



# *Shellharbour City Council*

## *Business Paper*

19 November 2019

Item 10.1.4 Attachment 1  
2018-19 Annual Report including the  
Audited Financial Statements

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**2018-19 Annual Report including the  
Audited Financial Statements**



# ANNUAL REPORT 2018 - 2019





# Acknowledgment

Shellharbour City Council recognises and respects the traditional custodians of this land, the Wodi Wodi and Dharawal people and acknowledge them as the First Peoples of this region. Shellharbour City Council would also like to pay respects to all Elders past and present. Council works together with our Aboriginal community to ensure our local cultural heritage is recognised, protected and celebrated.

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# About this report

This annual report provides an overview of Shellharbour City Council's operational and financial performance during the period 1 July 2018 to 30 June 2019. In particular, this report focuses on Council's work and achievements in implementing the strategies detailed in our four year Delivery Program 2018-2021. These strategies and actions are developed by Council in response to the expectations of the community (resulting from extensive community engagement) expressed as objectives in our ten year Community Strategic Plan (CSP) 2018-2028. These objectives are summarised into four focus areas reflecting the priorities of the local community – Community, Environment, Economy and Leadership. In summary, the strategies are how Council will achieve what the community needs and wants.

This report also contains statutory reporting as prescribed by the Local Government Act 1993 and Local Government (General) Regulation 2005 as well as other legislation for which Council is required to report annually. The statutory reporting includes audited financial reports providing details of Council's financial performance for the year.

More information about our Integrated Planning and Reporting framework including current as well as past plans and reports, is available on Council's website [www.shellharbour.nsw.gov.au/council/news-and-publications](http://www.shellharbour.nsw.gov.au/council/news-and-publications)



# Mayor's message

I am proud to present Shellharbour City Council's 2018/19 Annual Report. Council once again made substantial investments in infrastructure and community programs while continuing to strengthen its financial position. It was also a year to celebrate, with milestone anniversaries and prestigious national awards.

In June 2019, we marked 160 years since the proclamation of Shellharbour as a Local Government Area. To celebrate, we hosted a series of events including the enormously successful Live & Local Music Festival, the largest community music festival Shellharbour Council has ever produced. We also celebrated Council's

20th anniversary of the Aboriginal Advisory Committee.

This year I was extremely proud of the many awards Council received. The Shellharbour City Museum won the Museums and Galleries NSW Imagine Award for Best New Build in the 'Capacity Building, Capital and Sustainability Programs' category. Soon after, Shellharbour City Library won the prestigious Australian Library and Information Association (ALIA) Public Library Design Awards. The Dunmore Resource Recovery Centre was named as one of the top two facilities in the Australian Landfill and Transfer Station Awards.

There was more good news with the Audit Office of NSW officially recognising Council's excellent financial management. Shellharbour was one of only five NSW Councils - and the only regional Council - to meet all areas of an assessment designed to strengthen the system of local government. The assessment aims to ensure Councils are able to deliver the quality services and infrastructure their communities deserve.

I was also pleased with the return of passenger services to Shellharbour Airport in November. Soon after Fly Corporate's first flight, Council secured \$15.97 million funding from the NSW Government's Growing Local Economies program for additions and upgrades to the airport that will stimulate economic growth and create local jobs.

Council invested significant resources in outdoor spaces this year including the Shellharbour Skate Park, installation of multiple outdoor exercise equipment stations and public art pieces, as well as Mobi matting at Shellharbour North Beach to improve accessibility. In the coming financial year Council will invest \$700,000 in playground renewals and upgrades.

Some of our successful events included the first ever Shellharbour City Youth Market, Dogs Day Out, White Ribbon Walk and Reconciliation Week. Other highlights this year include development of the Shellharbour Youth Plan, Shellharbour Event Strategy and refurbishment of Centenary Hall. Council also abolished overdue library fees, reduced community centre fees and joined the Cities Power Partnership, which aims to reduce climate change by harnessing clean energy. We also broke ground on the new Warilla Library, with expected completion towards the end of 2019.

Our community can be proud of the leadership and investment this Council has made to make Shellharbour City an even better place to live, work and play. I look forward to another year of exciting events and achievements.

