Statement of water supply business activity for the year ended 30 June 2023

|  | 2023<br>\$ '000 | 2022<br>\$ '000 |
|--|-----------------|-----------------|
| <b>Income from continuing operations</b>                                   |                 |                 |
| Access charges   | 4,661           | 4,585           |
| User charges   | 18,975          | 18,003          |
| Fees   | 3,219           | 2,799           |
| Interest and investment income   | 1,662           | 741             |
| Grants and contributions provided for operating purposes                   | 58              | (5)             |
| Net gain from the disposal of assets                                       | 92              | 11              |
| Other income   | 503             | 227             |
| <b>Total income from continuing operations</b>                             | <b>29,170</b>   | <b>26,361</b>   |
| <b>Expenses from continuing operations</b>                                 |                 |                 |
| Employee benefits and on-costs   | 12,292          | 8,007           |
| Materials and services   | 8,827           | 10,277          |
| Depreciation, amortisation and impairment                                  | 13,519          | 10,694          |
| Calculated taxation equivalents  | 222             | 163             |
| Other expenses   | 56              | -               |
| COVID-19 financial assistance to ratepayers                                | -               | -               |
| <b>Total expenses from continuing operations</b>                           | <b>34,916</b>   | <b>29,141</b>   |
| <b>Surplus (deficit) from continuing operations before capital amounts</b> | <b>(5,746)</b>  | <b>(2,780)</b>  |
| Grants and contributions provided for capital purposes                     | 3,711           | 4,917           |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>  | <b>(2,035)</b>  | <b>2,137</b>    |
| <b>Surplus (deficit) from all operations before tax</b>                    | <b>(2,035)</b>  | <b>2,137</b>    |
| <b>Surplus (deficit) after tax</b>   | <b>(2,035)</b>  | <b>2,137</b>    |
| <b>Plus opening accumulated surplus</b>                                    | <b>230,915</b>  | <b>229,140</b>  |
| <b>Plus/less: prior period adjustments</b>                                 | <b>59</b>       | <b>(97)</b>     |
| <b>Plus adjustments for amounts unpaid:</b>                                |                 |                 |
| – Taxation equivalent payments   | 222             | 163             |
| <b>Less:</b>   |                 |                 |
| – Tax equivalent dividend paid   | (163)           | (164)           |
| – Surplus dividend paid  | -               | (265)           |
| <b>Closing accumulated surplus</b>   | <b>228,998</b>  | <b>230,914</b>  |
| <b>Return on capital %</b>   | <b>(1.1)%</b>   | <b>(0.6)%</b>   |
| <b>Subsidy from Council</b>  | <b>27,515</b>   | <b>19,691</b>   |
| <b>Calculation of dividend payable:</b>                                    |                 |                 |
| Surplus (deficit) after tax  | (2,035)         | 2,137           |
| Less: capital grants and contributions (excluding developer contributions) | (3,711)         | (3,616)         |
| <b>Surplus for dividend calculation purposes</b>                           | <b>-</b>        | <b>-</b>        |
| <b>Potential dividend calculated from surplus</b>                          | <b>-</b>        | <b>-</b>        |

CL24.5 - Attachment 1

Shoalhaven City Council | Income Statement of sewerage business activity | for the year ended 30 June 2023

## Shoalhaven City Council

### Income Statement of sewerage business activity for the year ended 30 June 2023

|  | 2023<br>\$ '000 | 2022<br>\$ '000 |
|--|-----------------|-----------------|
| <b>Income from continuing operations</b>                                   |                 |                 |
| Access charges   | 49,455          | 47,999          |
| User charges   | 3,507           | 3,371           |
| Liquid trade waste charges   | 471             | 329             |
| Fees   | 512             | 578             |
| Interest and investment income   | 901             | 344             |
| Net gain from the disposal of assets                                       | 13              | 83              |
| Other income   | 24              | 4               |
| <b>Total income from continuing operations</b>                             | <b>54,883</b>   | <b>52,708</b>   |
| <b>Expenses from continuing operations</b>                                 |                 |                 |
| Employee benefits and on-costs   | 15,259          | 11,316          |
| Borrowing costs  | 3,415           | 3,776           |
| Materials and services   | 13,848          | 12,878          |
| Depreciation, amortisation and impairment                                  | 15,364          | 14,565          |
| Calculated taxation equivalents  | 573             | 462             |
| Other expenses   | 35              | –               |
| COVID-19 financial assistance to ratepayers                                | –               | –               |
| <b>Total expenses from continuing operations</b>                           | <b>48,494</b>   | <b>42,997</b>   |
| <b>Surplus (deficit) from continuing operations before capital amounts</b> | <b>6,389</b>    | <b>9,711</b>    |
| Grants and contributions provided for capital purposes                     | 2,299           | 3,581           |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>  | <b>8,688</b>    | <b>13,292</b>   |
| <b>Surplus (deficit) from all operations before tax</b>                    | <b>8,688</b>    | <b>13,292</b>   |
| Less: corporate taxation equivalent (25%) [based on result before capital] | (1,597)         | (2,428)         |
| <b>Surplus (deficit) after tax</b>   | <b>7,091</b>    | <b>10,864</b>   |
| <b>Plus opening accumulated surplus</b>                                    | <b>446,737</b>  | <b>426,866</b>  |
| <b>Plus/less: prior period adjustments</b>                                 | <b>87</b>       | <b>7,667</b>    |
| <b>Plus adjustments for amounts unpaid:</b>                                |                 |                 |
| – Taxation equivalent payments   | 573             | 462             |
| – Corporate taxation equivalent  | 1,597           | 2,428           |
| <b>Less:</b>   |                 |                 |
| – Tax equivalent dividend paid   | (157)           | (155)           |
| – Surplus dividend paid  | (1,411)         | (1,395)         |
| <b>Closing accumulated surplus</b>   | <b>454,517</b>  | <b>446,737</b>  |
| <b>Return on capital %</b>   | <b>1.2%</b>     | <b>1.9%</b>     |
| <b>Subsidy from Council</b>  | <b>23,046</b>   | <b>12,927</b>   |
| <b>Calculation of dividend payable:</b>                                    |                 |                 |
| Surplus (deficit) after tax  | 7,091           | 10,864          |
| Less: capital grants and contributions (excluding developer contributions) | (2,299)         | (2,094)         |
| <b>Surplus for dividend calculation purposes</b>                           | <b>4,792</b>    | <b>8,770</b>    |
| <b>Potential dividend calculated from surplus</b>                          | <b>2,396</b>    | <b>4,385</b>    |

Shoalhaven City Council | Income Statement of Holiday Haven Tourist Parks | for the year ended 30 June 2023

## Shoalhaven City Council

### Income Statement of Holiday Haven Tourist Parks for the year ended 30 June 2023

|  | 2023<br>Category 1<br>\$ '000 | 2022<br>Category 1<br>\$ '000 |
|--|-------------------------------|-------------------------------|
| <b>Income from continuing operations</b>                                   |                               |                               |
| User charges   | 29,618                        | 26,085                        |
| Net gain from the disposal of assets                                       | 292                           | –                             |
| Other income   | 31                            | 810                           |
| <b>Total income from continuing operations</b>                             | <b>29,941</b>                 | <b>26,895</b>                 |
| <b>Expenses from continuing operations</b>                                 |                               |                               |
| Employee benefits and on-costs   | 972                           | 1,387                         |
| Borrowing costs  | 506                           | 318                           |
| Materials and services   | 15,877                        | 14,772                        |
| Depreciation, amortisation and impairment                                  | 3,884                         | 3,611                         |
| Calculated taxation equivalents  | 976                           | 761                           |
| Other expenses   | 1,333                         | –                             |
| <b>Total expenses from continuing operations</b>                           | <b>23,548</b>                 | <b>20,849</b>                 |
| <b>Surplus (deficit) from continuing operations before capital amounts</b> | <b>6,393</b>                  | <b>6,046</b>                  |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>  | <b>6,393</b>                  | <b>6,046</b>                  |
| <b>Surplus (deficit) from all operations before tax</b>                    | <b>6,393</b>                  | <b>6,046</b>                  |
| Less: corporate taxation equivalent (25%) [based on result before capital] | (1,598)                       | (1,512)                       |
| <b>Surplus (deficit) after tax</b>   | <b>4,795</b>                  | <b>4,534</b>                  |
| <b>Plus opening accumulated surplus</b>                                    | <b>41,903</b>                 | <b>41,904</b>                 |
| <b>Plus adjustments for amounts unpaid:</b>                                |                               |                               |
| – Taxation equivalent payments   | 976                           | 761                           |
| – Corporate taxation equivalent  | 1,598                         | 1,512                         |
| <b>Less:</b>   |                               |                               |
| – Dividend paid  | (7,369)                       | (6,808)                       |
| <b>Closing accumulated surplus</b>   | <b>41,903</b>                 | <b>41,903</b>                 |
| <b>Return on capital %</b>   | <b>6.7%</b>                   | <b>5.7%</b>                   |

CL24.5 - Attachment 1

Shoalhaven City Council | Income Statement of Bereavement Services | for the year ended 30 June 2023

## Shoalhaven City Council

### Income Statement of Bereavement Services for the year ended 30 June 2023

|  | 2023<br>Category 2<br>\$ '000 | 2022<br>Category 2<br>\$ '000 |
|--|-------------------------------|-------------------------------|
| <b>Income from continuing operations</b>                                   |                               |                               |
| User charges   | 1,860                         | 1,969                         |
| Net gain from the disposal of assets                                       | 40                            | –                             |
| Other income   | 35                            | 2                             |
| <b>Total income from continuing operations</b>                             | <b>1,935</b>                  | <b>1,971</b>                  |
| <b>Expenses from continuing operations</b>                                 |                               |                               |
| Employee benefits and on-costs   | 1,179                         | 1,280                         |
| Borrowing costs  | 24                            | 23                            |
| Materials and services   | 1,066                         | 898                           |
| Depreciation, amortisation and impairment                                  | 372                           | 321                           |
| Calculated taxation equivalents  | 63                            | 65                            |
| <b>Total expenses from continuing operations</b>                           | <b>2,704</b>                  | <b>2,587</b>                  |
| <b>Surplus (deficit) from continuing operations before capital amounts</b> | <b>(769)</b>                  | <b>(616)</b>                  |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>  | <b>(769)</b>                  | <b>(616)</b>                  |
| <b>Surplus (deficit) from all operations before tax</b>                    | <b>(769)</b>                  | <b>(616)</b>                  |
| <b>Surplus (deficit) after tax</b>   | <b>(769)</b>                  | <b>(616)</b>                  |
| <b>Plus opening accumulated surplus</b>                                    | <b>–</b>                      | <b>–</b>                      |
| <b>Plus adjustments for amounts unpaid:</b>                                |                               |                               |
| – Taxation equivalent payments   | 63                            | 65                            |
| – Subsidy paid/contribution to operations                                  | 706                           | 551                           |
| – Dividend paid  | –                             | –                             |
| <b>Closing accumulated surplus</b>   | <b>–</b>                      | <b>–</b>                      |
| <b>Return on capital %</b>   | <b>(4.6)%</b>                 | <b>(4.0)%</b>                 |
| <b>Subsidy from Council</b>  | <b>1,394</b>                  | <b>1,137</b>                  |

CL24.5 - Attachment 1

Shoalhaven City Council | Income Statement of Mechanical Services | for the year ended 30 June 2023

## Shoalhaven City Council

### Income Statement of Mechanical Services for the year ended 30 June 2023

|  | 2023<br>Category 1<br>\$ '000 | 2022<br>Category 1<br>\$ '000 |
|--|-------------------------------|-------------------------------|
| <b>Income from continuing operations</b>                                   |                               |                               |
| User charges   | 2,064                         | 1,672                         |
| Other income   | 8                             | 31                            |
| <b>Total income from continuing operations</b>                             | <b>2,072</b>                  | <b>1,703</b>                  |
| <b>Expenses from continuing operations</b>                                 |                               |                               |
| Employee benefits and on-costs   | 847                           | 586                           |
| Materials and services   | 2,708                         | 2,121                         |
| Depreciation, amortisation and impairment                                  | 16                            | 43                            |
| Calculated taxation equivalents  | 114                           | 98                            |
| <b>Total expenses from continuing operations</b>                           | <b>3,685</b>                  | <b>2,848</b>                  |
| <b>Surplus (deficit) from continuing operations before capital amounts</b> | <b>(1,613)</b>                | <b>(1,145)</b>                |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>  | <b>(1,613)</b>                | <b>(1,145)</b>                |
| <b>Surplus (deficit) from all operations before tax</b>                    | <b>(1,613)</b>                | <b>(1,145)</b>                |
| <b>Surplus (deficit) after tax</b>   | <b>(1,613)</b>                | <b>(1,145)</b>                |
| <b>Plus opening accumulated surplus</b>                                    | <b>855</b>                    | <b>1,902</b>                  |
| <b>Plus adjustments for amounts unpaid:</b>                                |                               |                               |
| – Taxation equivalent payments   | 114                           | 98                            |
| <b>Closing accumulated surplus</b>   | <b>(644)</b>                  | <b>855</b>                    |
| <b>Return on capital %</b>   | <b>(427.9)%</b>               | <b>(20.8)%</b>                |
| <b>Subsidy from Council</b>  | <b>1,628</b>                  | <b>1,346</b>                  |

CL24.5 - Attachment 1

Shoalhaven City Council | Income Statement of Shoalhaven Entertainment Centre | for the year ended 30 June 2023

## Shoalhaven City Council

### Income Statement of Shoalhaven Entertainment Centre for the year ended 30 June 2023

|  | 2023<br>Category 2<br>\$ '000 | 2022<br>Category 2<br>\$ '000 |
|--|-------------------------------|-------------------------------|
| <b>Income from continuing operations</b>                                   |                               |                               |
| User charges   | 2,170                         | 851                           |
| Other income   | 3                             | 245                           |
| <b>Total income from continuing operations</b>                             | <b>2,173</b>                  | <b>1,096</b>                  |
| <b>Expenses from continuing operations</b>                                 |                               |                               |
| Employee benefits and on-costs   | 1,775                         | 1,273                         |
| Materials and services   | 2,316                         | 1,508                         |
| Depreciation, amortisation and impairment                                  | 531                           | 503                           |
| Calculated taxation equivalents  | 148                           | 102                           |
| Other expenses   | 1                             | -                             |
| <b>Total expenses from continuing operations</b>                           | <b>4,771</b>                  | <b>3,386</b>                  |
| <b>Surplus (deficit) from continuing operations before capital amounts</b> | <b>(2,598)</b>                | <b>(2,290)</b>                |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>  | <b>(2,598)</b>                | <b>(2,290)</b>                |
| <b>Surplus (deficit) from all operations before tax</b>                    | <b>(2,598)</b>                | <b>(2,290)</b>                |
| <b>Surplus (deficit) after tax</b>   | <b>(2,598)</b>                | <b>(2,290)</b>                |
| <b>Plus opening accumulated surplus</b>                                    | -                             | -                             |
| <b>Plus adjustments for amounts unpaid:</b>                                |                               |                               |
| - Taxation equivalent payments   | 148                           | 102                           |
| <b>Add:</b>  |                               |                               |
| - Subsidy paid/contribution to operations                                  | 2,450                         | 2,188                         |
| <b>Closing accumulated surplus</b>   | <b>-</b>                      | <b>-</b>                      |
| <b>Return on capital %</b>   | <b>(7.5)%</b>                 | <b>(7.9)%</b>                 |
| <b>Subsidy from Council</b>  | <b>3,998</b>                  | <b>3,348</b>                  |

CL24.5 - Attachment 1

Shoalhaven City Council | Income Statement of Aquatic Recreation Facilities | for the year ended 30 June 2023

## Shoalhaven City Council

### Income Statement of Aquatic Recreation Facilities for the year ended 30 June 2023

|  | 2023<br>Category 1<br>\$ '000 | 2022<br>Category 1<br>\$ '000 |
|--|-------------------------------|-------------------------------|
| <b>Income from continuing operations</b>                                   |                               |                               |
| User charges   | 5,603                         | 3,978                         |
| Net gain from the disposal of assets                                       | 132                           | –                             |
| Other income   | –                             | 260                           |
| <b>Total income from continuing operations</b>                             | <b>5,735</b>                  | <b>4,238</b>                  |
| <b>Expenses from continuing operations</b>                                 |                               |                               |
| Employee benefits and on-costs   | 5,568                         | 5,051                         |
| Borrowing costs  | 56                            | 74                            |
| Materials and services   | 4,704                         | 4,007                         |
| Depreciation, amortisation and impairment                                  | 2,957                         | 2,168                         |
| Calculated taxation equivalents  | 386                           | 285                           |
| Other expenses   | 21                            | –                             |
| <b>Total expenses from continuing operations</b>                           | <b>13,692</b>                 | <b>11,585</b>                 |
| <b>Surplus (deficit) from continuing operations before capital amounts</b> | <b>(7,957)</b>                | <b>(7,347)</b>                |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>  | <b>(7,957)</b>                | <b>(7,347)</b>                |
| <b>Surplus (deficit) from all operations before tax</b>                    | <b>(7,957)</b>                | <b>(7,347)</b>                |
| <b>Surplus (deficit) after tax</b>   | <b>(7,957)</b>                | <b>(7,347)</b>                |
| <b>Plus opening accumulated surplus</b>                                    | <b>–</b>                      | <b>–</b>                      |
| <b>Plus adjustments for amounts unpaid:</b>                                |                               |                               |
| – Taxation equivalent payments   | 386                           | 285                           |
| <b>Add:</b>  |                               |                               |
| – Subsidy paid/contribution to operations                                  | 7,572                         | 7,062                         |
| <b>Closing accumulated surplus</b>   | <b>1</b>                      | <b>–</b>                      |
| <b>Return on capital %</b>   | <b>(6.7)%</b>                 | <b>(7.2)%</b>                 |
| <b>Subsidy from Council</b>  | <b>12,625</b>                 | <b>10,972</b>                 |

CL24.5 - Attachment 1

Shoalhaven City Council | Statement of Financial Position of water supply business activity | for the year ended 30 June 2023

## Shoalhaven City Council

### Statement of Financial Position of water supply business activity as at 30 June 2023

|   | 2023<br>\$ '000 | 2022<br>\$ '000 |
|---|-----------------|-----------------|
| <b>ASSETS</b>                                 |                 |                 |
| <b>Current assets</b>                         |                 |                 |
| Cash and cash equivalents                     | 8,613           | 6,485           |
| Investments                                   | 42,993          | 46,568          |
| Receivables                                   | 6,923           | 5,430           |
| Inventories                                   | 1,299           | 1,307           |
| <b>Total current assets</b>                   | <b>59,828</b>   | <b>59,790</b>   |
| <b>Non-current assets</b>                     |                 |                 |
| Investments                                   | 628             | 6,662           |
| Receivables                                   | 823             | 3,189           |
| Infrastructure, property, plant and equipment | 541,508         | 462,056         |
| Intangible assets                             | 120             | 12              |
| <b>Total non-current assets</b>               | <b>543,079</b>  | <b>471,919</b>  |
| <b>Total assets</b>                           | <b>602,907</b>  | <b>531,709</b>  |
| <b>LIABILITIES</b>                            |                 |                 |
| <b>Current liabilities</b>                    |                 |                 |
| Payables                                      | 3,614           | 1,607           |
| Contract liabilities                          | 1,228           | 1,014           |
| Employee benefit provisions                   | -               | 213             |
| <b>Total current liabilities</b>              | <b>4,842</b>    | <b>2,834</b>    |
| <b>Total liabilities</b>                      | <b>4,842</b>    | <b>2,834</b>    |
| <b>Net assets</b>                             | <b>598,065</b>  | <b>528,875</b>  |
| <b>EQUITY</b>                                 |                 |                 |
| Accumulated surplus                           | 228,999         | 230,915         |
| Revaluation reserves                          | 369,066         | 297,960         |
| <b>Total equity</b>                           | <b>598,065</b>  | <b>528,875</b>  |