**Marianne Saliba**  
Mayor, Shellharbour City



# General Manager's message

The 2018/19 Annual Report highlights Council's achievements and continued delivery of new and renewed assets, infrastructure and services to our Community and Customers, while ensuring the financial sustainability of the Council.

The Council achieved a net operating result and came in under the forecast original budget set for the 2018/19 year. A surplus of operational funds was achieved which can be used to provide services to the community in line with Council's ten year long-term financial plan and beyond. This is an excellent outcome for our Community.

This year saw Council receive NSW State Government recognition for exceptional financial management. The NSW Audit Office named Shellharbour as one of only five NSW Councils – and the only regional Council - to achieve all of the selected financial sustainability indicators. This assessment focused on financial reporting, governance and internal controls, information technology, asset management, financial performance and sustainability.

Shellharbour City Council was also one of the few Councils to achieve all 10 of the Office of Local Government's performance indicators. These excellent results vindicate Council's financial strategies and long-term financial plan. They also demonstrate the leadership of the elected Council, the professionalism and financial acumen of our staff.

Major projects delivered by Council in 2018/19 included the completion of Warilla lifeguard tower, the development of a new Youth Plan, an Event Strategy, the grand opening of Shell Cove Town Centre, the return of regular passenger transport services at Shellharbour Airport and the construction of the new Warilla Library.

National awards were received for the City Museum, City Library and the Dunmore Recycling and Waste Disposal Depot.

Work also began on Local Strategic Planning Statement, Housing Strategy, and Cemetery master plan

Council's key economic development project, Shell Cove, continues to move forward and the next two years will see the completion of the harbour construction and arrival of the first boats into Shellharbour Marina, as well as the continued growth of shops, restaurants, public boardwalks and promenades.

Another key economic project is Shellharbour Airport, which continues to be a focus of expanded opportunities including regular commercial flights.

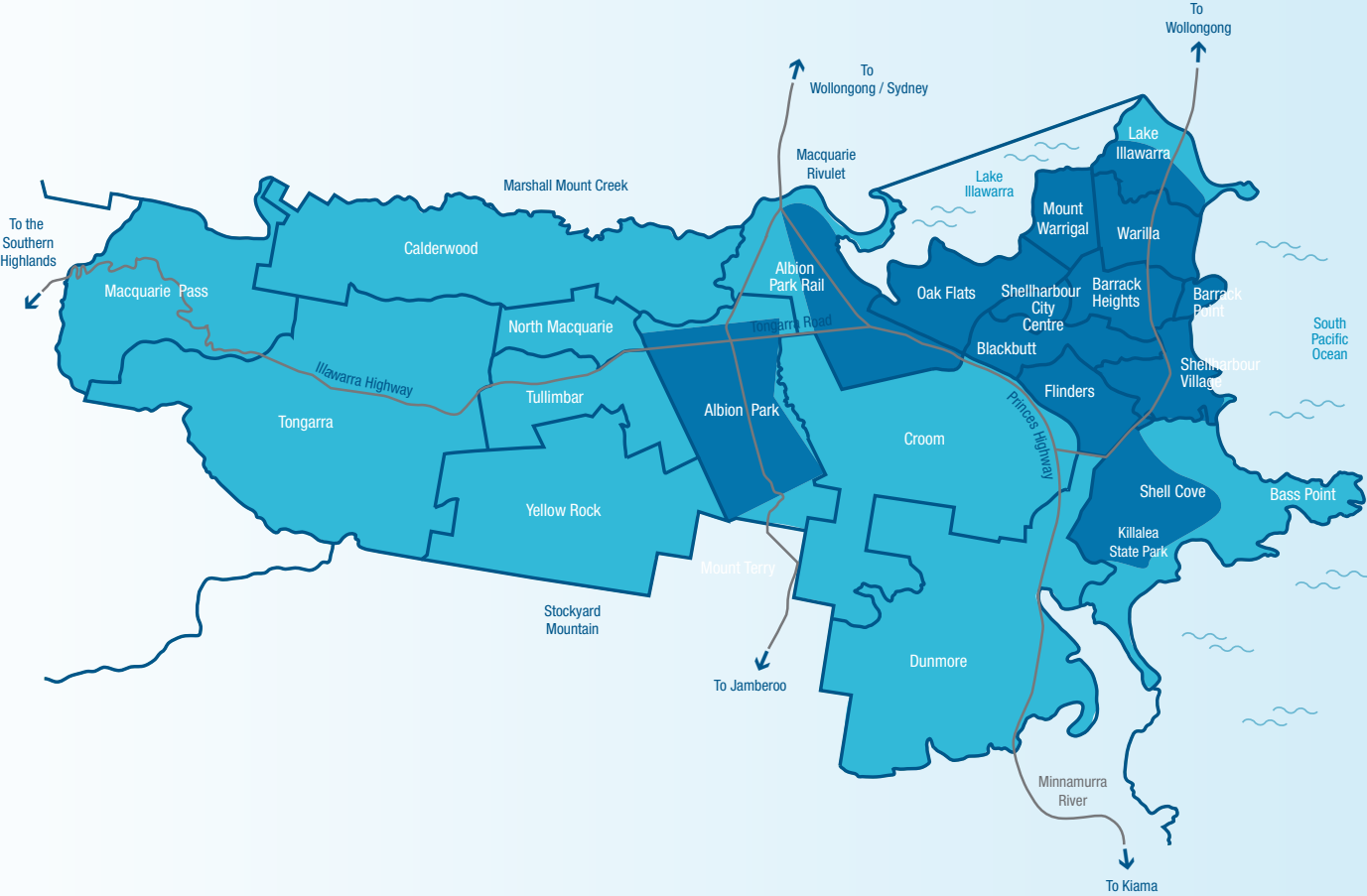
Council has also been changing the way it provides service to the Community, Councillors, Customers and the Council itself. This year it continued the implementation of its organisational reforms and the positive results of that work became more evident. I am confident these benefits will grow and become more visible in the coming year.