CL24.5 - Attachment 1

Shoalhaven City Council | Statement of Financial Position of sewerage business activity | for the year ended 30 June 2023

## Shoalhaven City Council

### Statement of Financial Position of sewerage business activity as at 30 June 2023

|   | 2023<br>\$ '000 | 2022<br>\$ '000 |
|---|-----------------|-----------------|
| <b>ASSETS</b>                                 |                 |                 |
| <b>Current assets</b>                         |                 |                 |
| Cash and cash equivalents                     | 3,254           | 3,386           |
| Investments                                   | 16,240          | 24,316          |
| Receivables                                   | 4,763           | 5,281           |
| <b>Total current assets</b>                   | <b>24,257</b>   | <b>32,983</b>   |
| <b>Non-current assets</b>                     |                 |                 |
| Investments                                   | 237             | 3,479           |
| Receivables                                   | 1,225           | 1,127           |
| Infrastructure, property, plant and equipment | 817,164         | 721,698         |
| Intangible assets                             | 9               | 17              |
| <b>Total non-current assets</b>               | <b>818,635</b>  | <b>726,321</b>  |
| <b>Total assets</b>                           | <b>842,892</b>  | <b>759,304</b>  |
| <b>LIABILITIES</b>                            |                 |                 |
| <b>Current liabilities</b>                    |                 |                 |
| Payables                                      | 1,642           | 1,373           |
| Borrowings                                    | 6,023           | 6,535           |
| Contract liabilities                          | 2,048           | 513             |
| Employee benefit provisions                   | -               | 145             |
| <b>Total current liabilities</b>              | <b>9,713</b>    | <b>8,566</b>    |
| <b>Non-current liabilities</b>                |                 |                 |
| Borrowings                                    | 74,206          | 80,229          |
| <b>Total non-current liabilities</b>          | <b>74,206</b>   | <b>80,229</b>   |
| <b>Total liabilities</b>                      | <b>83,919</b>   | <b>88,795</b>   |
| <b>Net assets</b>                             | <b>758,973</b>  | <b>670,509</b>  |
| <b>EQUITY</b>                                 |                 |                 |
| Accumulated surplus                           | 454,519         | 446,737         |
| Revaluation reserves                          | 304,454         | 223,772         |
| <b>Total equity</b>                           | <b>758,973</b>  | <b>670,509</b>  |

Shoalhaven City Council | Statement of Financial Position of Holiday Haven Tourist Parks | for the year ended 30 June 2023

## Shoalhaven City Council

### Statement of Financial Position of Holiday Haven Tourist Parks as at 30 June 2023

|   | 2023<br>Category 1<br>\$ '000 | 2022<br>Category 1<br>\$ '000 |
|---|-------------------------------|-------------------------------|
| <b>ASSETS</b>                                 |                               |                               |
| <b>Current assets</b>                         |                               |                               |
| Receivables                                   | 1,447                         | 1,778                         |
| <b>Total current assets</b>                   | <b>1,447</b>                  | <b>1,778</b>                  |
| <b>Non-current assets</b>                     |                               |                               |
| Infrastructure, property, plant and equipment | 102,965                       | 111,291                       |
| Other   | 5,291                         | 10,471                        |
| <b>Total non-current assets</b>               | <b>108,256</b>                | <b>121,762</b>                |
| <b>Total assets</b>                           | <b>109,703</b>                | <b>123,540</b>                |
| <b>LIABILITIES</b>                            |                               |                               |
| <b>Current liabilities</b>                    |                               |                               |
| Payables                                      | 1,277                         | 5,194                         |
| Borrowings                                    | 2,282                         | 1,701                         |
| <b>Total current liabilities</b>              | <b>3,559</b>                  | <b>6,895</b>                  |
| <b>Non-current liabilities</b>                |                               |                               |
| Borrowings                                    | 14,833                        | 8,278                         |
| <b>Total non-current liabilities</b>          | <b>14,833</b>                 | <b>8,278</b>                  |
| <b>Total liabilities</b>                      | <b>18,392</b>                 | <b>15,173</b>                 |
| <b>Net assets</b>                             | <b>91,311</b>                 | <b>108,367</b>                |
| <b>EQUITY</b>                                 |                               |                               |
| Accumulated surplus                           | 41,903                        | 41,903                        |
| Revaluation reserves                          | 49,408                        | 66,464                        |
| <b>Total equity</b>                           | <b>91,311</b>                 | <b>108,367</b>                |

CL24.5 - Attachment 1

Shoalhaven City Council | Statement of Financial Position of Bereavement Services | for the year ended 30 June 2023

## Shoalhaven City Council

### Statement of Financial Position of Bereavement Services as at 30 June 2023

|   | 2023<br>Category 2<br>\$ '000 | 2022<br>Category 2<br>\$ '000 |
|---|-------------------------------|-------------------------------|
| <b>ASSETS</b>                                 |                               |                               |
| <b>Current assets</b>                         |                               |                               |
| Receivables                                   | 693                           | 495                           |
| <b>Total current assets</b>                   | <b>693</b>                    | <b>495</b>                    |
| <b>Non-current assets</b>                     |                               |                               |
| Infrastructure, property, plant and equipment | 16,134                        | 14,862                        |
| <b>Total non-current assets</b>               | <b>16,134</b>                 | <b>14,862</b>                 |
| <b>Total assets</b>                           | <b>16,827</b>                 | <b>15,357</b>                 |
| <b>LIABILITIES</b>                            |                               |                               |
| <b>Current liabilities</b>                    |                               |                               |
| Payables                                      | 21                            | 57                            |
| Borrowings                                    | 76                            | 73                            |
| <b>Total current liabilities</b>              | <b>97</b>                     | <b>130</b>                    |
| <b>Non-current liabilities</b>                |                               |                               |
| Borrowings                                    | 293                           | 368                           |
| Other Liabilities                             | 10,107                        | 11,870                        |
| <b>Total non-current liabilities</b>          | <b>10,400</b>                 | <b>12,238</b>                 |
| <b>Total liabilities</b>                      | <b>10,497</b>                 | <b>12,368</b>                 |
| <b>Net assets</b>                             | <b>6,330</b>                  | <b>2,989</b>                  |
| <b>EQUITY</b>                                 |                               |                               |
| Revaluation reserves                          | 6,330                         | 2,989                         |
| <b>Total equity</b>                           | <b>6,330</b>                  | <b>2,989</b>                  |

CL24.5 - Attachment 1

Shoalhaven City Council | Statement of Financial Position of Mechanical Services | for the year ended 30 June 2023

## Shoalhaven City Council

### Statement of Financial Position of Mechanical Services as at 30 June 2023

|   | 2023<br>Category 1<br>\$ '000 | 2022<br>Category 1<br>\$ '000 |
|---|-------------------------------|-------------------------------|
| <b>ASSETS</b>                                 |                               |                               |
| <b>Non-current assets</b>                     |                               |                               |
| Infrastructure, property, plant and equipment | 377                           | 5,497                         |
| Other   | 1,595                         | –                             |
| <b>Total non-current assets</b>               | <b>1,972</b>                  | <b>5,497</b>                  |
| <b>Total assets</b>                           | <b>1,972</b>                  | <b>5,497</b>                  |
| <b>LIABILITIES</b>                            |                               |                               |
| <b>Current liabilities</b>                    |                               |                               |
| Payables                                      | 44                            | 200                           |
| <b>Total current liabilities</b>              | <b>44</b>                     | <b>200</b>                    |
| <b>Non-current liabilities</b>                |                               |                               |
| Other Liabilities                             | –                             | 3,379                         |
| <b>Total non-current liabilities</b>          | <b>–</b>                      | <b>3,379</b>                  |
| <b>Total liabilities</b>                      | <b>44</b>                     | <b>3,579</b>                  |
| <b>Net assets</b>                             | <b>1,928</b>                  | <b>1,918</b>                  |
| <b>EQUITY</b>                                 |                               |                               |
| Accumulated surplus                           | 1,903                         | 1,903                         |
| Revaluation reserves                          | 25                            | 16                            |
| <b>Total equity</b>                           | <b>1,928</b>                  | <b>1,919</b>                  |

Shoalhaven City Council | Statement of Financial Position of Shoalhaven Entertainment Centre | for the year ended 30 June 2023

## Shoalhaven City Council

### Statement of Financial Position of Shoalhaven Entertainment Centre as at 30 June 2023

|   | 2023<br>Category 2<br>\$ '000 | 2022<br>Category 2<br>\$ '000 |
|---|-------------------------------|-------------------------------|
| <b>ASSETS</b>                                 |                               |                               |
| <b>Current assets</b>                         |                               |                               |
| Receivables                                   | 9                             | 30                            |
| <b>Total current assets</b>                   | <b>9</b>                      | <b>30</b>                     |
| <b>Non-current assets</b>                     |                               |                               |
| Infrastructure, property, plant and equipment | 34,814                        | 28,901                        |
| <b>Total non-current assets</b>               | <b>34,814</b>                 | <b>28,901</b>                 |
| <b>Total assets</b>                           | <b>34,823</b>                 | <b>28,931</b>                 |
| <b>LIABILITIES</b>                            |                               |                               |
| <b>Current liabilities</b>                    |                               |                               |
| Payables                                      | 79                            | 836                           |
| Borrowings                                    | 1,064                         | 857                           |
| <b>Total current liabilities</b>              | <b>1,143</b>                  | <b>1,693</b>                  |
| <b>Non-current liabilities</b>                |                               |                               |
| Borrowings                                    | 6,807                         | 5,853                         |
| Other Liabilities                             | 12,525                        | 10,283                        |
| <b>Total non-current liabilities</b>          | <b>19,332</b>                 | <b>16,136</b>                 |
| <b>Total liabilities</b>                      | <b>20,475</b>                 | <b>17,829</b>                 |
| <b>Net assets</b>                             | <b>14,348</b>                 | <b>11,102</b>                 |
| <b>EQUITY</b>                                 |                               |                               |
| Revaluation reserves                          | 14,348                        | 11,102                        |
| <b>Total equity</b>                           | <b>14,348</b>                 | <b>11,102</b>                 |

CL24.5 - Attachment 1

Shoalhaven City Council | Statement of Financial Position of Aquatic Recreation Facilities | for the year ended 30 June 2023

## Shoalhaven City Council

### Statement of Financial Position of Aquatic Recreation Facilities as at 30 June 2023

|   | 2023<br>Category 1<br>\$ '000 | 2022<br>Category 1<br>\$ '000 |
|---|-------------------------------|-------------------------------|
| <b>ASSETS</b>                                 |                               |                               |
| <b>Current assets</b>                         |                               |                               |
| Receivables                                   | 480                           | 134                           |
| <b>Total current assets</b>                   | <b>480</b>                    | <b>134</b>                    |
| <b>Non-current assets</b>                     |                               |                               |
| Infrastructure, property, plant and equipment | 117,504                       | 101,056                       |
| <b>Total non-current assets</b>               | <b>117,504</b>                | <b>101,056</b>                |
| <b>Total assets</b>                           | <b>117,984</b>                | <b>101,190</b>                |
| <b>LIABILITIES</b>                            |                               |                               |
| <b>Current liabilities</b>                    |                               |                               |
| Payables                                      | 89                            | 179                           |
| Borrowings                                    | 1,002                         | 972                           |
| <b>Total current liabilities</b>              | <b>1,091</b>                  | <b>1,151</b>                  |
| <b>Non-current liabilities</b>                |                               |                               |
| Borrowings                                    | 2,654                         | 3,656                         |
| Other Liabilities                             | 34,154                        | 33,160                        |
| <b>Total non-current liabilities</b>          | <b>36,808</b>                 | <b>36,816</b>                 |
| <b>Total liabilities</b>                      | <b>37,899</b>                 | <b>37,967</b>                 |
| <b>Net assets</b>                             | <b>80,085</b>                 | <b>63,223</b>                 |
| <b>EQUITY</b>                                 |                               |                               |
| Revaluation reserves                          | 80,085                        | 63,223                        |
| <b>Total equity</b>                           | <b>80,085</b>                 | <b>63,223</b>                 |

CL24.5 - Attachment 1

## Note – Significant Accounting Policies

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

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

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

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993* (Act), the *Local Government (General) Regulation 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

continued on next page ...

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## Note – Significant Accounting Policies (continued)

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

### Notional rate applied (%)

Corporate income tax rate – 25% (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 – Significant Accounting Policies (continued)

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

#### (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 2022 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 2023, the Statement of Financial Position of each Declared Business Activity as at 30 June 2023 and Significant accounting policies 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 2023, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2022–23 (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 Significant accounting policies note to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

### **Other Information**

The Council's annual report for the year ended 30 June 2023 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 comprises the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

### **The Councillors' Responsibilities for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://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.



David Daniels  
Delegate of the Auditor-General for New South Wales

13 December 2023  
SYDNEY

Shoalhaven  
City Council

# Special Schedules

2022-2023



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# Shoalhaven City Council

SPECIAL SCHEDULES  
for the year ended 30 June 2023

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## Shoalhaven City Council

### Special Schedules

for the year ended 30 June 2023

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| <b>Special Schedules:</b>            |      |
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| Report on Infrastructure Assets      | 6    |

Shoalhaven City Council | Permissible income for general rates | for the year ended 30 June 2023

## Shoalhaven City Council

### Permissible income for general rates

|   | Notes                   | Calculation<br>2022/23<br>\$ '000 | Calculation<br>2023/24<br>\$ '000 |
|---|-------------------------|-----------------------------------|-----------------------------------|
| <b>Notional general income calculation <sup>1</sup></b>           |                         |                                   |                                   |
| Last year notional general income yield                           | a                       | 81,713                            | <b>86,003</b>                     |
| Plus or minus adjustments <sup>2</sup>                            | b                       | 557                               | <b>453</b>                        |
| <b>Notional general income</b>                                    | c = a + b               | <b>82,270</b>                     | <b>86,456</b>                     |
| <b>Permissible income calculation</b>                             |                         |                                   |                                   |
| Or rate peg percentage  | e                       | 1.70%                             | <b>4.60%</b>                      |
| Or plus rate peg amount   | i = e x (c + g)         | 1,399                             | <b>3,977</b>                      |
| <b>Sub-total</b>  | k = (c + g + h + i + j) | <b>83,669</b>                     | <b>90,433</b>                     |
| Plus (or minus) last year's carry forward total                   | l                       | 2,387                             | <b>53</b>                         |
| <b>Sub-total</b>  | n = (l + m)             | <b>2,387</b>                      | <b>53</b>                         |
| <b>Total permissible income</b>                                   | o = k + n               | <b>86,056</b>                     | <b>90,486</b>                     |
| Less notional general income yield                                | p                       | 86,003                            | <b>90,511</b>                     |
| <b>Catch-up or (excess) result</b>                                | q = o - p               | <b>53</b>                         | <b>(25)</b>                       |
| Plus income lost due to valuation objections claimed <sup>4</sup> | r                       | –                                 | <b>31</b>                         |
| <b>Carry forward to next year <sup>6</sup></b>                    | t = q + r + s           | <b>53</b>                         | <b>6</b>                          |

#### 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)*.
- (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 2024.

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 2022–23 (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 2023 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 comprises the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2023'.

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 a 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](http://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.



David Daniels  
Delegate of the Auditor-General for New South Wales

13 December 2023  
SYDNEY

## Shoalhaven City Council

### Report on Infrastructure Assets

as at 30 June 2023

| Asset Class                             | Asset Category                             | Estimated cost   |  |   |                            | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost |                |                |                |                |  |  |
|---|--|--|--|---|----------------------------|---------------------|------------------------------|---|----------------|----------------|----------------|----------------|--|--|
|   |  | Estimated cost to bring assets to satisfactory standard <sup>a</sup> | Estimated cost to bring to the agreed level of service set by Council <sup>b,bl.</sup> | 2022/23 Required maintenance <sup>c</sup> | 2022/23 Actual maintenance |                     |                              | 1 <sup>1</sup>  | 2 <sup>2</sup> | 3 <sup>3</sup> | 4 <sup>4</sup> | 5 <sup>5</sup> |  |  |
|   |  | \$ '000  | \$ '000  | \$ '000                                   | \$ '000                    | \$ '000             | \$ '000                      |   |                |                |                |                |  |  |
| <b>Buildings</b>                        | Buildings                                  | 6,845  | 3,574  | 11,206                                    | 9,585                      | 372,845             | 516,869                      | 25.0%   | 37.0%          | 33.0%          | 4.0%           | 1.0%           |  |  |
|   | <b>Sub-total</b>                           | <b>6,845</b>   | <b>3,574</b>   | <b>11,206</b>                             | <b>9,585</b>               | <b>372,845</b>      | <b>516,869</b>               | <b>25.0%</b>  | <b>37.0%</b>   | <b>33.0%</b>   | <b>4.0%</b>    | <b>1.0%</b>    |  |  |
| <b>Other structures</b>                 | Other structures                           | 8,297  | 1,065  | 476                                       | 313                        | 83,530              | 140,159                      | 20.0%   | 29.0%          | 27.0%          | 22.0%          | 2.0%           |  |  |
|   | <b>Sub-total</b>                           | <b>8,297</b>   | <b>1,065</b>   | <b>476</b>                                | <b>313</b>                 | <b>83,530</b>       | <b>140,159</b>               | <b>20.0%</b>  | <b>29.0%</b>   | <b>27.0%</b>   | <b>22.0%</b>   | <b>2.0%</b>    |  |  |
| <b>Roads</b>                            | Sealed roads                               | 105,136  | 42,837   | 11,859                                    | 10,585                     | 870,953             | 1,282,543                    | 4.0%  | 29.0%          | 38.0%          | 26.0%          | 3.0%           |  |  |
|   | Unsealed roads                             | 3,436  | 2,695  | 2,869                                     | 2,621                      | 9,067               | 26,952                       | 2.0%  | 10.0%          | 47.0%          | 31.0%          | 10.0%          |  |  |
|   | Bridges                                    | 3,876  | 3,907  | 381                                       | 234                        | 82,679              | 140,545                      | 41.0%   | 26.0%          | 25.0%          | 5.0%           | 3.0%           |  |  |
|   | Footpaths                                  | 659  | 265  | 827                                       | 429                        | 86,463              | 120,367                      | 30.0%   | 43.0%          | 25.0%          | 2.0%           | 0.0%           |  |  |
|   | Other road assets                          | 1,358  | 1,119  | 4,276                                     | 3,825                      | 296,855             | 399,539                      | 80.0%   | 8.0%           | 11.0%          | 1.0%           | 0.0%           |  |  |
|   | Bulk earthworks                            | –  | –  | –   | –                          | 336,117             | 337,481                      | 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%           |  |  |
|   | <b>Sub-total</b>                           | <b>114,465</b>   | <b>50,823</b>  | <b>20,212</b>                             | <b>17,694</b>              | <b>1,682,134</b>    | <b>2,307,427</b>             | <b>34.8%</b>  | <b>21.4%</b>   | <b>26.4%</b>   | <b>15.4%</b>   | <b>2.0%</b>    |  |  |
| <b>Water supply network</b>             | Water supply network                       | 28,302   | 7,436  | 9,703                                     | 9,531                      | 482,494             | 929,471                      | 3.0%  | 26.0%          | 59.0%          | 11.0%          | 1.0%           |  |  |
|   | <b>Sub-total</b>                           | <b>28,302</b>  | <b>7,436</b>   | <b>9,703</b>                              | <b>9,531</b>               | <b>482,494</b>      | <b>929,471</b>               | <b>3.0%</b>   | <b>26.0%</b>   | <b>59.0%</b>   | <b>11.0%</b>   | <b>1.0%</b>    |  |  |
| <b>Sewerage network</b>                 | Sewerage network                           | 14,812   | 13,349   | 15,699                                    | 15,227                     | 719,798             | 1,026,823                    | 17.0%   | 37.0%          | 42.0%          | 3.0%           | 1.0%           |  |  |
|   | <b>Sub-total</b>                           | <b>14,812</b>  | <b>13,349</b>  | <b>15,699</b>                             | <b>15,227</b>              | <b>719,798</b>      | <b>1,026,823</b>             | <b>17.0%</b>  | <b>37.0%</b>   | <b>42.0%</b>   | <b>3.0%</b>    | <b>1.0%</b>    |  |  |
| <b>Stormwater drainage</b>              | Stormwater drainage                        | 9,432  | 7,795  | 1,213                                     | 1,319                      | 196,893             | 311,812                      | 4.0%  | 62.0%          | 24.0%          | 7.0%           | 3.0%           |  |  |
|   | <b>Sub-total</b>                           | <b>9,432</b>   | <b>7,795</b>   | <b>1,213</b>                              | <b>1,319</b>               | <b>196,893</b>      | <b>311,812</b>               | <b>4.0%</b>   | <b>62.0%</b>   | <b>24.0%</b>   | <b>7.0%</b>    | <b>3.0%</b>    |  |  |
| <b>Open space / recreational assets</b> | Swimming pools                             | 1,762  | –  | 3,372                                     | 5,986                      | 20,836              | 39,305                       | 8.0%  | 10.0%          | 64.0%          | 18.0%          | 0.0%           |  |  |
|   | Other open space / Recreational Assets     | 1,692  | 871  | 2,603                                     | 9,973                      | 58,536              | 87,102                       | 27.0%   | 17.0%          | 49.0%          | 6.0%           | 1.0%           |  |  |
|   | <b>Sub-total</b>                           | <b>3,454</b>   | <b>871</b>   | <b>5,975</b>                              | <b>15,959</b>              | <b>79,372</b>       | <b>126,407</b>               | <b>21.1%</b>  | <b>14.8%</b>   | <b>53.7%</b>   | <b>9.7%</b>    | <b>0.7%</b>    |  |  |
| <b>Other infrastructure assets</b>      | Other infrastructure assets                | 3,112  | 3,206  | 800                                       | 530                        | 36,452              | 63,863                       | 14.0%   | 22.0%          | 50.0%          | 9.0%           | 5.0%           |  |  |
|   | <b>Sub-total</b>                           | <b>3,112</b>   | <b>3,206</b>   | <b>800</b>                                | <b>530</b>                 | <b>36,452</b>       | <b>63,863</b>                | <b>14.0%</b>  | <b>22.0%</b>   | <b>50.0%</b>   | <b>9.0%</b>    | <b>5.0%</b>    |  |  |
| <b>Total – all assets</b>               |  | <b>188,719</b>   | <b>88,119</b>  | <b>65,284</b>                             | <b>70,158</b>              | <b>3,653,518</b>    | <b>5,422,831</b>             | <b>22.3%</b>  | <b>29.0%</b>   | <b>36.4%</b>   | <b>10.7%</b>   | <b>1.6%</b>    |  |  |

continued on next page ...

## Shoalhaven City Council

### Report on Infrastructure Assets (continued) as at 30 June 2023

- (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 2023

Infrastructure asset performance indicators (consolidated) <sup>(\*)</sup>

| \$ '000  | Amounts<br>2023  | Indicator<br>2023 | Indicators |        | Benchmark |
|--|------------------|-------------------|------------|--------|-----------|
|  |                  |                   | 2022       | 2021   |           |
| <b>Buildings and infrastructure renewals ratio</b>                       |                  |                   |            |        |           |
| Asset renewals <sup>(†)</sup>  | <b>70,708</b>    | <b>96.49%</b>     | 95.25%     | 75.72% | > 100.00% |
| Depreciation, amortisation and impairment                                | <b>73,279</b>    |                   |            |        |           |
| <b>Infrastructure backlog ratio</b>                                      |                  |                   |            |        |           |
| Estimated cost to bring assets to a satisfactory standard                | <b>188,719</b>   | <b>4.87%</b>      | 4.22%      | 2.85%  | < 2.00%   |
| Net carrying amount of infrastructure assets                             | <b>3,872,135</b> |                   |            |        |           |
| <b>Asset maintenance ratio</b>   |                  |                   |            |        |           |
| Actual asset maintenance   | <b>70,158</b>    | <b>107.47%</b>    | 89.68%     | 90.61% | > 100.00% |
| Required asset maintenance   | <b>65,284</b>    |                   |            |        |           |
| <b>Cost to bring assets to agreed service level</b>                      |                  |                   |            |        |           |
| Estimated cost to bring assets to an agreed service level set by Council | <b>88,119</b>    | <b>1.62%</b>      | 1.36%      | 1.03%  |           |
| Gross replacement cost   | <b>5,422,831</b> |                   |            |        |           |

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

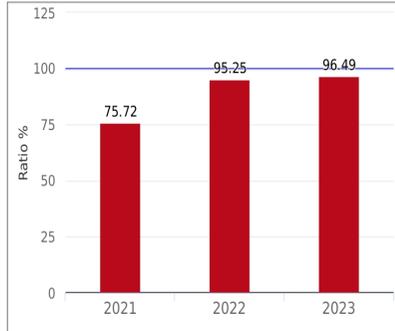
(†) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Shoalhaven City Council

Report on Infrastructure Assets

as at 30 June 2023

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 |        |
|----------------------|--------|
| 22/23 ratio          | 96.49% |

Council's Buildings and Infrastructure renewals ratio continues to show improvement, despite being slightly under the benchmark. A number of projects which commenced during prior financial years were completed in 2022/23.

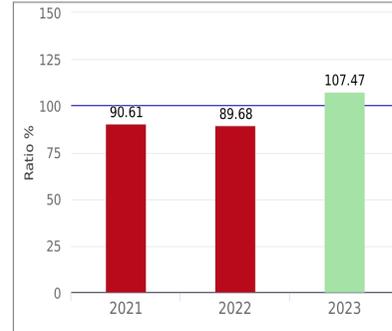
Benchmark: — > 100.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

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 |         |
|----------------------|---------|
| 22/23 ratio          | 107.47% |

Council's Asset Maintenance Ratio has improved over the 2022/23 financial year increasing back above the benchmark. This can be attributed to the natural disaster recovery work being prioritised and improving asset conditions.

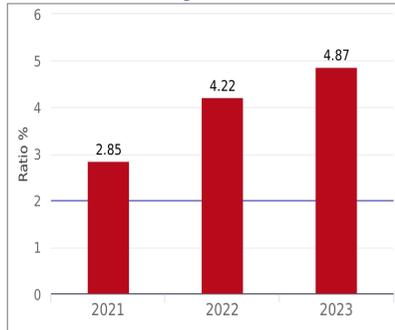
Benchmark: — > 100.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

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 |       |
|----------------------|-------|
| 22/23 ratio          | 4.87% |

Council's Infrastructure Backlog Ratio is above the benchmark of 2%. This ratio is impacted due to better asset stocktake and condition assessments occurring throughout the year, as well as a recent asset revaluation on Swimming Pools, Other Structures and Open Space & Recreation Assets.

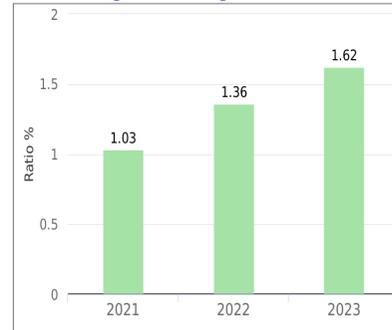
Benchmark: — < 2.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

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 |       |
|----------------------|-------|
| 22/23 ratio          | 1.62% |

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

## Shoalhaven City Council

### Report on Infrastructure Assets

as at 30 June 2023

#### Infrastructure asset performance indicators (by fund)

| \$ '000  | General fund   |         | Water fund    |        | Sewer fund    |        | Benchmark |
|--|----------------|---------|---------------|--------|---------------|--------|-----------|
|  | 2023           | 2022    | 2023          | 2022   | 2023          | 2022   |           |
| <b>Buildings and infrastructure renewals ratio</b>                       |                |         |               |        |               |        |           |
| Asset renewals <sup>1</sup>  | <b>149.02%</b> | 110.59% | <b>0.00%</b>  | 68.93% | <b>0.00%</b>  | 60.62% | > 100.00% |
| Depreciation, amortisation and impairment                                |                |         |               |        |               |        |           |
| <b>Infrastructure backlog ratio</b>                                      |                |         |               |        |               |        |           |
| Estimated cost to bring assets to a satisfactory standard                | <b>5.45%</b>   | 4.37%   | <b>5.87%</b>  | 6.60%  | <b>2.06%</b>  | 2.17%  | < 2.00%   |
| Net carrying amount of infrastructure assets                             |                |         |               |        |               |        |           |
| <b>Asset maintenance ratio</b>   |                |         |               |        |               |        |           |
| Actual asset maintenance   | <b>113.84%</b> | 86.01%  | <b>98.23%</b> | 90.13% | <b>96.99%</b> | 99.90% | > 100.00% |
| Required asset maintenance   |                |         |               |        |               |        |           |
| <b>Cost to bring assets to agreed service level</b>                      |                |         |               |        |               |        |           |
| Estimated cost to bring assets to an agreed service level set by Council | <b>1.94%</b>   | 1.56%   | <b>0.80%</b>  | 1.00%  | <b>1.30%</b>  | 1.00%  |           |
| Gross replacement cost   |                |         |               |        |               |        |           |

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

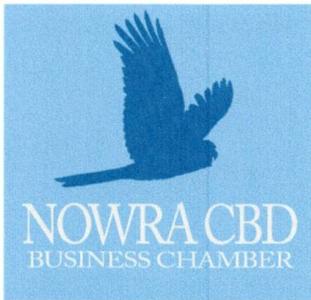


Shoalhaven  
City Council

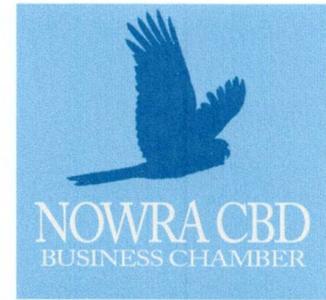
Address all correspondence to:  
**The Chief Executive Officer**  
PO Box 42, Nowra NSW 2541  
[shoalhaven.nsw.gov.au/contact](http://shoalhaven.nsw.gov.au/contact)  
1300 293 111

[shoalhaven.nsw.gov.au](http://shoalhaven.nsw.gov.au)    

CL24.5 - Attachment 1



NOWRA CBD BUSINESS CHAMBER  
INCORPORATED  
PO Box 241 NOWRA NSW 2541  
email: [nowracbdbc@shoal.net.au](mailto:nowracbdbc@shoal.net.au)  
ABN 38 368 853 811



Auditor General- New South Wales  
GPO Box 12  
SYDNEY NSW 2001

Attention David Daniels

RE Shoalhaven City Council Audited Financial Statements 2022-2023

Dear Sir

We have reviewed the Financial Statements for Shoalhaven City Council (SCC) for 2022-2023 and take this opportunity afforded to us under Section 420 of the Local Government Act to submit the following queries to you directly rather than relying on SCC to forward the submission as per the requirements of Section 420 (3).

Our questions are as follows:-

**The Audit Report States**

“No material deficiencies in the accounting records or financial statements have come to light during the audit”.

We know that the 2022 and 2023 Financial Statements have been signed by yourself after the Statutory due date, was this because the Financial Statements presented to you for audit contained material errors that needed to be corrected? Are you of the opinion that the Asset Reporting System has no material deficiencies?

It is noted that additions for the year total \$600.330 million yet the Statement of Cash Flows shows just \$194.154 million. Is there a material misstatement in this note?

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### G3-1 Subsequent Events

Shoalhaven City Council advised ratepayers on the 20th of November 2023 that a rate rise of up to 44% was required over the next 3 years to rescue the Council from a future dire financial situation, yet there are no subsequent events disclosed in the 2023 Financial Statements that would highlight that Council's finances had deteriorated for the period 1<sup>st</sup> July 2023 to 13th December 2023 (Audit sign off date). What audit testing was performed to ensure there were no material subsequent events to disclose? Also, how could council determine that such a significant rate rise was essential without the 2022-23 audited accounts being available?

### G2-1 Commitments

At June 30 2023 the disclosed liability was \$58.369 million. The approved budget on June 26th 2023 shows capital expenditure of \$186.972 million, making the disclosed liability seem low given the capital expenditure budget? Is Shoalhaven Council able to meet the contractual general fund capital commitments as and when they fall due over the next 7 months?

It is noted that in your Auditors Report you highlight that it is the Councillors responsibility to assess that Council can continue as a going concern. Where in the Audited Statements is there a positive affirmation by Council that it can in fact continue to operate as a going concern?

Did you highlight that in their approved General Fund Budget (approved on June 26<sup>th</sup> 2023) that the cashflow deficit for the year was negative \$61.398 million leaving only \$2.416 million of Cash at June 30th 2024, barely enough to cover a week's wages let alone meet the requirements of Restricted Cash Assets?

It is noted that the 2023-24 budget had an Opening Cash Balance of \$63.812 million yet the Audited Financial Statements disclosed a Cash Balance of just \$15.564 million at June 30th 2023, a variance of \$48.248 million. Can you explain how the cash position in the General Fund deteriorated so significantly between the Budget approval date and June 30th some 4 days later? Given this error in the opening cash balance in the budget how can the Councillors sign off that SCC can continue to operate as a going concern.

### D1-1 Income Statement by Fund

On November 21st 2023 at an Ordinary Meeting of Councillors an updated LTFP was presented to Councillors which contained an Income Statement for the General Fund showing a draft surplus before adding back capital grants of \$17.403 for the year ending June 30th 2023 yet the audited financial statements show a surplus of \$34.526 million a variance of \$17.123 million. What were the audit adjustments requested by the auditor to income and expenses of the general fund? A reconciliation of the variances would be appreciated.

..../3

....3....

It is noted that in your Audit Report that you highlight that there were no material deficiencies in the accounting records that have come to light during the audit, yet there appear to have been material adjustments in the Income Statement, presumably at the request of the Auditor. The Auditor points out on Page 96 of the Financial Statements that there were "Quality and timeliness issues of financial statements" so is it reasonable to say that the draft financial statements you received on the 18<sup>th</sup> August 2023 were not free of material misstatements? Especially given the dire financial cash position Council was in at June 30 2023 and that Councillors or the Ratepayers had not been made aware?

#### **D1-1 Income Statement by Fund**

The Employee benefits and on-costs totals \$112.733 million after capitalised wages and on costs of \$9.125 million. Has Council changed its accounting procedures in 2022/23 in determining the extent to which wages and on costs have been accounted for between General, Water and Sewerage Funds?

I note that Actual Water wages to December 31 2022 were \$4.042 million against a full year updated forecast expense of \$8.038 million yet the financial Statements disclose an expense of \$12.292 million, this would mean employee costs for the second half of the financial year were \$8.25 million which does not seem materially correct? Actual Sewer wages to December 31 2022 were \$5.534 million against a full year updated forecast expense of \$11.202 million, this would mean employee costs for the second half of the financial year were \$9.725 million which again doesn't seem materially correct.

Does this mean that General Fund Wages are understated potentially to the tune of \$8 million and when adjusted against Cash at Bank would theoretically mean that Section 408 and 411 of the Local Government Act 1993 have been breached?

I note that note C3-4 Employee benefit provisions has a less than 1% increase over the prior year yet wages increased by around 11% for 2023, do you believe there is not a material misstatement in Employee benefit provisions?

#### **C1-7 Infrastructure, Property, Plant and Equipment**

The AEC report handed to Council in November 2023 on page 102 highlighted governance issues with financial control of projects. At June 30 2023 the WIP was \$218.617 million an increase of \$59.232 million over the previous financial year. Was the auditor satisfied that:-

- 1) The WIP on projects has been calculated correctly ?
- 2) That completed projects were transferred out of WIP when completed?
- 3) That projects that have been scrapped have been correctly accounted for?
- 4) That no RFS Vehicles were delivered to the Shoalhaven in 22/23?
- 5) That Depreciation has been correctly calculated in respect to revalued IPPE?

..../4

....4....

**C3-1 Accrued Expenses**

Other Expenditure Accruals total \$17.184 million, a material increase from \$0.405 million in 2022

1. What is the nature of these Expenditure Accruals?
2. What audit testing was conducted to ensure no material misstatement?
3. Has there been a change in accounting policy in regards to Accruals?

**C 1-10 Other**

Work In Progress is stated at \$2.717 million, the financial statements have this disclosed as a Non-Current asset and by definition this means no benefit will accrue from this asset before June 2024.

1. Did the Auditor test for impairment of this asset?
2. What is the nature of this asset, ie physical or intellectual /intangible?
3. Were any payments made subsequent to June 30 2023?

**C3-2 Contract Liabilities -Grants in Advance**

Has the Auditor tested all significant capital grants received during the past two financial years to ensure that they have been accounted for correctly as at June 30th 2023 and expended in accordance with grant conditions?

**B3-1 Superannuation**

Has Council complied with all State and Federal Legislation regarding the calculations and remittance of employee superannuation, particularly the remittance of superannuation to employee superannuation funds? If any shortfall has Council fulfilled its statutory obligation to complete a Superannuation Guarantee Charge Statement and paid superannuation to the ATO when an employee's superannuation was not paid by the due date? At June 30<sup>th</sup> 2023 and June 30<sup>th</sup> 2022 were there any unpaid employee superannuation amounts that were more than 3 months overdue?

We look forward to receiving a timely response from you in order to make a submission to SCC on the Planning for a sustainable future, without this information it is impossible to make an educated submission.

Yours Faithfully

  
Scott Baxter  
Chairman



## Monthly Investment Review



December 2023

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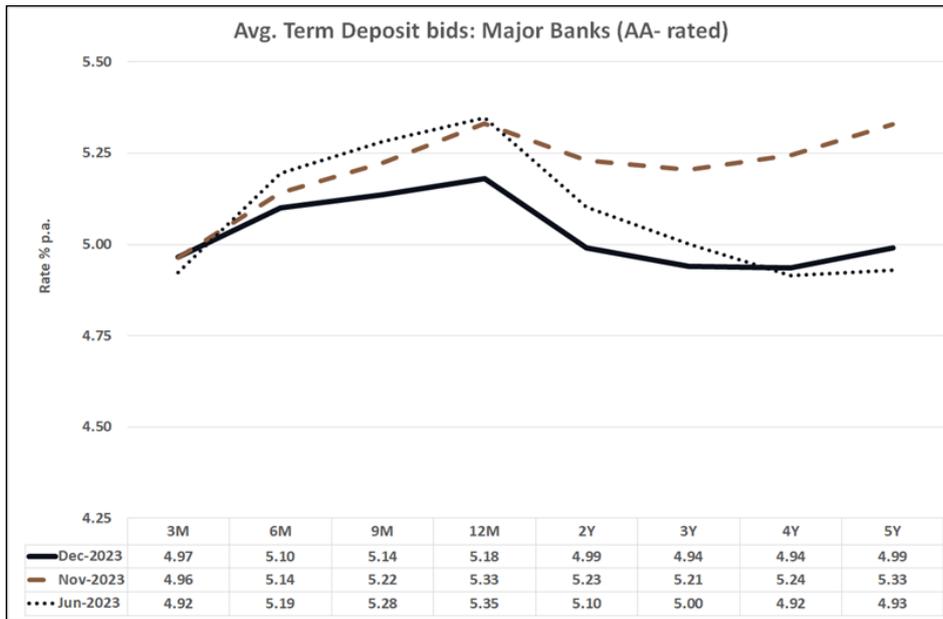
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## Market Update Summary

Financial markets continued their strong rally in December as inflation continues to ease and growing hopes that central banks will move towards an easing cycle (cut official interest rates) in 2024.