**Carey McIntyre**  
General Manager  
Shellharbour City Council

# Who we are

# Our Local

# Government Area





# Who we are Our place, Our people

ESTIMATED 2018 RESIDENT  
POPULATION

# 72,240



**90%** of residents are Australian citizens (NSW 82.7%)

**3.8%** of residents are Indigenous Australians (NSW 2.9%)



**16.7%** of residents were born overseas (NSW 27.6%)

## AGE GROUPS

|             |   | Shellharbour | NSW   |
|-------------|---|--------------|-------|
| (0 to 11)   | Babies, pre-school, Primary schoolers   | <b>15.8%</b> | 15.0% |
| (12 to 24)  | Secondary schoolers, Tertiary education and independence                      | <b>17.1%</b> | 16.1% |
| (25 to 59)  | Young workforce<br>Parents and homebuilders<br>Older workers and pre-retirees | <b>44.5%</b> | 47.1% |
| (60 to 85+) | Empty nesters and retirees<br>Seniors<br>Elderly aged                         | <b>22.5%</b> | 21.9% |



Homes with internet connection

**77.5%**  
NSW 78.2%

## FAMILY STRUCTURE



Couples with children

**34.1%**  
NSW 25.4%



Couples without children

**25.2%**  
NSW 27.0%



One parent families

**13.9%**  
NSW 11.0%



Lone person household

**19.6%**  
NSW 25.5%

Shellharbour  
NSW



Need for assistance with core activities

**6.7%**  
NSW 5.4%

## HIGHEST LEVEL OF SCHOOLING



|              | Year 10      | Year 12      | TAFE        | University  |
|--------------|--------------|--------------|-------------|-------------|
| Shellharbour | <b>34.1%</b> | <b>34.7%</b> | <b>2.1%</b> | <b>2.8%</b> |
| NSW          | 21.6%        | 52.1%        | 1.9%        | 3.1%        |

Persons aged 15+ who volunteer

**14.7%**  
NSW 20.8%

## EMPLOYMENT



|              | Full time employment | Part time employment | Unemployed  |
|--------------|----------------------|----------------------|-------------|
| Shellharbour | <b>55.5%</b>         | <b>36.1%</b>         | <b>6.9%</b> |
| NSW          | 59.2%                | 32.7%                | 6.3%        |



Source: Australian Bureau of Statistics Census 2016 (using .id Profile)



**10.3%**

were from non-English speaking backgrounds (NSW 25.1%)

**2.2%**

Largest non-English speaking country of birth in Shellharbour City was Former Yugoslav Republic of Macedonia