Over December, major bank deposit rates fell ~5-10bp for 6-12 month tenors, as the market turns its attention to potential rate cuts in 2024. Interestingly, at the longer-end (2-5 years), deposit rates offered by the majors banks fell between ~25-30bp with the banks clearly pricing in rate cuts in 2024 and into 2025. Rates are now inverse again across the longer-tenors (1-5 year rates), with the peak rate offered in the 12 month tenor.



Source: Imperium Markets

With a global economic downturn and multiple interest rate cuts being priced in coming years, investors may take an 'insurance policy' against a potentially lower rate environment by investing across 2-5 year fixed deposits, targeting rates above or close to 5% p.a. (small allocation only).



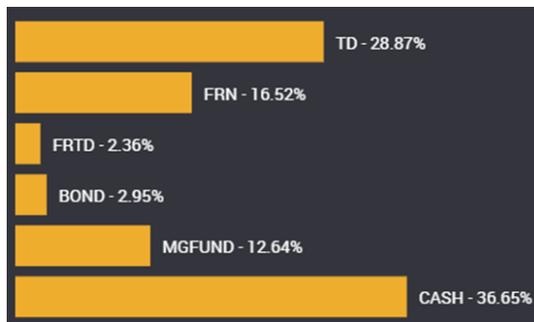
## Shoalhaven City Council 's Portfolio & Compliance

### Asset Allocation

The majority of the portfolio is directed to cash or cash notice accounts followed by fixed and floating rate term deposits. The remainder of the portfolio is directed to liquid senior FRNs, the managed fund with TCorp, as well as fixed bonds.

Senior FRNs remain relatively attractive as spreads have generally widened over the past 2 years. New issuances may be considered again on a case by case scenario. In the interim, staggering a mix of fixed deposits between 9-12 months to 3 years remains a more optimal strategy to maximise returns over a longer-term cycle.

With multiple rate cuts and a global economic downturn being priced in coming years, investors can choose to allocate a small proportion of longer-term funds and undertake an insurance policy against any potential future rate cuts by investing across 2-5 year fixed deposits, locking in and targeting yields close to or above 5% p.a.





**Term to Maturity**

All maturity limits (minimum and maximum) comply with the Investment Policy. Short-Medium Term (1-2 years) assets account for around 5% of the total investment portfolio, with capacity of ~\$110m remaining.

Once the immediate capital projects are completed, we recommend a proportion of longer-dated funds be allocated to 1-2 year fixed term deposits in combination with any attractive new FRNs (3-5 years) as they come to market (refer to respective sections below).

| Compliant | Horizon       | Invested (\$)        | Invested (%)   | Min. Limit (%) | Max. Limit (%) | Available (\$) |
|-----------|---------------|----------------------|----------------|----------------|----------------|----------------|
| ✓         | 0 - 90 days   | \$99,202,785         | 58.46%         | 0%             | 100%           | \$70,502,171   |
| ✓         | 91 - 365 days | \$21,495,375         | 12.67%         | 0%             | 100%           | \$148,209,580  |
| ✓         | 1 - 2 years   | \$8,072,118          | 4.76%          | 0%             | 70%            | \$110,721,351  |
| ✓         | 2 - 5 years   | \$19,475,615         | 11.48%         | 0%             | 50%            | \$65,376,862   |
| ✓         | 5 - 10 years  | \$21,459,062         | 12.65%         | 0%             | 25%            | \$20,967,177   |
|           |               | <b>\$169,704,955</b> | <b>100.00%</b> |                |                |                |



**Counterparty**

As at the end of December 2023, all counterparty exposures comply within the Policy limits. Capacity limits are also dependent on the movement in the cash balances. Overall, the portfolio is well diversified across the entire credit spectrum, including some exposure to the regional bank (lower rated) ADIs.

| Compliant | Issuer         | Rating  | Invested (\$)        | Invested (%)   | Max. Limit (%) | Available (\$) |
|-----------|----------------|---------|----------------------|----------------|----------------|----------------|
| ✓         | DBS Cov        | AAA     | \$997,400            | 0.59%          | 100.00%        | \$168,707,555  |
| ✓         | Suncorp Cov    | AAA     | \$1,998,852          | 1.18%          | 100.00%        | \$167,706,103  |
| ✓         | CBA            | AA-     | \$63,515,105         | 37.43%         | 100.00%        | \$106,189,850  |
| ✓         | HSBC Bank      | AA-     | \$1,997,842          | 1.18%          | 100.00%        | \$167,707,113  |
| ✓         | NAB            | AA-     | \$19,988,392         | 11.78%         | 100.00%        | \$149,716,563  |
| ✓         | Northern Terr. | AA-     | \$5,000,000          | 2.95%          | 100.00%        | \$164,704,955  |
| ✓         | NSW (SIRA)     | AA+     | \$4,115,000          | 2.42%          | 100.00%        | \$165,589,955  |
| ✓         | Westpac        | AA-     | \$10,000,000         | 5.89%          | 100.00%        | \$159,704,955  |
| ✓         | Macquarie      | A+      | \$3,975,352          | 2.34%          | 100.00%        | \$165,729,603  |
| ✓         | Rabobank       | A+      | \$3,989,066          | 2.35%          | 100.00%        | \$165,715,889  |
| ✓         | Suncorp        | A+      | \$10,761,398         | 6.34%          | 100.00%        | \$158,943,557  |
| ✓         | Bank of China  | A       | \$2,495,375          | 1.47%          | 100.00%        | \$167,209,580  |
| ✓         | ING Bank       | A       | \$15,000,000         | 8.84%          | 100.00%        | \$154,704,955  |
| ✓         | AMP Bank       | BBB     | \$2,315,345          | 1.36%          | 5.00%          | \$6,169,903    |
| ✓         | Newcastle PBS  | BBB     | \$2,096,766          | 1.24%          | 5.00%          | \$6,388,482    |
| ✓         | NSW TCorp LTG  | Unrated | \$21,459,062         | 12.64%         | 100.00%        | \$148,245,893  |
|           |                |         | <b>\$169,704,955</b> | <b>100.00%</b> |                |                |

ANZ's takeover of Suncorp was blocked by the Australian Competition and Consumer Commission (ACCC) in early August 2023, with the watchdog saying it was unconvinced the deal would deliver the public benefits claims put forward by ANZ (although ANZ has since appealed the decision).



**Credit Quality**

The portfolio is well diversified from a credit ratings perspective. The portfolio is predominately invested amongst the investment grade ADIs (BBB- or higher). The allocation to the Unrated category reflects the investment in the TCorp Long-Term Growth Fund.

All ratings categories are within the Policy limits:

| Compliant | Credit Rating        | Invested (\$)        | Invested (%)   | Max. Limit (%) | Available (\$) |
|-----------|----------------------|----------------------|----------------|----------------|----------------|
| ✓         | AAA Category         | \$2,996,252          | 2%             | 100%           | \$166,708,703  |
| ✓         | AA Category          | \$104,616,339        | 62%            | 100%           | \$65,088,616   |
| ✓         | A+ to A Category     | \$36,221,191         | 21%            | 100%           | \$133,483,764  |
| ✓         | A- Category          | \$0                  | 0%             | 40%            | \$67,881,982   |
| ✓         | BBB+ to BBB Category | \$4,412,111          | 3%             | 30%            | \$46,499,376   |
| ✓         | BBB- & NR Category   | \$0                  | 0%             | 5%             | \$8,485,248    |
| ✓         | NSW TCorp LTGF       | \$21,459,062         | 13%            | 100%           | \$148,245,893  |
|           |                      | <b>\$169,704,955</b> | <b>100.00%</b> |                |                |

CL24.6 - Attachment 1



### Performance

Council's performance for the month ending December 2023 (excluding cash) is summarised as follows:

| Performance (Actual)                        | 1 month      | 3 months     | 6 months     | FYTD         | 1 year       |
|---|--------------|--------------|--------------|--------------|--------------|
| Official Cash Rate                          | 0.36%        | 1.06%        | 2.09%        | 2.09%        | 3.89%        |
| AusBond Bank Bill Index                     | 0.37%        | 1.06%        | 2.15%        | 2.15%        | 3.89%        |
| T/D Portfolio                               | 0.40%        | 1.13%        | 2.16%        | 2.16%        | 3.68%        |
| FRT/D Portfolio                             | 0.46%        | 1.33%        | 2.66%        | 2.66%        | 5.32%        |
| FRN Portfolio                               | 0.43%        | 1.27%        | 2.53%        | 2.53%        | 5.43%        |
| Bond Portfolio                              | 0.09%        | 0.27%        | 0.55%        | 0.55%        | 1.08%        |
| <b>Council's Fixed Interest<sup>^</sup></b> | <b>0.40%</b> | <b>1.13%</b> | <b>2.19%</b> | <b>2.19%</b> | <b>4.07%</b> |
| TCorp LTGF                                  | 3.08%        | 5.45%        | 4.54%        | 4.54%        | 12.16%       |
| TCorp Long-Term Target*                     | 0.50%        | 1.48%        | 2.98%        | 2.98%        | 6.00%        |
| <b>Council's Total Portfolio</b>            | <b>0.91%</b> | <b>1.99%</b> | <b>2.78%</b> | <b>2.78%</b> | <b>5.30%</b> |
| <b>Relative (to Bank Bills)</b>             | <b>0.55%</b> | <b>0.93%</b> | <b>0.63%</b> | <b>0.63%</b> | <b>1.42%</b> |

<sup>^</sup>Council's Fixed Interest portfolio returns excludes Council's cash account holdings.

\*TCorp has a target of 3.5% above inflation of ~2.5%. The long-term target is therefore 6% p.a. on an ongoing basis.

| Performance (Annualised)                    | 1 month       | 3 months     | 6 months     | FYTD         | 1 year       |
|---|---------------|--------------|--------------|--------------|--------------|
| Official Cash Rate                          | 4.35%         | 4.27%        | 4.18%        | 4.18%        | 3.89%        |
| AusBond Bank Bill Index                     | 4.43%         | 4.26%        | 4.31%        | 4.31%        | 3.89%        |
| T/D Portfolio                               | 4.81%         | 4.55%        | 4.33%        | 4.33%        | 3.68%        |
| FRT/D Portfolio                             | 5.49%         | 5.38%        | 5.35%        | 5.35%        | 5.32%        |
| FRN Portfolio                               | 5.23%         | 5.11%        | 5.08%        | 5.08%        | 5.43%        |
| Bond Portfolio                              | 1.11%         | 1.09%        | 1.09%        | 1.09%        | 1.08%        |
| <b>Council's Fixed Interest<sup>^</sup></b> | <b>4.76%</b>  | <b>4.56%</b> | <b>4.39%</b> | <b>4.39%</b> | <b>4.07%</b> |
| TCorp LTGF                                  | 42.85%        | 23.44%       | 9.21%        | 9.21%        | 12.16%       |
| TCorp Long-Term Target*                     | 6.00%         | 6.00%        | 6.00%        | 6.00%        | 6.00%        |
| <b>Council's Total Portfolio</b>            | <b>11.32%</b> | <b>8.12%</b> | <b>5.59%</b> | <b>5.59%</b> | <b>5.30%</b> |
| <b>Relative (to Bank Bills)</b>             | <b>6.88%</b>  | <b>3.86%</b> | <b>1.29%</b> | <b>1.29%</b> | <b>1.42%</b> |

<sup>^</sup>Council's Fixed Interest portfolio returns excludes Council's cash account holdings.

\*TCorp has a target of 3.5% above inflation of ~2.5%. The long-term target is therefore 6% p.a. on an ongoing basis.

For the month of December, the total portfolio (excluding cash) provided a return of +0.91% (actual) or +11.32% p.a. (annualised), outperforming the benchmark AusBond Bank Bill Index return of +0.37% (actual) or +4.43% p.a. (annualised). The longer-term positive performance continues to be anchored by the handful of deposits that were originally placed for terms greater than 12 months.

The T-CorpIM Growth Fund was the main contributor to performance this month, with the Fund gaining another +3.08% (net actual) as shares continued their rally. Despite the volatility in the Fund over the past few years, the Growth Fund has performed well over longer-term time periods.



**Recommendations for Council**

**AMP Business Saver & Notice Account**

We note the AMP Business Saver and AMP 31 Day Notice Account are now sub optimal investments given the rise in deposit yields in recent months. We recommend switching into short-dated fixed deposits with the major banks yielding a considerably higher rate of return, or simply just redeem to replenish capital reserves.

**Term Deposits**

As at the end of December 2023, Council’s deposit portfolio was yielding 4.83% p.a. (up 32bp from the previous month), with a weighted average duration of ~73 days (~2½ months).

Going forward, once immediate capital projects are completed, a more optimal strategy would be staggering deposits across 12-24 months terms – this is likely to earn up to ¼-½% p.a. higher compared to shorter tenors in a normal market environment. There is growing belief that multiple rate cuts and a global economic downturn is forthcoming and so locking in rates close to or above 5% p.a. across 1-3 year tenors may provide some income protection against a lower rate environment.

Please refer to the section below for further details on the Term Deposit market.

**Securities**

Primary (new) Senior FRNs (with maturities between 3-5 years) continue to be appealing (particularly for those investors with portfolios skewed towards fixed assets) and should be considered on a case by case scenario. Please refer to the section below for further details on the FRN market.

**Council’s FRN Portfolio**

We recommend that Council retains all its FRNs at this stage (most are marked at a slight discount to par at month-end). We will continue to monitor them individually and will advise when it is appropriate to sell to boost the overall returns of the portfolio in future.

**Council’s Senior Fixed Bonds**

In September 2020, Council has invested into the following NTTC (AA-) fixed bonds:

| Investment Date           | Maturity Date | Principal          | Rate % p.a.  | Interest Paid |
|---------------------------|---------------|--------------------|--------------|---------------|
| 15/09/2021                | 15/12/2024    | \$3,000,000        | 1.00%        | Annually      |
| 15/09/2021                | 15/12/2025    | \$2,000,000        | 1.10%        | Annually      |
| <b>Totals / Wgt. Avg.</b> |               | <b>\$5,000,000</b> | <b>1.04%</b> |               |



We believe this was prudent at the time of investment given the low rate environment and particularly after the RBA's easing decision in early November 2020 to 0.10% and their forward guidance towards official interest rates (no rate rises "until at least 2024").

The NTTC bonds are a 'retail' offering and not 'wholesale' issuances. Given the lack of liquidity and high penalty costs if they were to be sold/redeemed prior to the maturity date, they are considered to be a hold-to-maturity investment and will be marked at par value (\$100.00) throughout the term of investment.



## NSW T-CorpIM Growth Fund

**The Growth Fund returned +3.08% (actual) for the month of December.** Both domestic shares (S&P ASX 200 Accumulation Index +7.26%) and international shares (MSCI World ex-Australia +4.70%) continued their rally this month. Bonds also provided solid returns as yields fell/valuations rose (AusBond Composite Bond Index gained +2.69%).

Asset markets rallied strongly again in December, with equities surging, credit spreads tightening and bond yields falling; all driven by an expectation that the rate tightening cycle is finished and speculation for rate cuts in 2024 brought forward. The driver has been the macroeconomic data, evidence that inflation pressures continue to ease, and that growth data is slowing. Central bankers are trying to maintain their tough talk, but markets are no longer listening, as consensus has made a shift toward a 'goldilocks' outlook for softer growth but no hard landing and inflation falling back to target.

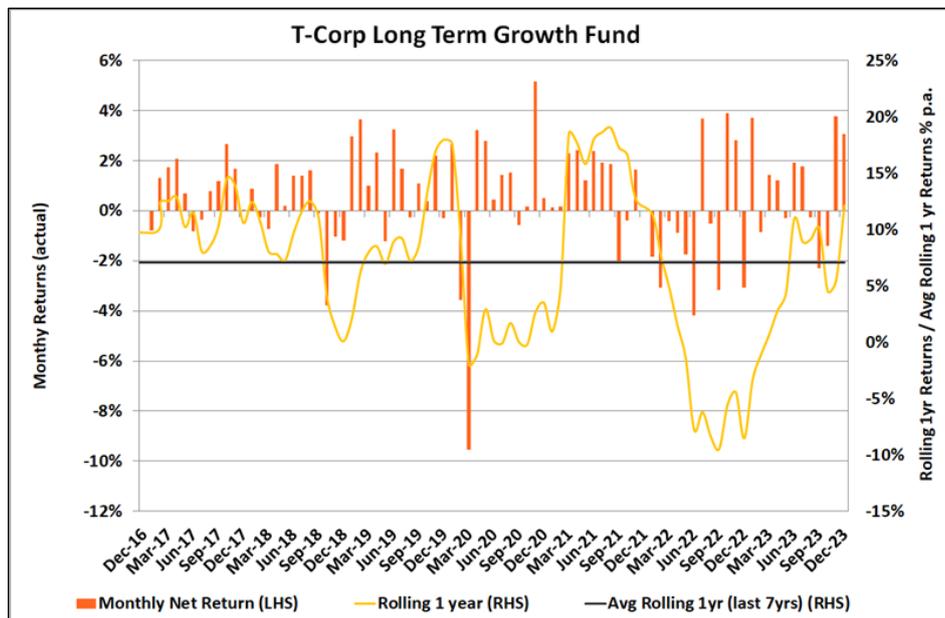
Central banks have continued to raise rates throughout 2023 and talk tough despite inflation trending lower as the year progressed. This has been because growth has proven resilient. The challenge for 2024 will be whether inflation returning to target is enough to justify rate cuts if a recession is indeed avoided.

Overall, we remain cautious on the future performance of the T-Corp Growth Fund given the high volatility associated with a diversified growth fund, which generally allocates a range of 60%-80% in domestic and international shares. Investors are seeking relief from the elevated levels of inflation and remain hopeful that rate cuts will be delivered in 2024.

The Fund should be looked at with a long-term view, with a minimum holding period of +7 years. Given the exposure to the volatile asset of shares, Council should expect to see, on average, a negative month once every 3 months over a long-term holding period.



| Since Inception               | T-Corp Long Term Fund   |
|-------------------------------|-------------------------|
| Negative Months               | 143 (~1 in 3 months)    |
| Positive Months               | 271                     |
| Total Months                  | 414 (34.50 yrs)         |
| Average Monthly Return        | +0.65% (actual)         |
| Median Monthly Return         | +1.02% (actual)         |
| Lowest 1 year Rolling Return  | -21.12% p.a. (Nov 2008) |
| Highest 1 year Rolling Return | +29.89% p.a. (Jan 1994) |



CL24.6 - Attachment 1



## Term Deposit Market Review

### Current Term Deposits Rates

As at the end of December, we see value in:

| Index   | LT Credit Rating | Term      | Rate % p.a. |
|---------|------------------|-----------|-------------|
| ING     | A                | 2 years   | 5.14%       |
| ING     | A                | 5 years   | 5.08%       |
| ING     | A                | 3-4 years | 5.03%       |
| Suncorp | A+               | 1½ years  | 4.95%       |
| BoQ     | BBB+             | 2 years   | 4.90%       |
| Suncorp | A+               | 2 years   | 4.85%       |
| Westpac | AA-              | 2 years   | 4.74%       |
| NAB     | AA-              | 2 years   | 4.70%       |

The above deposits are suitable for investors looking to maintain diversification and lock-in a slight premium compared to purely investing short-term.