## METHOD OF TRAVEL TO WORK



Car as driver  
**73.5%**  
57.8%



Car as passenger  
**4.9%**  
4.3%



Worked at home  
**2.8%**  
4.8%



Train  
**2.1%**  
11.2%

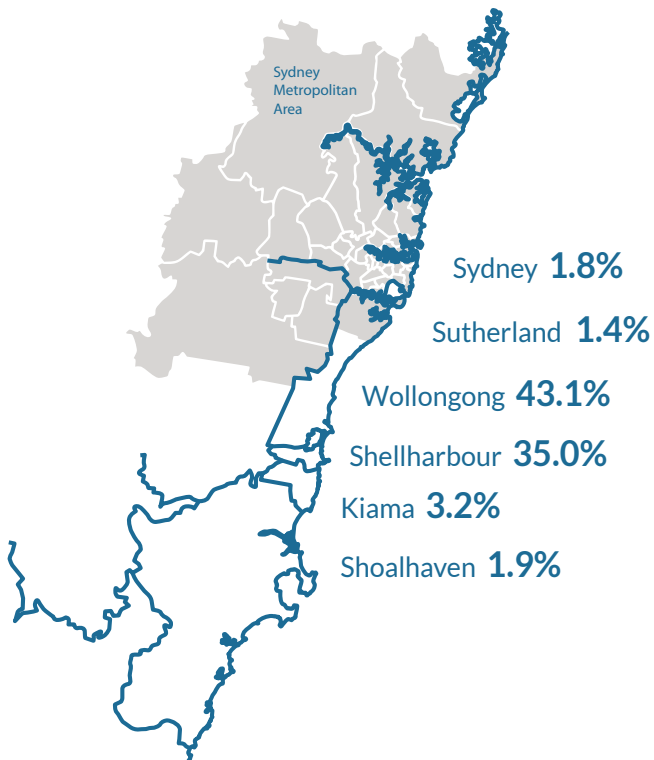


Walked  
**1.3%**  
3.9%



Bus  
**0.9%**  
4.4%

## WHERE OUR RESIDENTS WORK BY LGA



## TOP 5 INDUSTRY SECTORS FOR LOCAL JOBS

| Icon | Industry Sector                 | Shellharbour Jobs | Shellharbour % | NSW Jobs | NSW %  |
|------|---------------------------------|-------------------|----------------|----------|--------|
|      | Retail Trade                    | 3,285             | 17.75%         | 341,355  | 10.17% |
|      | Health Care & Social Assistance | 3,123             | 16.87%         | 440,790  | 13.13% |
|      | Education & Training            | 2,262             | 12.22%         | 294,165  | 8.76%  |
|      | Construction                    | 2,234             | 12.07%         | 294,461  | 8.77%  |
|      | Accommodation & Food Services   | 1,743             | 9.42%          | 250,605  | 7.46%  |

Source: Australian Bureau of Statistics Census 2016 (using .id Profile)

# Who we are Our Council

Shellharbour City Council comprises seven elected members who represent the community.



Cr Marianne Saliba  
Mayor



Cr Kellie Marsh  
Deputy Mayor (July 2018 - Sept 2018)



Cr John Murray  
Deputy Mayor (Sept 2018 - June 2019)



Cr Nathan Cattell



Cr Moira Hamilton



Cr Peter Moran



Cr Rob Petreski

# Who we are Our Organisation



 DIRECTOR

 MANAGER

 GROUP MANAGER

# Year in review

## Key Financial Results

|                   |                       |                       |
|-------------------|-----------------------|-----------------------|
| Total Expenditure | 2018/19               | <b>\$ 127.708 m</b>   |
|                   | 2017/18   \$112.428 m | 2016/17   \$103.618 m |

|                     |                      |                      |
|---------------------|----------------------|----------------------|
| Total Capital Spend | 2018/19              | <b>\$16.754 m</b>    |
|                     | 2017/18   \$38.760 m | 2016/17   \$59.903 m |

|                      |                      |                      |
|----------------------|----------------------|----------------------|
| Net Operating Result | 2018/19              | <b>\$70.895 m</b>    |
|                      | 2017/18   \$48.967 m | 2016/17   \$43.585 m |

### Income breakdown \$'000

|         | Rates & annual charges | User fees & charges | Interest & investment revenues | Other revenues | Operating grants & contributions | Capital grants & contributions | Net gains from disposal of assets |
|---------|------------------------|---------------------|--------------------------------|----------------|----------------------------------|--------------------------------|-----------------------------------|
| 2018/19 | \$ 61,168              | \$ 17,104           | \$ 3,322                       | \$ 65,757      | \$ 8,419                         | \$ 42,813                      | 0                                 |

### Expenses breakdown in focus areas \$'000

|         | Community | Environment | Economy   | Leadership |
|---------|-----------|-------------|-----------|------------|
| 2018/19 | \$ 18,901 | \$ 31,852   | \$ 55,614 | \$ 21,341  |

A further breakdown of expenses with reference to the Special Rate Variation and capital works is provided in the Statutory Reporting section of this report.

# Year in review

## Key Performance Results

In addition to the Community Strategic Plan 2018-2018 **objectives** and Delivery Program 2018-2021 **strategies** on which this report focuses, Council also monitors its progress against the **actions** identified in its annual Operational Plan throughout each financial year.

In our 2018-2019 Operational Plan 156 actions were tracked and reported on a quarterly basis in Council's Quarter Review of the Operation Plan. All four reports are available on Council's website.

Following is a progress summary of the 156 actions as at 30 June 2019. **On track** indicates actions that were completed, or were on schedule to be completed by end of the financial year. **Off track** indicates actions that experienced delays due to various factors described in the aforementioned reports.

% Actions on track

2017/18 - 86%

2016/17 - 81%

2018/19

90%

No. of actions on track

2017/18 - 135

2016/17 - 143

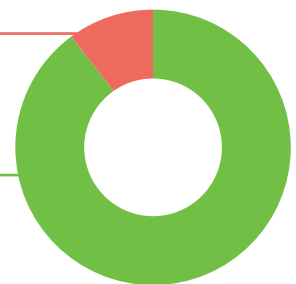
2018/19

141

Total  
Performance  
Progress (%)

OFF TRACK  
10%

ON TRACK /  
COMPLETED  
90%



# Our Achievements

In this section of the Annual Report, Council's performance is outlined in more detail focusing on outcomes achieved against each **strategy** listed in our Delivery Program 2018 – 2021 taking into account the results of our Operational Plan 2018 – 2019.

This information is categorised into the four focus areas of **Community, Environment, Economy and Leadership** with the following details provided:

- Summary of key facts for each focus area
- Achievements and/or progress against each strategy including a financial results breakdown and a percentage indicator of total performance met
- Highlights showcasing key achievements



# community objectives

Our City is....

**Vibrant, safe, creative and inclusive**

**Active and healthy**





# OBJECTIVE 1.1

## Vibrant, safe, creative and inclusive

### STRATEGY 1.1.1

Deliver and promote events and activities for our community

#### Event Strategy

In the past 12 months Council has adopted the Event Strategy, the first strategic Events framework for Shellharbour City. This strategy is focused on building on our City's existing events, attracting new events to the City and addressing the barriers to presenting events that was clearly identified through stakeholder engagement.

The aim of the Event Strategy is to provide a clear framework to ensure Shellharbour events showcase our newest and oldest places and bring people together to enjoy what's unique to our city: our histories, our communities and our future. It outlines a clear direction to ensure that internally produced events are innovative, relevant to our developing community, respond to place and are properly evaluated.

#### International Women's Day

Council hosted an International Women's Day breakfast for young and emerging female leaders in our City. The event was hosted by renowned comedian and triple J host – Gen Fricker and featured a panel of diverse young women from across the City including Indigenous poet – Kirli Saunders, local advocate Sally Stevenson and many more. The event took the form of a Q&A style panel, with questions from the audience and a chance to interact, be inspired and to discuss issues relevant to women of this age group.

#### Festival of Small Halls

Council hosted The Festival of Small Halls in January at our beautifully refurbished Centenary Hall in Albion Park. The Festival of Small Halls is a series of music events that takes the best folk and contemporary acoustic artists and sends them on the road to halls in communities all over Australia.

The event featured the incredible talents of Fru Skagerrak (Sweden / Denmark / Norway) and Liam Gerner and local talent Kyarna Cruse and Matty Walker, both being well-known young, local musicians.

This inaugural event was well received and attended by the community.