For terms under 12 months, we believe the strongest value is currently being offered by the following ADIs (we stress that rates are indicative, dependent on daily funding requirements and different for industry segments):



| Index   | LT Credit Rating | Term        | Rate % p.a. |
|---------|------------------|-------------|-------------|
| ING     | A                | 12 months   | 5.32%       |
| ING     | A                | 9 months    | 5.22%       |
| Suncorp | A+               | 9 months    | 5.17%       |
| Suncorp | A+               | 12 months   | 5.15%       |
| NAB     | AA-              | 12 months   | 5.13%       |
| NAB     | AA-              | 6-11 months | 5.10%       |
| BoQ     | BBB+             | 9 months    | 5.10%       |
| Bendigo | BBB+             | 9 months    | 5.05%       |
| BoQ     | BBB+             | 12 months   | 5.05%       |
| NAB     | AA-              | 3-5 months  | 5.05%       |
| Westpac | AA-              | 12 months   | 5.01%       |
| BoQ     | BBB+             | 3 months    | 5.00%       |

If Council does not require high levels of liquidity and can stagger a proportion of its investments across the longer term horizons (1-5 years), it will be rewarded over a longer-term cycle. Investing a spread of 12 months to 3 year horizons is likely to yield, on average, up to ¼-½% p.a. higher compared to those investors that entirely invest in short-dated deposits (under 6-9 months).

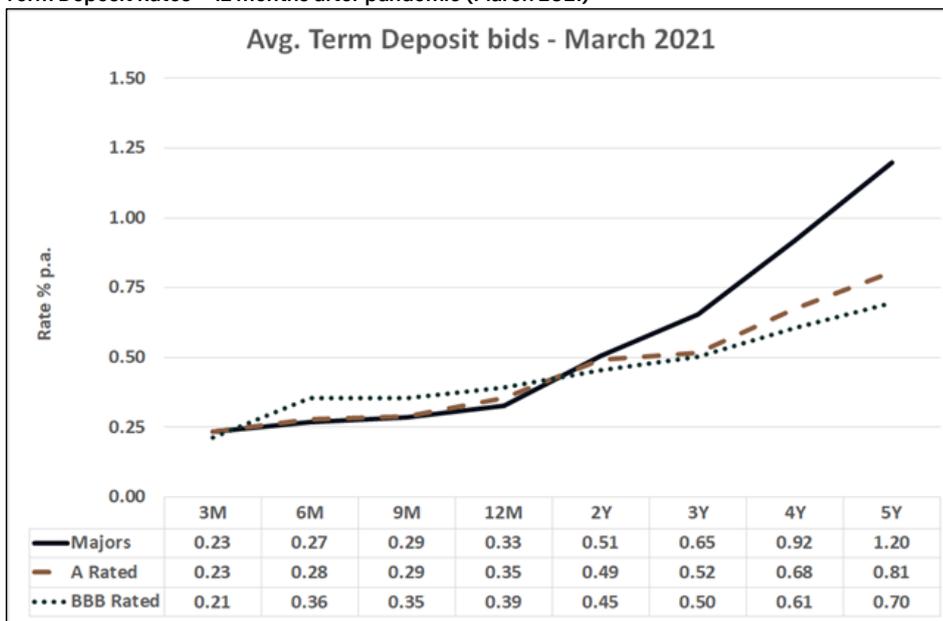
With a global economic slowdown and rate cuts being priced in coming years, investors should consider allocating some longer term surplus funds and undertake an insurance policy by investing across 2-5 year fixed deposits and locking in rates close to or above 5% p.a. This will provide some income protection if central banks decide to cut rates in future years, assuming inflation has well and truly stabilised.



**Term Deposits Analysis**

Pre-pandemic (March 2020), a 'normal' marketplace meant the lower rated ADIs (i.e. BBB category) were offering higher rates on term deposits compared to the higher rated ADIs (i.e. A or AA rated). But due to the cheap funding available provided by the RBA via their Term Funding Facility (TFF) during mid-2020, allowing the ADIs to borrow as low as 0.10% p.a. fixed for 3 years, those lower rated ADIs (BBB rated) did not require deposit funding from the wholesale deposit. Given the higher rated banks had more capacity to lend (as they have a greater pool of mortgage borrowers), they subsequently were offering higher deposit rates. In fact, some of the lower rated banks were not even offering deposit rates at all. As a result, most investors placed a higher proportion of their deposit investments with the higher rated (A or AA) ADIs over the past three years.

**Term Deposit Rates – 12 months after pandemic (March 2021)**



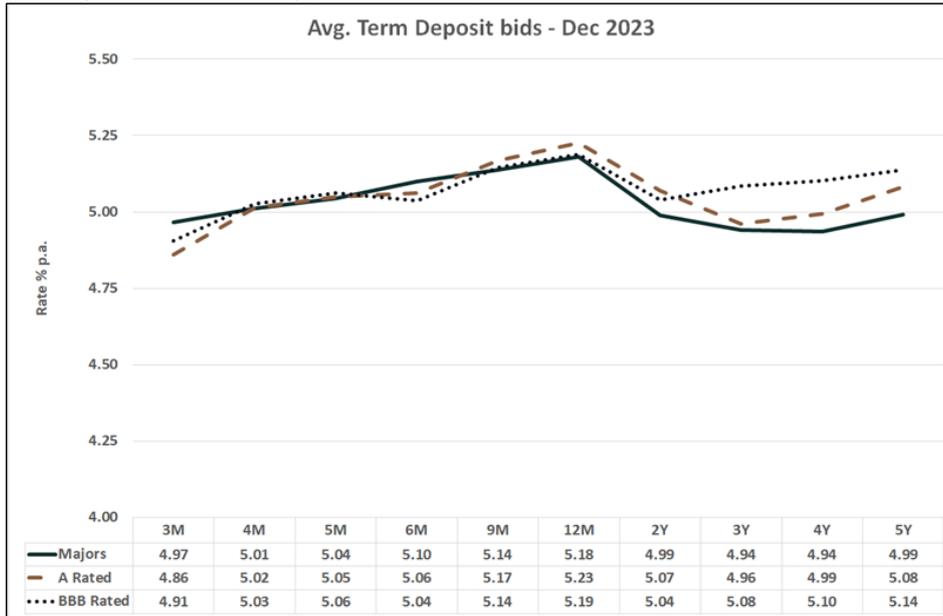
Source: Imperium Markets

The abnormal marketplace experienced during the pandemic is starting to reverse as the competition for deposits slowly increases. In recent months, we have started to periodically see some of the lower rated ADIs ("A" and "BBB" rated) offering slightly higher rates compared to the domestic major banks ("AA" rated) on different parts of the curve (i.e. pre-pandemic environment). Some of this has been attributed to lags in adjusting their deposit rates as some banks (mainly the lower rated ADIs) simply set their rates for the week.



Going forward, Council should have a larger opportunity to invest a higher proportion of its funds with the lower rated institutions (up to Policy limits), from which the majority are not lending to the Fossil Fuel industry. We are slowly seeing this trend emerge, although the past few months have been an exception, with the major banks repricing more rapidly to the movement in the bond market than their lower rated counterparts. This reversed somewhat over December with the lower rated institutions lagging the major banks in dropping their rates:

**Term Deposit Rates – Currently (December 2023)**



Source: Imperium Markets

**Regional & Unrated ADI Sector**

Ratings agency S&P has commented that "mergers remain compelling for mutual lenders" in providing smaller lenders greater economies of scale and assisting them in being able to price competitively and will see "the banking landscape will settle with a small number of larger mutual players". S&P expects that consolidation to continue over the next two years.

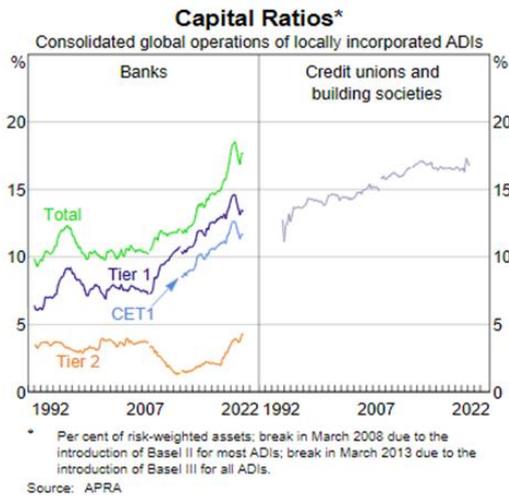
We remain supportive of the regional and unrated ADI sector (and have been even throughout the post-GFC period). They continue to remain solid, incorporate strong balance sheets, while exhibiting high levels of capital – typically, much higher compared to the higher rated ADIs. Some unrated ADIs have up to 25-40% more capital than the domestic major banks, and well above the Basel III requirements.



Overall, the lower rated ADIs (BBB and unrated) are generally now in a better financial position than they have been historically (see the Capital Ratio figure below). The financial regulator, APRA has noted that the Common Equity Tier 1 capital of Australian banks now exceeds a quarter of a trillion dollars. It has increased by \$110 billion, or more than 70%, over the past nine years. Over the same time, banks' assets have grown by 44%. Some of the extra capital is supporting growth in the banking system itself but clearly, there has been a strengthening in overall resilience and leverage in the system is lower.

We believe that deposit investments with the lower rated ADIs should be considered going forward, particularly when they offer 'above market' specials. Not only would it diversify the investment portfolio and reduce credit risk, it would also improve the portfolio's overall returns. The lower rated entities are generally deemed to be the more 'ethical' ADIs compared to the higher rated ADIs.

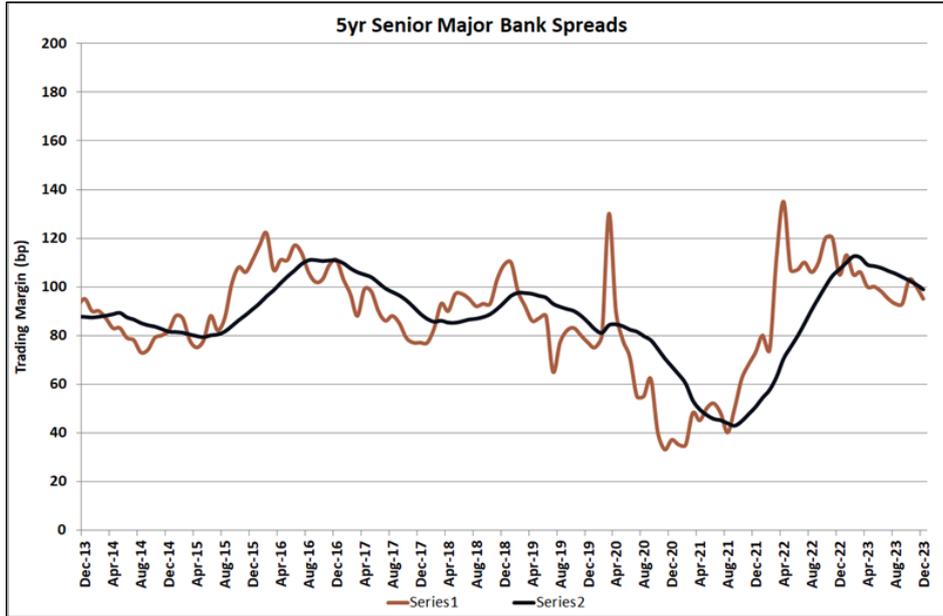
In the current environment of high regulation and scrutiny, all domestic (and international) ADIs continue to carry high levels of capital. There is minimal (if any) probability of any ADI defaulting on their deposits going forward – this was stress tested during the GFC and the pandemic period. APRA's mandate is to "protect depositors" and provide "financial stability".





## Senior FRNs Market Review

Over December, amongst the senior major bank FRNs, physical credit securities tightened by around 5–10bp at the long-end of the curve. Major bank senior securities remain at fair value on a historical basis (5yr margins around +95bp level).



Source: IBS Capital

During December, there was a lack of new issuances from the ADIs heading into the holiday period. The only two notable issuances were as follows:

- QBank (BBB-) 3yr senior FRN at +165bp
- BoQ (BBB+) 1yr senior FRN at +87bp



Amongst the “A” rated sector, the securities tightened by around 10bp at the longer-end of the curve. The “BBB” rated sector remained relatively flat, particularly given there is noticeably less secondary market trading. Credit securities are looking much more attractive given the widening of spreads over the past ~2 years. FRNs will continue to play a role in investor’s portfolios mainly on the basis of their liquidity and the ability to roll down the curve and gross up returns over future years (in a relatively stable credit environment).

| Senior FRNs (ADIs) | 31/12/2023 | 30/11/2023 |
|--------------------|------------|------------|
| “AA” rated – 5yrs  | +95bp      | +100bp     |
| “AA” rated – 3yrs  | +71bp      | +81bp      |
| “A” rated – 5yrs   | +125bp     | +135bp     |
| “A” rated – 3yrs   | +97bp      | +110bp     |
| “BBB” rated – 3yrs | +148bp     | +150bp     |

Source: IBS Capital

We now generally recommend switches (‘benchmark’ issues only) into new primary issues, out of the following senior FRNs that are maturing:

- On or before 2025 for the “AA” rated ADIs (domestic major banks);
- On or before 2024 for the “A” rated ADIs; and
- Within 6–9 months for the “BBB” rated ADIs (consider case by case).

Investors holding onto the above senior FRNs (‘benchmark’ issues only) in their last few years are now generally holding sub optimal investments and are not maximising returns by foregoing realised capital gains. In the current challenging economic environment, any boost in overall returns should be locked in when it is advantageous to do so, particularly as switch opportunities become available.



## Senior Fixed Bonds – ADIs (Secondary Market)

With global inflation still high by historical standards, this has seen a significant lift in longer-term bond yields over the past 2 years (valuations have fallen) as markets have reacted sharply.

This has resulted in some opportunities in the secondary market. We currently see value in the following fixed bond lines, with the majority now being marked at a significant discount to par (please note supply in the secondary market may be limited on any day):

| ISIN         | Issuer  | Rating | Capital Structure | Maturity Date | ~Remain. Term (yrs) | Fixed Coupon | Indicative Yield |
|--------------|---------|--------|-------------------|---------------|---------------------|--------------|------------------|
| AU3CB0273407 | UBS     | A+     | Senior            | 30/07/2025    | 1.60                | 1.20%        | 5.02%            |
| AU3CB0280030 | BoQ     | BBB+   | Senior            | 06/05/2026    | 2.36                | 1.40%        | 5.22%            |
| AU3CB0299337 | Bendigo | BBB+   | Senior            | 15/05/2026    | 2.39                | 4.70%        | 5.05%            |
| AU3CB0296168 | BoQ     | BBB+   | Senior            | 27/01/2027    | 3.09                | 4.70%        | 5.10%            |

CL24.6 - Attachment 1



## Economic Commentary

### International Market

Risk markets continued their rally in December on the back of easing inflation and central banks turning their focus on the timing of future interest rate cuts in 2024.

Across equity markets, the S&P 500 Index gained +4.42%, whilst the NASDAQ added +5.52%. Europe's main indices also experienced further gains, led by UK's FTSE (+3.75%), Germany's DAX (+3.31%) and France's CAC (+3.18%).

As widely expected, the US Federal Reserve held its policy rate unchanged at 5.25–5.50% for the third consecutive meeting. The Fed acknowledged US economic growth *"has slowed from its strong pace in the third quarter"* plus a recognition that *"inflation has eased over the past year"*. The US central bank also released its latest economic projections, and its latest 'dot plot' which shows each Fed official's projection for the central bank's key short-term interest rates. The new 'dot plot' effectively eliminated any further hints of rate hikes and showed an average of 75bp of interest rate cuts over 2024, and a further 100bp of cuts in 2025.

The latest US inflation data, which was released just prior to the US central bank policy meeting in mid-December, was in line with expectations, with headline consumer price index (CPI) rising +3.1% y/y and +0.1% m/m.

UK CPI surprised sharply lower in November, the headline falling -0.2% m/m and +3.9% y/y (+4.3% expected) and the core sliding to +5.1% y/y from +5.7% (consensus +5.6%).

The European Central Bank (ECB) and Bank of England (BoE) kept their respective interest rates steady. However unlike the Fed, both the ECB and BoE maintained higher interest rates had to continue. The BoE stated monetary policy was *"likely to need to be restrictive for an extended period of time"* and *"further tightening would be required if there were evidence of more persistent inflationary pressure"*.

The Bank of Canada held its policy rate at 5.00%, its third consecutive pause, whilst maintaining a tightening bias, noting *"the Governing Council is still concerned about risks to the outlook for inflation and remains prepared to raise the policy rate further if needed"*. Canada's employment rose a little ahead of expectation at +25k vs +14k expected. The unemployment ticked up to 5.8% from 5.7% as expected.

The MSCI World ex-Aus Index rose +4.70% for the month of December:

| Index                    | 1m     | 3m      | 1yr     | 3yr    | 5yr     | 10yr   |
|--------------------------|--------|---------|---------|--------|---------|--------|
| S&P 500 Index            | +4.42% | +11.24% | +24.23% | +8.29% | +13.73% | +9.94% |
| MSCI World ex-AUS        | +4.70% | +11.00% | +22.04% | +5.70% | +11.09% | +6.83% |
| S&P ASX 200 Accum. Index | +7.26% | +8.40%  | +12.42% | +9.24% | +10.28% | +7.93% |

Source: S&P, MSCI



**Domestic Market**

The RBA kept rates on hold at 4.35% as expected in its December meeting. The RBA Minutes continued in their recent tradition as reading more hawkish than the post-Meeting Statement. This was particularly the case this time around given it was not clear whether the case of a rate hike was genuinely discussed in December. Adding to the hawkish tone in the December Statement was the RBA’s concerns over domestic driven inflation and the need to target the mid-point of the 2-3% inflation band, rather than just the top of the band.

The updated agreement between the RBA Board and the Government on key aspects of Australia’s monetary and central banking framework revealed two significant changes. Firstly, the RBA will look to target the mid-point of the 2-3% inflation target. Secondly, the RBA has a dual mandate of sustained full employment and inflation (“*current maximum level of employment that is consistent with low and stable inflation*”).

Australia’s unemployment rate increased to 3.9% in November (3.8% in October) despite the creation of more than 60,000 new jobs over the month. This was due to the rise in the participation rate which increased to a record high of 67.2% in November (67.0% in October) largely driven by high net migration which boosted domestic labour supply.

GDP rose by a weaker-than-expected +0.2% q/q (+2.1% y/y), signifying a clear further slowing in both domestic final demand and GDP growth, with the ‘highlight’ being flat Household Consumption in the quarter.

The October goods trade surplus rose to \$7.1bn (consensus \$7.5bn). Goods exports rose (+0.4% m/m or \$0.2bn) driven by ‘metal ores and minerals’ (+2.3% m/m or \$0.4bn) and ‘metals’ (+21.6% m/m or \$0.3bn).

The Australian dollar rose +2.89%, finishing the month at US68.40 cents (from US66.48 cents the previous month).