Operational  
Income

**\$164k**

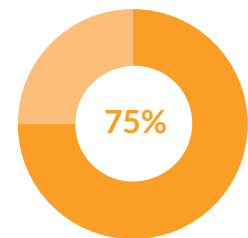
Operational  
Expense

**\$1.183m**

Capital  
Spend

-

Total performance  
progress met



## 160 Shellharbour Celebrations

Shellharbour celebrated 160 years of proclamation in June through a range of events and programs.

The opening of the 160th celebrations kicked off at the City Museum with the launch of our heritage exhibition and community art project, followed by a walking tour celebrating and exploring the history and heritage of the area with renowned local performer, Anne-Louise Rentell (The Governess) for a truly unique experience. 'Live n Local', a one day festival bringing together local musicians and local businesses to create a vibrant community atmosphere across the Village's venues, restaurants, cafes and bars provided the finale of the celebrations! There were 17 venues involved and over 51 music acts programmed, 12 hours of continuous live music and 8,000 people attending across the day.

## Other events

Council has facilitated a number of other events this year. Some highlights included:

- Shellharbour Skate Park was relaunched with a large community open day attended by over 1,500 people
- NAIDOC Week saw a Flag Raising and Smoking Ceremonies and Community Day
- Local Government Week was held at the Civic Centre with school students
- Sustainability, Art and Design bin enclosure project completed a 2 year collaboration between Council and Albion Park High School students
- Dogs Day Out was held at Albion Park Showground
- Christmas Carols by Candlelight took place at Reddall Reserve with over 8,000 people attending
- 'Slide into Summer' series was held over 3 pool locations – Warilla, Albion Park and Oak Flats in the month of January
- ANZAC day memorial was hosted by Albion Park RSL Club including a fly over from Historical Aircraft Restoration Society
- Cities Service Boston memorial service was held at Bass Point



## OBJECTIVE 1.1 Vibrant, safe, creative and inclusive

### STRATEGY 1.1.3 Keep Shellharbour a friendly environment where people feel safe

Shellharbour City Council continues to implement a range of community safety and crime prevention initiatives in accordance with Council's:

- Community Safety Strategy
- Crime Prevention Plan
- Domestic Violence Management Plan
- Graffiti Management Plan

After 2 years of staff engagement and participation, Shellharbour City Council attained accreditation as a White Ribbon Workplace. This was achieved through staff training, and the development and implementation of policies, procedures and resources to provide staff with the knowledge and tools to support ourselves, each other and our community.

Council continues to be an active member in the Illawarra against Domestic Violence Committee (ICADV) and was host for the 2018 Illawarra White Ribbon Day Walk and barbeque in Shellharbour with hundreds participating and taking a stand against domestic violence.

Incidents of graffiti continue to be reported to Council by community members. Council continues to be pro-active in removing graffiti from Council and privately owned structures in the past 12 months.

The 2019 Good Neighbour Awards were launched for the 18<sup>th</sup> year with many entries received for Neighbour of the Year and children's drawing competitions. An awards ceremony was held in May at the Civic Centre. The winner, Maryann Wiffen, was nominated several times.

Community safety pop-up meetings were held at Oak Flats, Warilla Beach, Shell Cove, Albion Park, Warilla Grove, Barrack Heights, Shellharbour City Centre and Blackbutt. The locations of events are determined by the Shellharbour Crime Prevention Partnership which consists of Council officers, NSW Police and Department of Communities and Justice. These events have been very popular and have been a great source of information and feedback from our community.

Shellharbour City Council continues to be an active member of the Community Drug Action team and works within this interagency context to deliver information and resources to our community.

Council undertook regular patrols in relation to Companion Animals. These patrols created a strong presence in the community and resulted in addressing issues ranging from barking, roaming, unregistered dogs and dog attacks. Council is pleased to report that an average of 49% of all seized dogs were returned to their owners.

The standard of construction continues to remain high for Council controlled building sites with over a thousand building inspections carried out by Council this year.

In accordance with the Local Government Road Safety Program Guidelines, Council conducted programs that included addressing specific road safety behaviours in school based education and safety around schools, working with community groups such as Shellharbour Aboriginal Community Youth Association (SACYA) and events for Bike Week, a Seniors Road Safety Expo and On the Road 65Plus.