**Credit Market**

The global credit indices tightened again over December as risk markets continued their rally. They are now back to their levels in early 2022 (prior to the rate hike cycle from most central banks):

| Index                      | December 2023 | November 2023 |
|----------------------------|---------------|---------------|
| CDX North American 5yr CDS | 56bp          | 63bp          |
| iTraxx Europe 5yr CDS      | 60bp          | 68bp          |
| iTraxx Australia 5yr CDS   | 72bp          | 75bp          |

Source: Markit



## Fixed Interest Review

### Benchmark Index Returns

| Index  | December 2023 | November 2023 |
|--|---------------|---------------|
| Bloomberg AusBond Bank Bill Index (0+YR)       | +0.37%        | +0.35%        |
| Bloomberg AusBond Composite Bond Index (0+YR)  | +2.69%        | +2.97%        |
| Bloomberg AusBond Credit FRN Index (0+YR)      | +0.51%        | +0.45%        |
| Bloomberg AusBond Credit Index (0+YR)          | +2.10%        | +1.84%        |
| Bloomberg AusBond Treasury Index (0+YR)        | +2.77%        | +3.08%        |
| Bloomberg AusBond Inflation Gov't Index (0+YR) | +4.65%        | +2.47%        |

Source: Bloomberg

### Other Key Rates

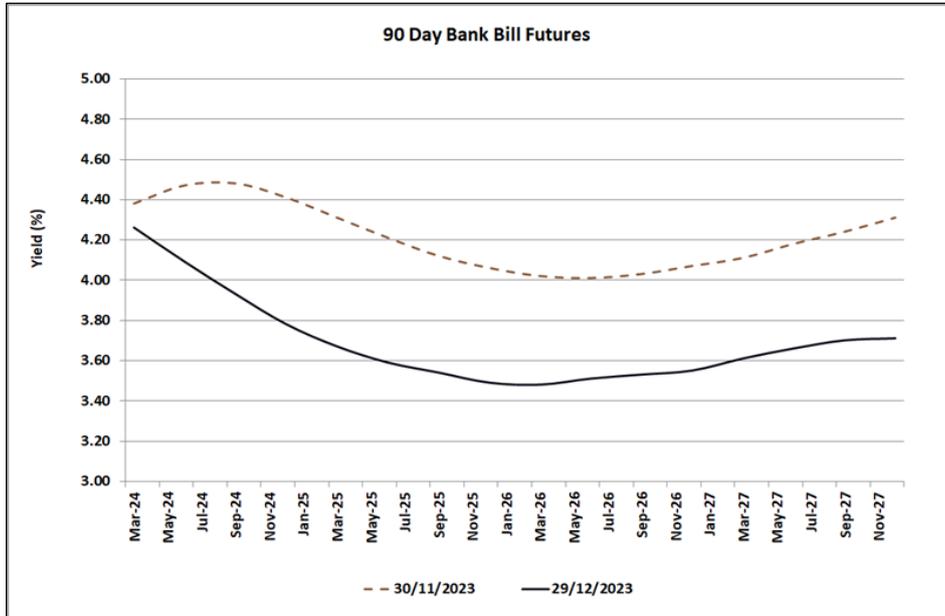
| Index                            | December 2023 | November 2023 |
|----------------------------------|---------------|---------------|
| RBA Official Cash Rate           | 4.35%         | 4.35%         |
| 90 Day (3 month) BBSW Rate       | 4.36%         | 4.37%         |
| 3yr Australian Government Bonds  | 3.61%         | 4.01%         |
| 10yr Australian Government Bonds | 3.97%         | 4.41%         |
| US Fed Funds Rate                | 5.25%-5.50%   | 5.25%-5.50%   |
| 2yr US Treasury Bonds            | 4.23%         | 4.73%         |
| 10yr US Treasury Bonds           | 3.88%         | 4.37%         |

Source: RBA, ASX, US Department of Treasury



**90 Day Bill Futures**

Bill futures fell across the board this month, following the movement in the global bond market. The market has quickly turned and now focusing more on when the first rate cuts will be delivered in 2024:



Source: ASX

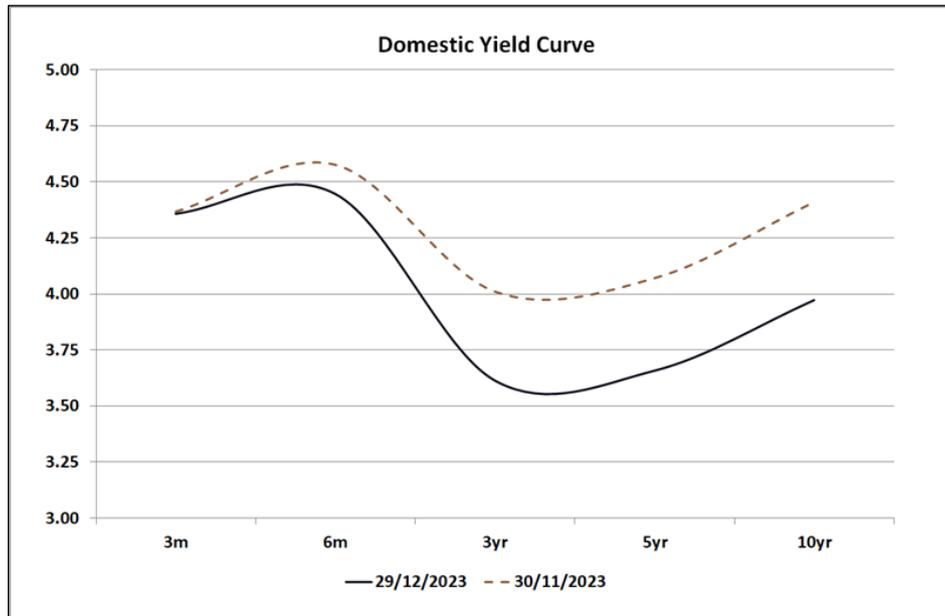


## Fixed Interest Outlook

Despite signs of easing, global inflation has remained somewhat sticky across advanced economies, with elevated energy prices remaining a risk to headline inflation. There is some uncertainty when central banks will start to cut official rates in 2024. Importantly, there was a change in stance by the US Federal Reserve as their latest 'dot plot' released in mid-December had no policymakers projecting further interest rate hikes for the first time since early 2021, with 17 of 19 Fed officials predicted lower rates by December 2024. Financial markets are now pricing in around 75-100bp of Fed rate cuts in 2024, with the first cut projected as early as March 2024.

The Fed's pivot in monetary policy stance has reduced the risk of the RBA needing to raise rates its first meeting in 2024 (February). However, we note the RBA remains on a mild tightening bias, with the Board commenting that whilst the trend in global inflation has been favourable, it was heavily caveated, consistent with the RBA waiting for the Q4 CPI to determine whether further tightening is required rather than taking significant signal from recent offshore developments. Key data to influence the RBA ahead of its next policy meeting in February will be Q4 CPI on 31 January 2024 and before then the November Monthly Inflation Indicator on 10 January 2024 which has better coverage of key services sectors.

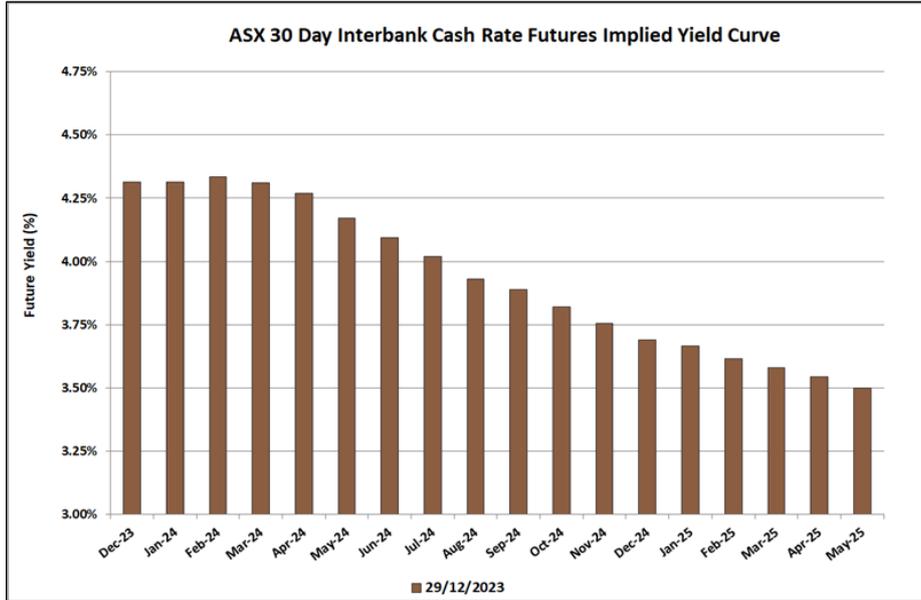
Over the month, yields fell by 44bp at the long end of the curve:



Source: ASX, RBA



The consensus from the broader market is that we have reached the peak of the interest rate cycle, though there are still a handful that believe the RBA will deliver one more rate hike (likely in Feb 2024). Interestingly, financial markets have pushed forward their rate cut expectations, with the first rate cut fully priced in by June 2024:



Source: ASX

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## Monthly Investment Review



November 2023

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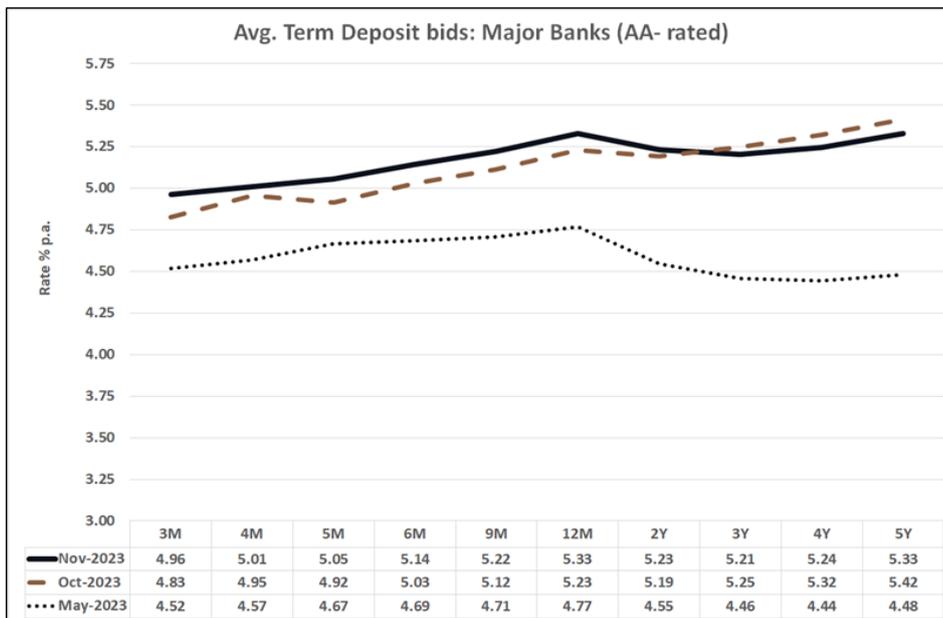
CL24.6 - Attachment 2



## Market Update Summary

Financial markets rebounded strongly in November with inflation across many advanced economies seemingly past their peak and on a downward trend. There was also growing expectations that the US may start cutting official interest rates as early as mid-2024, which aided risk markets. Domestically, although inflation has also eased, the RBA remains on a tightening bias, with some industries continuing to experience unsustainably high levels of inflation and above what the Board is willing to tolerate.

Over November, major bank deposit rates rose ~10bp between 6–12 month tenors, following the RBA's decision to hike again. In contrast, at the very long-end (3–5 years), deposit rates offered by the major banks fell between ~5–10bp with the banks reacting to the softer monthly inflation figure, as well as the movement in global bond yields. Rates remain flat across the longer-tenors (1–5 year rates), reflective of the major banks believing that we are approaching the peak of the interest rates cycle and potentially, future rate cuts may need to be delivered should inflation be returning back to target.



Source: Imperium Markets

With a global economic downturn being priced in coming years, investors may take an 'insurance policy' against a potentially lower rate environment by investing across 2–5 year fixed deposits, targeting rates above or close to 5¼–5½% p.a. (small allocation only).



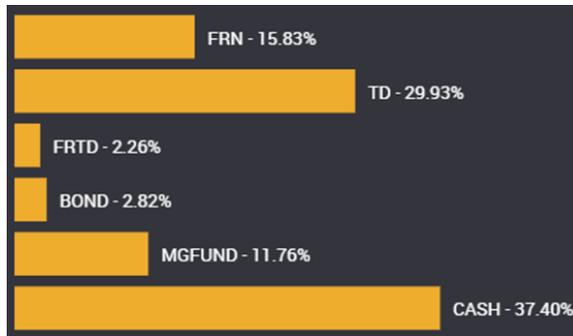
## Shoalhaven City Council 's Portfolio & Compliance

### Asset Allocation

The majority of the portfolio is directed to fixed and floating rate term deposits, followed by liquid senior FRNs. The remainder of the portfolio is directed to the managed with TCorp, fixed bonds with Northern Territory, as well as cash accounts.

Senior FRNs remain relatively attractive as spreads have generally widened over the past 2 years. New issuances may be considered again on a case by case scenario. In the interim, staggering a mix of fixed deposits between 9-12 months to 2 years remains a more optimal strategy to maximise returns over a longer-term cycle.

With a global economic downturn being priced in coming years, investors can choose to allocate a small proportion of longer-term funds and undertake an insurance policy against any potential future rate cuts by investing across 2-5 year fixed deposits, locking in and targeting yields close to or above 5¼-5½% p.a.



CL24.6 - Attachment 2



**Term to Maturity**

All maturity limits (minimum and maximum) comply with the Investment Policy. Short-Medium Term (1-2 years) assets account for around 3% of the total investment portfolio, with capacity of ~\$118m remaining.

Once the immediate capital projects are completed, we recommend a proportion of longer-dated funds be allocated to 1-2 year fixed term deposits in combination with any attractive new FRNs (3-5 years) as they come to market (refer to respective sections below).

| Compliant | Horizon       | Invested (\$)        | Invested (%)   | Min. Limit (%) | Max. Limit (%) | Available (\$) |
|-----------|---------------|----------------------|----------------|----------------|----------------|----------------|
| ✓         | 0 - 90 days   | \$103,218,851        | 58.29%         | 0%             | 100%           | \$73,850,233   |
| ✓         | 91 - 365 days | \$22,495,323         | 12.70%         | 0%             | 100%           | \$154,573,761  |
| ✓         | 1 - 2 years   | \$5,096,657          | 2.88%          | 0%             | 70%            | \$118,851,702  |
| ✓         | 2 - 5 years   | \$25,439,419         | 14.37%         | 0%             | 50%            | \$63,095,123   |
| ✓         | 5 - 10 years  | \$20,818,835         | 11.76%         | 0%             | 25%            | \$23,448,436   |
|           |               | <b>\$177,069,084</b> | <b>100.00%</b> |                |                |                |



### Counterparty

As at the end of November 2023, all counterparty exposures comply within the Policy limits. Capacity limits are also dependent on the movement in the cash balances. Overall, the portfolio is well diversified across the entire credit spectrum, including some exposure to the regional bank (lower rated) ADIs.

| Compliant | Issuer         | Rating  | Invested (\$)        | Invested (%)   | Max. Limit (%) | Available (\$) |
|-----------|----------------|---------|----------------------|----------------|----------------|----------------|
| ✓         | DBS Cov        | AAA     | \$997,242            | 0.56%          | 100.00%        | \$176,071,842  |
| ✓         | Suncorp Cov    | AAA     | \$1,997,922          | 1.13%          | 100.00%        | \$175,071,162  |
| ✓         | CBA            | AA-     | \$69,538,775         | 39.27%         | 100.00%        | \$107,530,309  |
| ✓         | HSBC Bank      | AA-     | \$1,996,832          | 1.13%          | 100.00%        | \$175,072,252  |
| ✓         | NAB            | AA-     | \$10,986,856         | 6.20%          | 100.00%        | \$166,082,228  |
| ✓         | Northern Terr. | AA-     | \$5,000,000          | 2.82%          | 100.00%        | \$172,069,084  |
| ✓         | NSW (SIRA)     | AA+     | \$4,115,000          | 2.32%          | 100.00%        | \$172,954,084  |
| ✓         | Westpac        | AA-     | \$14,000,000         | 7.91%          | 100.00%        | \$163,069,084  |
| ✓         | Macquarie      | A+      | \$3,974,324          | 2.24%          | 100.00%        | \$173,094,760  |
| ✓         | Rabobank       | A+      | \$3,988,474          | 2.25%          | 100.00%        | \$173,080,610  |
| ✓         | Suncorp        | A+      | \$10,756,900         | 6.07%          | 100.00%        | \$166,312,184  |
| ✓         | Bank of China  | A       | \$2,495,323          | 1.41%          | 100.00%        | \$174,573,761  |
| ✓         | ING Bank       | A       | \$22,000,000         | 12.42%         | 100.00%        | \$155,069,084  |
| ✓         | AMP Bank       | BBB     | \$2,305,945          | 1.30%          | 5.00%          | \$6,547,509    |
| ✓         | Newcastle PBS  | BBB     | \$2,096,657          | 1.18%          | 5.00%          | \$6,756,797    |
| ✓         | NSW TCorp LTG  | Unrated | \$20,818,835         | 11.76%         | 100.00%        | \$156,250,249  |
|           |                |         | <b>\$177,069,084</b> | <b>100.00%</b> |                |                |

ANZ's takeover of Suncorp was blocked by the Australian Competition and Consumer Commission (ACCC) in early August 2023, with the watchdog saying it was unconvinced the deal would deliver the public benefits claims put forward by ANZ (although ANZ has since appealed the decision).



**Credit Quality**

The portfolio is well diversified from a credit ratings perspective. The portfolio is predominately invested amongst the investment grade ADIs (BBB- or higher). The allocation to the Unrated category reflects the investment in the TCorp Long-Term Growth Fund.

All ratings categories are within the Policy limits:

| Compliant | Credit Rating        | Invested (\$)        | Invested (%)   | Max. Limit (%) | Available (\$) |
|-----------|----------------------|----------------------|----------------|----------------|----------------|
| ✓         | AAA Category         | \$2,995,164          | 2%             | 100%           | \$174,073,920  |
| ✓         | AA Category          | \$105,637,463        | 60%            | 100%           | \$71,431,621   |
| ✓         | A+ to A Category     | \$43,215,021         | 24%            | 100%           | \$133,854,063  |
| ✓         | A- Category          | \$0                  | 0%             | 40%            | \$70,827,634   |
| ✓         | BBB+ to BBB Category | \$4,402,602          | 2%             | 30%            | \$48,718,124   |
| ✓         | BBB- & NR Category   | \$0                  | 0%             | 5%             | \$8,853,454    |
| ✓         | NSW TCorp LTGF       | \$20,818,835         | 12%            | 100%           | \$156,250,249  |
|           |                      | <b>\$177,069,084</b> | <b>100.00%</b> |                |                |



## Performance

Council's performance for the month ending November 2023 (excluding cash) is summarised as follows:

| Performance (Actual)                        | 1 month      | 3 months      | 6 months     | FYTD         | 1 year       |
|---|--------------|---------------|--------------|--------------|--------------|
| Official Cash Rate                          | 0.35%        | 1.03%         | 2.06%        | 1.72%        | 3.79%        |
| AusBond Bank Bill Index                     | 0.35%        | 1.03%         | 2.08%        | 1.77%        | 3.76%        |
| T/D Portfolio                               | 0.37%        | 1.08%         | 2.04%        | 1.76%        | 3.49%        |
| FRT/D Portfolio                             | 0.42%        | 1.26%         | 2.53%        | 2.11%        | 5.08%        |
| FRN Portfolio                               | 0.42%        | 1.24%         | 2.49%        | 2.08%        | 5.40%        |
| Bond Portfolio                              | 0.09%        | 0.27%         | 0.54%        | 0.45%        | 1.08%        |
| <b>Council's Fixed Interest<sup>^</sup></b> | <b>0.37%</b> | <b>1.09%</b>  | <b>2.10%</b> | <b>1.79%</b> | <b>3.93%</b> |
| TCorp LTGF                                  | 3.77%        | -0.06%        | 3.36%        | 1.42%        | 5.48%        |
| TCorp Long-Term Target*                     | 0.48%        | 1.46%         | 2.96%        | 2.47%        | 6.00%        |
| <b>Council's Total Portfolio</b>            | <b>0.96%</b> | <b>1.01%</b>  | <b>2.41%</b> | <b>1.85%</b> | <b>4.24%</b> |
| <b>Relative (to Bank Bills)</b>             | <b>0.61%</b> | <b>-0.01%</b> | <b>0.33%</b> | <b>0.08%</b> | <b>0.47%</b> |

<sup>^</sup>Council's Fixed Interest portfolio returns excludes Council's cash account holdings.