Operational  
Income

**\$1.618m**

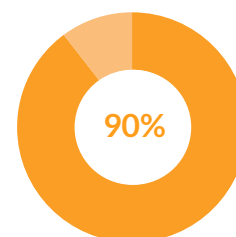
Operational  
Expense

**\$1.946m**

Capital  
Spend

**\$37k**

Total performance  
progress met



## OBJECTIVE 1.1 Vibrant, safe, creative and inclusive

### STRATEGY 1.1.4 Provide a liveable community that is accessible and inclusive

Progress has been made across the four focus areas in Council's Disability Access and Inclusion Plan 2017-2021: An inclusive city.

A highlight of the plan is the provision of Mobi matting to Shellharbour North Beach - Access to our beaches and waterways is a priority in the plan. Over the last 12 months access improvements at the beach have been made to the access path way, signage and the use of the beach wheelchairs.

These improvements are greatly enjoyed by the community with one resident commenting "I'm 30 years old and this is the first time I have been able to access the beach in 20 years. Thank you Shellharbour Council."



A Plan of Management is a useful tool to provide strategic planning and governance for the management and use of Council managed community land. Council has plans of management over a number of community land such as sportsfields, parks and reserves that are prepared in accordance with the *Local Government Act (1993)*. Council reviewed a number of Plans of Management to ensure consistency with proposals for uses on community land with the City.

With the new *Crown Land Management Act (2016)* that came into force in July 2018, management of approximately 18 Crown Land Reserves within Shellharbour were transferred from the NSW State Government to Council to manage as if it were public land under the Local Government Act. As a result, work commenced towards preparing and or revising the Community Land Plans of Management that covered the 18 Crown Land sites.

A review of 5 draft Plans of Management on Council's community land progressed. The draft plans cover; Keith Fletcher Reserve, Beverly Whitfield Reserve, Brou Place Reserve, Keith Barnes Oval and Morley Park.

Operational  
Income

**\$285k**

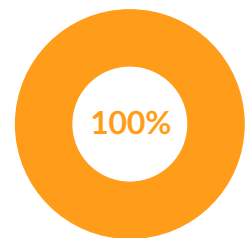
Operational  
Expense

**\$959k**

Capital  
Spend

-

Total performance  
progress met



## OBJECTIVE 1.1 Vibrant, safe, creative and inclusive

### STRATEGY 1.1.5

#### Nurture a creative community participating in arts and cultural activities

Council continues to deliver on the Arts and Cultural Development Strategy, Make, Play, Grow 2015-2019: A strategy for a more creative Shellharbour, which aims to create an environment where ideas, imagination and creativity can flourish.

##### Public Art

Consultation for the City's first Public Art Strategy was undertaken. A survey was rolled out on the Let's Chat engagement platform and promoted through Council's social media and newsletters. In addition to several Ideas Lounge sessions, two workshops were held at the Shellharbour Village Exhibition Space during May. Twenty students from Stella Maris Catholic Primary School took part in a workshop to create matchbox dioramas and engage with their ideas for public art in the City. An evening 'Creative Mixer' event, with consultation activities, live music, food and drinks was also held and was attended by approximately 30 community members who spoke positively about the event.

Local artist Orlando Norrish has been commissioned to design and fabricate an artwork to be installed on the rooftop of the Shellharbour Village Exhibition Space. His artwork, titled "Fluidity", is an abstract sculptural piece which resembles a school of fish which, as it sweeps across the roof of the building, transforms into a flock of birds lifting up into the sky. Fluidity is a celebration of diversity, movement and change both within the natural world and in modern society. The artwork will be installed during the second half of 2019.

Two new murals were commissions as part of Council's Urban Art Program. Local artist Sam Dreams created a mural in Warilla which has helped create a more vibrant landscape for that part of the City. Trina Collins aka 'Poncho Army', also installed a large-scale mural in Oak flats which features two lorikeets. She describes her concept as: "I like the idea of putting two heads together to help make change, to make a difference or to just have someone there to support you. I often use birds in my artworks to represent people... Lorikeets are very vibrant and playful birds and are a common sight in the Illawarra."

New artwork was commissioned for the community meeting room on the ground floor of the Shellharbour Civic Centre. Artists Lorraine Brown and Narelle Thomas from the Coomaditchie United Aboriginal Corporation completed four new artworks which reflect a local Dreaming story as well as flora and fauna from the local area.