\*TCorp has a target of 3.5% above inflation of ~2.5%. The long-term target is therefore 6% p.a. on an ongoing basis.

| Performance (Annualised)                    | 1 month       | 3 months      | 6 months     | FYTD         | 1 year       |
|---|---------------|---------------|--------------|--------------|--------------|
| Official Cash Rate                          | 4.35%         | 4.18%         | 4.14%        | 4.15%        | 3.79%        |
| AusBond Bank Bill Index                     | 4.34%         | 4.18%         | 4.19%        | 4.28%        | 3.76%        |
| T/D Portfolio                               | 4.63%         | 4.39%         | 4.12%        | 4.26%        | 3.49%        |
| FRT/D Portfolio                             | 5.25%         | 5.13%         | 5.10%        | 5.11%        | 5.08%        |
| FRN Portfolio                               | 5.18%         | 5.06%         | 5.02%        | 5.03%        | 5.40%        |
| Bond Portfolio                              | 1.12%         | 1.09%         | 1.09%        | 1.09%        | 1.08%        |
| <b>Council's Fixed Interest<sup>^</sup></b> | <b>4.63%</b>  | <b>4.43%</b>  | <b>4.23%</b> | <b>4.33%</b> | <b>3.93%</b> |
| TCorp LTGF                                  | 56.83%        | -0.24%        | 6.82%        | 3.42%        | 5.48%        |
| TCorp Long-Term Target*                     | 6.00%         | 6.00%         | 6.00%        | 6.00%        | 6.00%        |
| <b>Council's Total Portfolio</b>            | <b>12.29%</b> | <b>4.12%</b>  | <b>4.85%</b> | <b>4.47%</b> | <b>4.24%</b> |
| <b>Relative (to Bank Bills)</b>             | <b>7.95%</b>  | <b>-0.06%</b> | <b>0.66%</b> | <b>0.19%</b> | <b>0.47%</b> |

<sup>^</sup>Council's Fixed Interest portfolio returns excludes Council's cash account holdings.

\*TCorp has a target of 3.5% above inflation of ~2.5%. The long-term target is therefore 6% p.a. on an ongoing basis.

For the month of November, the total portfolio (excluding cash) provided a return of +0.96% (actual) or +12.29% p.a. (annualised), outperforming the benchmark AusBond Bank Bill Index return of +0.35% (actual) or +4.34% p.a. (annualised). The longer-term positive performance continues to be anchored by the handful of deposits that were originally placed for terms greater than 12 months.

The T-CorpIM Growth Fund was the main contributor to performance this month, with the Fund gaining +3.77% (net actual) as shares rebounded. Despite the volatility in the Fund over the past few years, the Growth Fund has performed well over longer-term time periods.



**Recommendations for Council**

**AMP Business Saver & Notice Account**

We note the AMP Business Saver and AMP 31 Day Notice Account are now sub optimal investments given the rise in deposit yields in recent months. We recommend switching into short-dated fixed deposits with the major banks yielding a considerably higher rate of return, or simply just redeem to replenish capital reserves.

**Term Deposits**

As at the end of November 2023, Council's deposit portfolio was yielding 4.51% p.a. (up 1bp from the previous month), with a weighted average duration of ~80 days (~3 months).

Going forward, once immediate capital projects are completed, a more optimal strategy would be staggering deposits across 12-24 months terms – this is likely to earn up to ¼-½% p.a. higher compared to shorter tenors in a normal market environment. There is growing belief that a global economic downturn is forthcoming and so locking in rates close to or above 5½% p.a. across 1-3 year tenors may provide some income protection against a lower rate environment.

Please refer to the section below for further details on the Term Deposit market.

**Securities**

Primary (new) Senior FRNs (with maturities between 3-5 years) continue to be appealing (particularly for those investors with portfolios skewed towards fixed assets) and should be considered on a case by case scenario. Please refer to the section below for further details on the FRN market.

**Council's FRN Portfolio**

We recommend that Council retains all its FRNs at this stage (most are marked at a slight discount to par at month-end). We will continue to monitor them individually and will advise when it is appropriate to sell to boost the overall returns of the portfolio in future.

**Council's Senior Fixed Bonds**

In September 2020, Council has invested into the following NTTC (AA-) fixed bonds:

| Investment Date           | Maturity Date | Principal          | Rate % p.a.  | Interest Paid |
|---------------------------|---------------|--------------------|--------------|---------------|
| 15/09/2021                | 15/12/2024    | \$3,000,000        | 1.00%        | Annually      |
| 15/09/2021                | 15/12/2025    | \$2,000,000        | 1.10%        | Annually      |
| <b>Totals / Wgt. Avg.</b> |               | <b>\$5,000,000</b> | <b>1.04%</b> |               |



We believe this was prudent at the time of investment given the low rate environment and particularly after the RBA's easing decision in early November 2020 to 0.10% and their forward guidance towards official interest rates (no rate rises "until at least 2024").

The NTTC bonds are a 'retail' offering and not 'wholesale' issuances. Given the lack of liquidity and high penalty costs if they were to be sold/redeemed prior to the maturity date, they are considered to be a hold-to-maturity investment and will be marked at par value (\$100.00) throughout the term of investment.



## NSW T-CorpIM Growth Fund

**The Growth Fund returned +3.77% (actual) for the month of November.** Both domestic shares (S&P ASX 200 Accumulation Index +5.03%) and international shares (MSCI World ex-Australia +8.87%) rallied strongly this month. Bonds also rebounded as yields fell/valuations rose (AusBond Composite Bond Index gained +2.97%).

Central banks remain in the spotlight, though at this point of the cycle there is divergence in messaging. The US Federal Reserve (Fed), who is observing resilient growth, delivered a “hawkish hold” at its meeting on the 1<sup>st</sup> of November, essentially signalling that while rates are near their peak one further hike may still be needed. Domestically, whilst Governor Bullock has signalled discomfort over the stickiness of inflation, markets have somewhat discounted another rate hike.

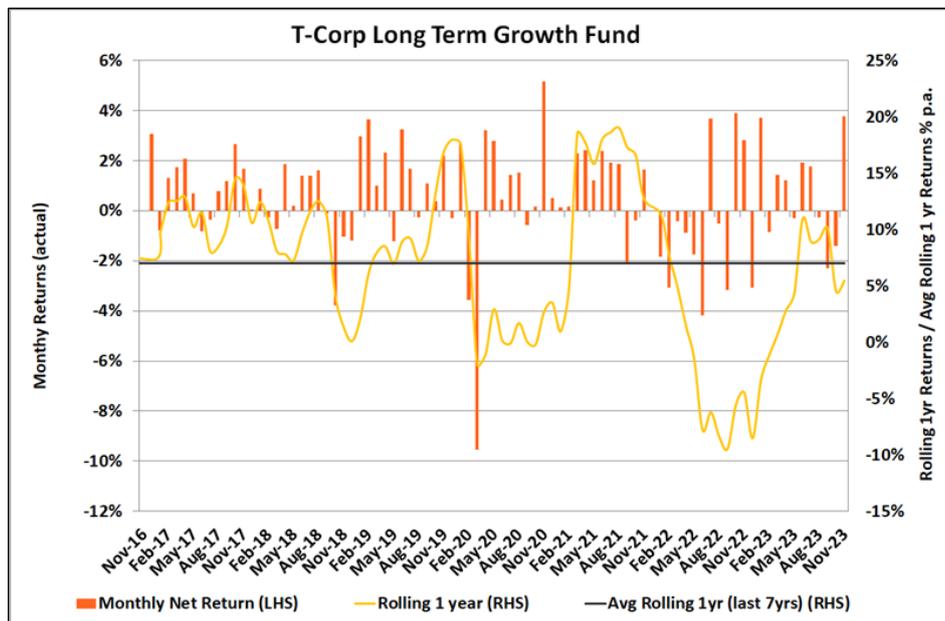
A cyclical recession, similar to 2000–01, may still arrive in the coming year. For Europe and the UK, following the recent Q3 GDP releases, economies have already arrived at cyclical recession, with growth broadly flatlining through 2023 to date. Inflation is coming down, more gradually than the economic environment would have implied, but this is largely due to specific cyclical and structural forces in play as a result of the supply shocks that are taking longer to unravel. In contrast, the US economy has been supported by stronger than expected Federal Government spending through each quarter of 2023. Despite this, inflation has fallen, and wages growth is clearly easing, though both are still higher than the US Federal Reserve’s (Fed) target levels. With the Fed firmly committed to delivering its inflation target and fiscal spending expected to gradually slow, the expected US recession may have been delayed but the pressure on demand continues to build. Markets continue to factor in multiple rate cuts in the US for 2024.

Overall, we remain cautious on the future performance of the T-Corp Growth Fund given the high volatility associated with a diversified growth fund, which generally allocates a range of 60%–80% in domestic and international shares. Investors are seeking relief from the elevated levels of inflation and remain hopeful that we have or already approached the peak of the interest rate cycle.

The Fund should be looked at with a long-term view, with a minimum holding period of +7 years. Given the exposure to the volatile asset of shares, Council should expect to see, on average, a negative month once every 3 months over a long-term holding period.



| Since Inception               | T-Corp Long Term Fund   |
|-------------------------------|-------------------------|
| Negative Months               | 143 (~1 in 3 months)    |
| Positive Months               | 270                     |
| Total Months                  | 413 (34.42 yrs)         |
| Average Monthly Return        | +0.64% (actual)         |
| Median Monthly Return         | +1.02% (actual)         |
| Lowest 1 year Rolling Return  | -21.12% p.a. (Nov 2008) |
| Highest 1 year Rolling Return | +29.89% p.a. (Jan 1994) |



CL24.6 - Attachment 2



## Term Deposit Market Review

### Current Term Deposits Rates

As at the end of November, we see value in:

| Index    | LT Credit Rating | Term      | Rate % p.a. |
|----------|------------------|-----------|-------------|
| P&N Bank | BBB              | 5 years   | 5.55%       |
| P&N Bank | BBB              | 4 years   | 5.50%       |
| BoQ      | BBB+             | 5 years   | 5.50%       |
| BoQ      | BBB+             | 4 years   | 5.45%       |
| P&N Bank | BBB              | 2-3 years | 5.45%       |
| ING      | A                | 2 years   | 5.42%       |
| ING      | A                | 3 years   | 5.40%       |
| BoQ      | BBB+             | 2 years   | 5.35%       |
| Suncorp  | A+               | 2 years   | 5.32%       |
| Westpac  | AA-              | 2 years   | 5.18%       |
| NAB      | AA-              | 2 years   | 5.05%       |

The above deposits are suitable for investors looking to maintain diversification and lock-in a slight premium compared to purely investing short-term.



For terms under 12 months, we believe the strongest value is currently being offered by the following ADIs (we stress that rates are indicative, dependent on daily funding requirements and different for industry segments):

| Index            | LT Credit Rating | Term        | Rate % p.a. |
|------------------|------------------|-------------|-------------|
| Suncorp          | A+               | 12 months   | 5.46%       |
| ING              | A                | 12 months   | 5.46%       |
| Australian Unity | BBB+             | 12 months   | 5.45%       |
| P&N Bank         | BBB              | 12 months   | 5.45%       |
| BoQ              | BBB+             | 9-12 months | 5.40%       |
| Suncorp          | A+               | 9 months    | 5.40%       |
| ING              | A                | 11 months   | 5.37%       |
| Suncorp          | A+               | 6 months    | 5.37%       |
| Westpac          | AA-              | 12 months   | 5.35%       |
| NAB              | AA-              | 12 months   | 5.30%       |
| CBA (>\$2m)      | AA-              | 12 months   | 5.29%       |
| BoQ              | BBB+             | 6 months    | 5.20%       |
| NAB              | AA-              | 3 months    | 5.00%       |

If Council does not require high levels of liquidity and can stagger a proportion of its investments across the longer term horizons (1-5 years), it will be rewarded over a longer-term cycle. Investing a spread of 12 months to 3 year horizons is likely to yield, on average, up to ¼-½% p.a. higher compared to those investors that entirely invest in short-dated deposits (under 6-9 months).

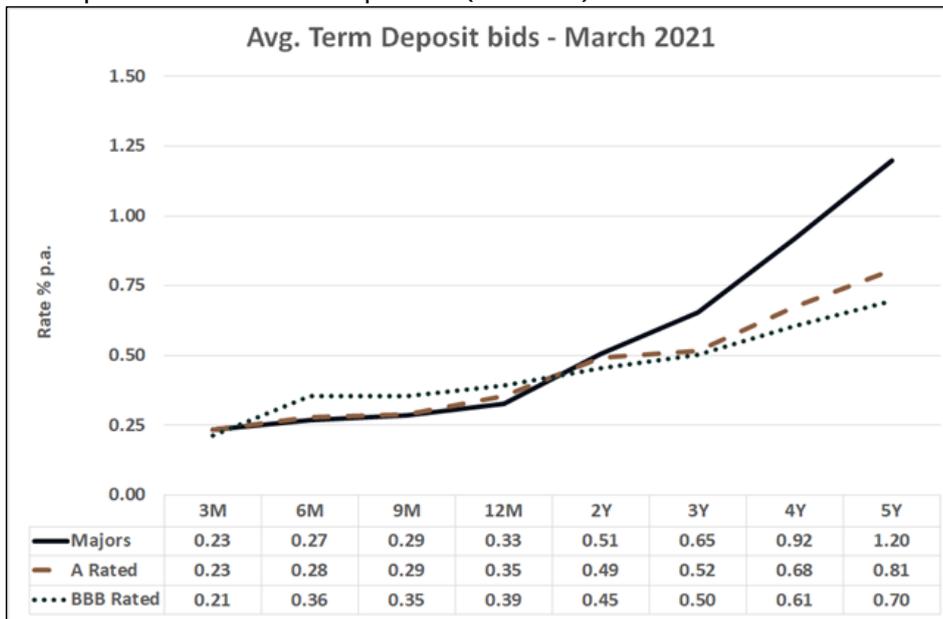
With a global economic slowdown being priced in coming years, investors should consider allocating some longer term surplus funds and undertake an insurance policy by investing across 2-5 year fixed deposits and locking in rates close to or above 5¼-5½% p.a. This will provide some income protection if central banks decide to cut rates in future years, assuming inflation has stabilised.



**Term Deposits Analysis**

Pre-pandemic (March 2020), a 'normal' marketplace meant the lower rated ADIs (i.e. BBB category) were offering higher rates on term deposits compared to the higher rated ADIs (i.e. A or AA rated). But due to the cheap funding available provided by the RBA via their Term Funding Facility (TFF) during mid-2020, allowing the ADIs to borrow as low as 0.10% p.a. fixed for 3 years, those lower rated ADIs (BBB rated) did not require deposit funding from the wholesale deposit. Given the higher rated banks had more capacity to lend (as they have a greater pool of mortgage borrowers), they subsequently were offering higher deposit rates. In fact, some of the lower rated banks were not even offering deposit rates at all. As a result, most investors placed a higher proportion of their deposit investments with the higher rated (A or AA) ADIs over the past three years.

**Term Deposit Rates – 12 months after pandemic (March 2021)**



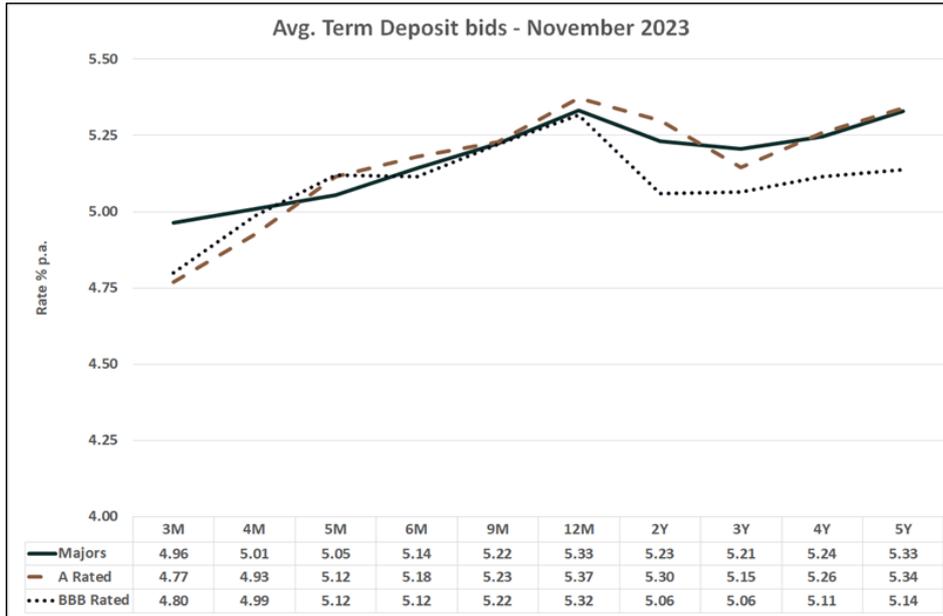
Source: Imperium Markets

The abnormal marketplace experienced during the pandemic is starting to reverse as the competition for deposits slowly increases. In recent months, we have started to periodically see some of the lower rated ADIs ("A" and "BBB" rated) offering slightly higher rates compared to the domestic major banks ("AA" rated) on different parts of the curve (i.e. pre-pandemic environment). Some of this has been attributed to lags in adjusting their deposit rates as some banks (mainly the lower rated ADIs) simply set their rates for the week.



Going forward, Council should have a larger opportunity to invest a higher proportion of its funds with the lower rated institutions (up to Policy limits), from which the majority are not lending to the Fossil Fuel industry. We are slowly seeing this trend emerge, although the past three months have been an exception, with the major banks repricing more rapidly to the movement in the bond market than their lower rated counterparts:

**Term Deposit Rates – Currently (November 2023)**



Source: Imperium Markets

**Regional & Unrated ADI Sector**

Ratings agency S&P has commented that "mergers remain compelling for mutual lenders" in providing smaller lenders greater economies of scale and assisting them in being able to price competitively and will see "the banking landscape will settle with a small number of larger mutual players". S&P expects that consolidation to continue over the next two years.

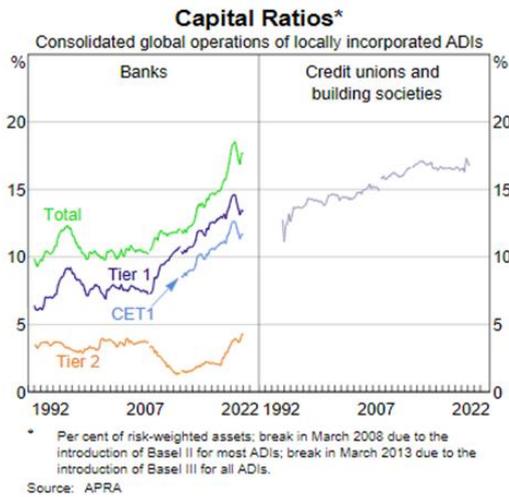
We remain supportive of the regional and unrated ADI sector (and have been even throughout the post-GFC period). They continue to remain solid, incorporate strong balance sheets, while exhibiting high levels of capital – typically, much higher compared to the higher rated ADIs. Some unrated ADIs have up to 25-40% more capital than the domestic major banks, and well above the Basel III requirements.



Overall, the lower rated ADIs (BBB and unrated) are generally now in a better financial position than they have been historically (see the Capital Ratio figure below). The financial regulator, APRA has noted that the Common Equity Tier 1 capital of Australian banks now exceeds a quarter of a trillion dollars. It has increased by \$110 billion, or more than 70%, over the past nine years. Over the same time, banks' assets have grown by 44%. Some of the extra capital is supporting growth in the banking system itself but clearly, there has been a strengthening in overall resilience and leverage in the system is lower.

We believe that deposit investments with the lower rated ADIs should be considered going forward, particularly when they offer 'above market' specials. Not only would it diversify the investment portfolio and reduce credit risk, it would also improve the portfolio's overall returns. The lower rated entities are generally deemed to be the more 'ethical' ADIs compared to the higher rated ADIs.

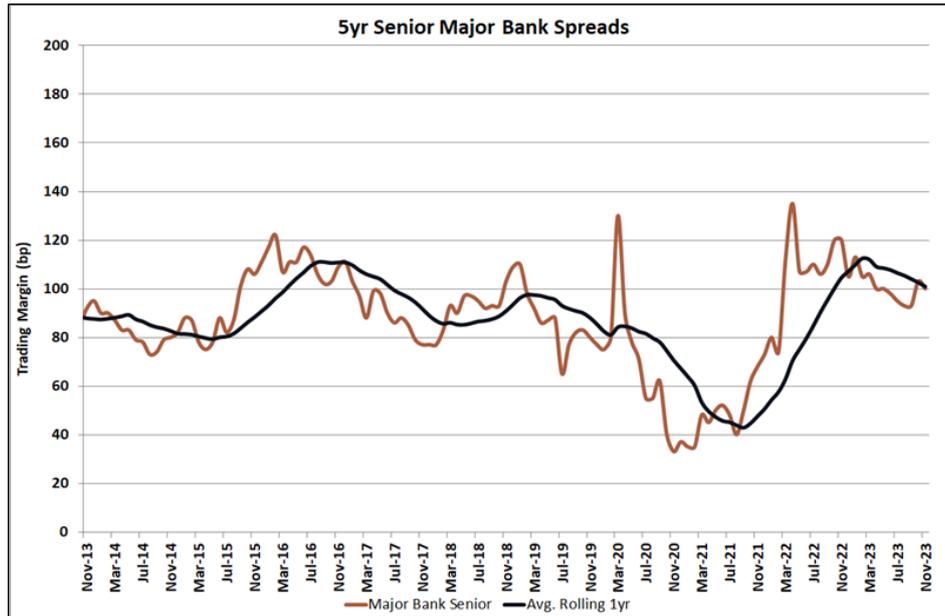
In the current environment of high regulation and scrutiny, all domestic (and international) ADIs continue to carry high levels of capital. There is minimal (if any) probability of any ADI defaulting on their deposits going forward – this was stress tested during the GFC and the pandemic period. APRA's mandate is to "protect depositors" and provide "financial stability".





## Senior FRNs Market Review

Over November, amongst the senior major bank FRNs, physical credit securities widened by around 1-3bp at the long-end of the curve. Major bank senior securities remain at fair value in the rising rate environment (5yr margins around +100bp level).



Source: IBS Capital

During November, there were new issuances from the following ADIs:

- CBA (AA-) 1yr senior FRN at +47bp
- NAB (AA-) 3 & 5yr senior securities (FRN/Fixed) at +85bp and +103bp respectively
- Police Bank (BBB) 3yr senior FRN at +155bp
- Rabobank (A+) 5yr senior security (FRN/Fixed) at +115bp
- Suncorp (A+) 3½yr senior security (FRN/Fixed) at +110bp
- UBS (A+) 3 & 5yr senior securities (FRN/Fixed) at +125bp and +145bp respectively
- QBank (BBB-) 3yr senior FRN at +165bp



Amongst the “A” rated sector, the securities widened by around 5-10bp at the longer-end of the curve, mainly driven by new issuances. The “BBB” rated sector remained relatively flat. Credit securities are looking much more attractive given the widening of spreads over the past ~2 years. FRNs will continue to play a role in investor’s portfolios mainly on the basis of their liquidity and the ability to roll down the curve and gross up returns over future years (in a relatively stable credit environment).

| Senior FRNs (ADIs) | 30/11/2023 | 31/10/2023 |
|--------------------|------------|------------|
| “AA” rated – 5yrs  | +100bp     | +103bp     |
| “AA” rated – 3yrs  | +81bp      | +80bp      |
| “A” rated – 5yrs   | +135bp     | +125bp     |
| “A” rated – 3yrs   | +110bp     | +105bp     |
| “BBB” rated – 3yrs | +150bp     | +150bp     |

Source: IBS Capital

We now generally recommend switches (‘benchmark’ issues only) into new primary issues, out of the following senior FRNs that are maturing:

- On or before 2025 for the “AA” rated ADIs (domestic major banks);
- On or before 2024 for the “A” rated ADIs; and
- Within 6-9 months for the “BBB” rated ADIs (consider case by case).

Investors holding onto the above senior FRNs (‘benchmark’ issues only) in their last few years are now generally holding sub optimal investments and are not maximising returns by foregoing realised capital gains. In the current challenging economic environment, any boost in overall returns should be locked in when it is advantageous to do so, particularly as switch opportunities become available.



## Senior Fixed Bonds – ADIs (Secondary Market)

With global inflation still high by historical standards, this has seen a significant lift in longer-term bond yields over the past 2 years (valuations have fallen) as markets have reacted sharply.

This has resulted in some opportunities in the secondary market. We currently see value in the following fixed bond lines, with the majority now being marked at a significant discount to par (please note supply in the secondary market may be limited on any day):

| ISIN         | Issuer  | Rating | Capital Structure | Maturity Date | ~Remain. Term (yrs) | Fixed Coupon | Indicative Yield |
|--------------|---------|--------|-------------------|---------------|---------------------|--------------|------------------|
| AU3CB0273407 | UBS     | A+     | Senior            | 30/07/2025    | 1.67                | 1.20%        | 5.42%            |
| AU3CB0280030 | BoQ     | BBB+   | Senior            | 06/05/2026    | 2.44                | 1.40%        | 5.54%            |
| AU3CB0299337 | Bendigo | BBB+   | Senior            | 15/05/2026    | 2.46                | 4.70%        | 5.49%            |
| AU3CB0296168 | BoQ     | BBB+   | Senior            | 27/01/2027    | 3.16                | 4.70%        | 5.57%            |

CL24.6 - Attachment 2



## Economic Commentary

### International Market

There was a strong rally across risk markets in November following further signs of inflation easing globally, but also on expectations that the US may start cutting official interest rates as early as mid-2024. Global bonds rallied, with yields falling significantly at the long-end of the curve, reversing some of the losses experienced the past few months.

Across equity markets, the S&P 500 Index gained +8.92%, whilst the NASDAQ surged +10.70%. Europe's main indices also experienced large gains, led by Germany's DAX (+9.49%) and France's CAC (+6.17%). UK's FTSE posted modest gains (+1.80%).

The US FOMC held rates steady as expected during the month. The post-meeting statement saw two only minor changes: 'solid' growth was upgraded to 'strong', and there was some acknowledgement of higher longer-end yields, with tighter financial conditions mentioned alongside tighter credit conditions.

US CPI was unchanged in October against consensus for a +0.1% gain. In 3m annualised terms, core inflation eked higher to +3.4%, but the 6m annualised showed an ongoing downtrend at +3.2%. The US unemployment rate increased to 3.9% in October from 3.8% in September. Wages growth also eased during the month, with average hourly earnings rising +0.2m/m and +4.1y/y, down from +4.3% in September.

Canada added +17.5k jobs in October, its weakest job gain in more than a year. Meanwhile the unemployment rose 0.2% to 5.7%, the fourth monthly increase in the past six months.

Q3 Eurozone GDP printed at -0.1% against a flat expected outcome. Eurozone October CPI was up just +0.1% against +0.3% expected (annually down to a 2yr low of +2.9%), with core CPI down to +4.3% from +4.5%.

The Bank of England kept rates on hold at 5.25% for the second consecutive month which was in line with expectations.

Chinese inflation data was soft but did not change the narrative given the recent run of soft data. CPI was -0.2% y/y vs. -0.1% expected and PPI -2.6% y/y vs. -2.7% expected.

The MSCI World ex-Aus Index rose +8.87% for the month of November:

| Index                    | 1m     | 3m     | 1yr     | 3yr    | 5yr     | 10yr   |
|--------------------------|--------|--------|---------|--------|---------|--------|
| S&P 500 Index            | +8.92% | +1.33% | +11.95% | +8.04% | +10.60% | +9.72% |
| MSCI World ex-AUS        | +8.87% | +0.97% | +13.55% | +5.15% | +8.31%  | +6.53% |
| S&P ASX 200 Accum. Index | +5.03% | -0.45% | +1.45%  | +7.15% | +8.72%  | +7.26% |

Source: S&P, MSCI



**Domestic Market**

As expected, the RBA hiked by 25bp in its meeting in November to 4.35%. The markets’ attention was however more focused on their much less-hawkish tightening bias. Key to that was the insertion of the qualifier “whether” when discussing the probability of further rate hikes (“whether further tightening of monetary policy is required to ensure that inflation returns to target in a reasonable timeframe will depend upon the data and the evolving assessment of risks”).

The RBA revised its inflation track – now 3½% by end 2024 (up from 3¼%), and “top of the target range of 2–3% by the end of 2025”.

The monthly (October) CPI indicator fell to +4.9% y/y from +5.6%. The figure excluding fuel, fruit & veg, and travel number was +5.1% from +5.5%, slowing but still elevated.

The Q3 wage price index (WPI) came in line with consensus for the quarter at +1.3%, but a little higher over the year at +4.0% y/y (consensus +3.9%). This data does not argue for a rate hike as early as December given the RBA’s mild tightening bias, whilst a hike in February is still plausible given the inflation outlook.

Employment in October was much stronger than expected at +55.0k, but remains volatile; it has been trending at +28.3k. The unemployment rate rose 0.2% to 3.7% as expected, largely driven by the rise in the participation rate by 0.2% to 67.0%.

Retail sales fell –0.2% m/m in October (consensus +0.1%), partially driven by the rising popularity of Black Friday/Cyber Monday sales, delaying some spending from October’s figures. Overall, the level of retail sales remains high relative to pre-pandemic trends.

Dwelling approvals for October beat expectations at +7.5% m/m vs. the +1.4% consensus.

The Australian dollar rose +4.76%, finishing the month at US66.48 cents (from US63.46 cents the previous month).

**Credit Market**

The global credit indices tightened significantly over November as risk markets rallied. They are now back to their levels in early 2022 (prior to the rate hike cycle from most central banks):

| Index                      | November 2023 | October 2023 |
|----------------------------|---------------|--------------|
| CDX North American 5yr CDS | 63bp          | 81bp         |
| iTraxx Europe 5yr CDS      | 68bp          | 89bp         |
| iTraxx Australia 5yr CDS   | 75bp          | 98bp         |

Source: Markit



## Fixed Interest Review

### Benchmark Index Returns

| Index  | November 2023 | October 2023 |
|--|---------------|--------------|
| Bloomberg AusBond Bank Bill Index (0+YR)       | +0.35%        | +0.33%       |
| Bloomberg AusBond Composite Bond Index (0+YR)  | +2.97%        | -1.85%       |
| Bloomberg AusBond Credit FRN Index (0+YR)      | +0.45%        | +0.37%       |
| Bloomberg AusBond Credit Index (0+YR)          | +1.84%        | -0.77%       |
| Bloomberg AusBond Treasury Index (0+YR)        | +3.08%        | -1.85%       |
| Bloomberg AusBond Inflation Gov't Index (0+YR) | +2.47%        | -1.35%       |

Source: Bloomberg

### Other Key Rates

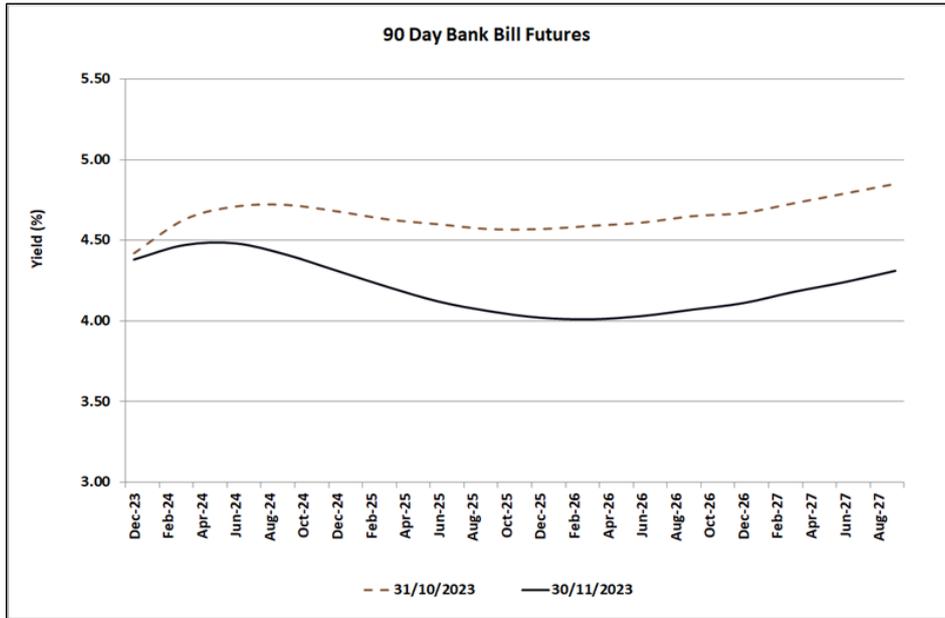
| Index                            | November 2023 | October 2023 |
|----------------------------------|---------------|--------------|
| RBA Official Cash Rate           | 4.35%         | 4.10%        |
| 90 Day (3 month) BBSW Rate       | 4.37%         | 4.35%        |
| 3yr Australian Government Bonds  | 4.01%         | 4.41%        |
| 10yr Australian Government Bonds | 4.41%         | 4.93%        |
| US Fed Funds Rate                | 5.25%-5.50%   | 5.25%-5.50%  |
| 2yr US Treasury Bonds            | 4.73%         | 5.07%        |
| 10yr US Treasury Bonds           | 4.37%         | 4.88%        |

Source: RBA, ASX, US Department of Treasury



**90 Day Bill Futures**

Bill futures fell across the board this month, following the movement in the global bond market. The RBA's tolerance for persistently high levels of inflation may force them to lift rates again by February. The bills market continues to factor in the possibility of an economic downturn over the next few years, highlighted by the drop in the futures pricing by mid-2024:



Source: ASX



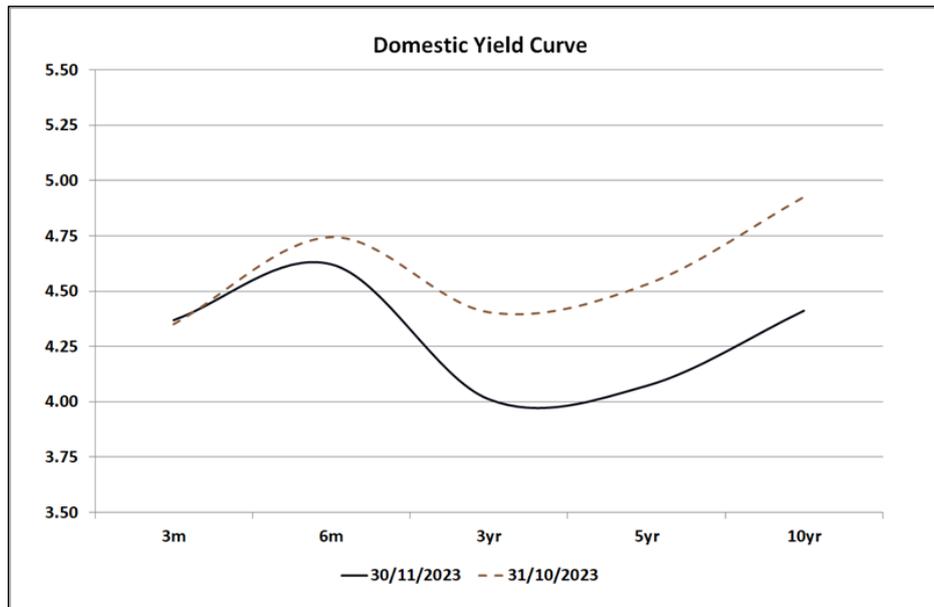
## Fixed Interest Outlook

Global inflation has remained sticky across advanced economies, with energy prices remaining a significant risk to headline inflation. The near-term outlook around monetary policy is still firmly to the upside, particularly if progress on the downward trend of inflation stalls.

There is considerable uncertainty when central banks will start to cut official rates. The US Federal Reserve hinted they may potentially cut interest rates in 2024, commenting that *"the significant tightening in financial conditions in recent months, driven by higher longer-term yields"* in its latest policy meeting minutes. However, the Fed policy is to remain at a *"restrictive stance for some time until inflation is clearly moving down sustainably."* The futures market nevertheless is still factoring around 100bp worth of cuts in 2024.

Domestically, the RBA remains committed to tightening the cash rate further if required, to ensure that inflation returns to target within a reasonable timeframe. The Board's tolerance for the sustained high levels of inflation is languishing and the market believes this may force its hand with another rate hike over coming meetings. RBA Governor Bullock recently commented that persistent domestic inflation is influenced less by global supply shocks and more by the demand-driven 'homegrown' factors.

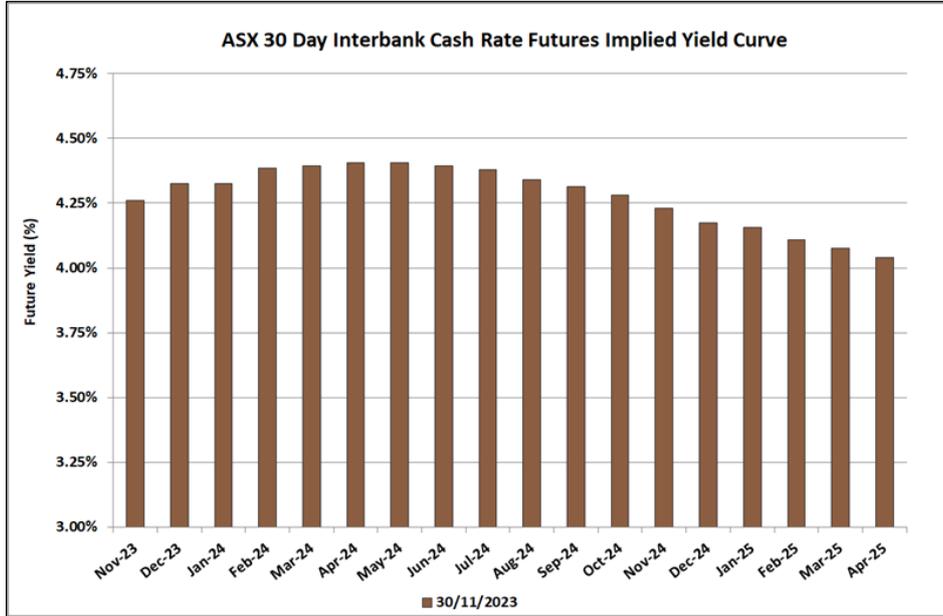
Over the month, yields fell by 52bp at the long end of the curve:



Source: ASX, RBA



Some analysts believe we may have reached the peak of the monetary tightening cycle, whilst others believe there is at least one more rate hike to be delivered by the RBA (likely in Feb 2024). Interestingly, financial markets are currently anticipating a rate cut by the end of 2024:



Source: ASX

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