Operational  
Income

-

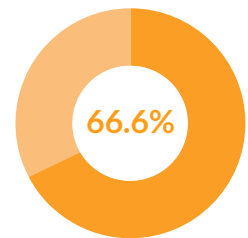
Operational  
Expense

**\$64k**

Capital  
Spend

**\$38k**

Total performance  
progress met



## Arts and Cultural Development

For four weeks during January, Council facilitated the Run Your Own Party course, aimed to engage young people in the process of arts and cultural project management. The program attracted 11 young people from across the region and offered a combination of theory, networking and work experience to assist the attendees with their skills development in presenting events. In the weeks following the course, several of the attendees have approached Council with ideas to produce community events such as live music sessions and a “Drag through the Decades” event.

The Weave Artists Directory was given several updates to assist functionally and to allow for a broader range of creative businesses to create a profile. A marketing and promotions strategy is also being developed for the website. The Weave Artists Directory is an online directory of visual, literary and performing artists, events, festivals and creative venues in the Shellharbour, Kiama and Wingecarribee regions. Weave is designed to showcase, promote and connect local artists with audiences and investors. It is also a space for our creative community to connect and collaborate. Visit the site at [www.weaveartists.com.au](http://www.weaveartists.com.au).

## Shellharbour Village Exhibition Space

The Shellharbour Village Exhibition Space hosted a range of events, including a ‘Self-Publishing for Writers’ workshop, visual arts exhibitions and workshops, live music gigs and a Creative Mixer networking session. Council is undergoing an internal review of the space with a view to continuing to build on recent success, expand the usage of the building and increase promotion of exhibitions and events. To hire the space, please visit the [Arts and Culture page](#) on Council’s website.



# OBJECTIVE 1.1

## Vibrant, safe, creative and inclusive

### STRATEGY 1.1.6

#### Provide responsive community services and programs across the city

#### Shellharbour Youth Plan

Council developed and endorsed the first Shellharbour Youth Plan 2018 - 2021 (the Youth Plan) this year.

The Youth Plan is a reflection of the needs, hopes and ambitions of Shellharbour's young people. It is a whole community plan that aims to promote collective action from the entire Shellharbour community in response to priorities identified by young people and will guide the services and programs delivered by Council for young people.

The Youth Plan outlines 11 goals across three themes; Live, Grow and Play. These goals have been developed based on young people's priorities and key outcomes across key state and federal strategic planning documents relating to young people. Progress towards these goals will provide clear benefits for young people, the community, local businesses and organisations and Council.

#### Shellharbour Youth Market

Shellharbour Youth Market was held during NSW Youth Week on Wednesday 17 April from 4pm to 8pm at the Shellharbour Civic Centre.

The event provided a great opportunity for the community to come together and celebrate young people through an evening of live music, great food and unique market stalls. The market gave young people a chance to develop their entrepreneurship skills, contribute to the local economy, whilst promoting sustainability and youth culture. The event also gave the city's young people a chance to earn some money and show off their talents and merchandise.

#### Seniors Festival

Council celebrated the NSW Seniors Festival in February with a range of events and activities, all captured in the annual Seniors Festival Calendar of Events. The festival provided opportunities for seniors to come together, connect with community and service providers, and get information on a range of activities and programs targeted at seniors. As part of the festival, Council hosted the Seniors Health and Wellbeing Expo in the Civic Centre where participants got to hear from guest speakers and stall holders on a range of topics related to living well as you age.

Operational  
Income

**\$15k**

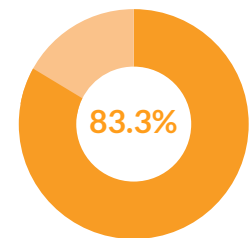
Operational  
Expense

**\$558k**

Capital  
Spend

-

Total performance  
progress met



## OBJECTIVE 1.1 Vibrant, safe, creative and inclusive

### STRATEGY 1.1.7 Provide dynamic and responsive library and museum services

#### Australian Library Design Awards 2019

Shellharbour's City Library won the Australian Library Design Awards 2019 – Public Library. This prestigious national award recognises Australia's best and most innovative libraries. City Library was noted for its iconic architecture, sustainable design, and 'enormous community appeal'. The friendly, comfortable ambience of the space, and high levels of community participation have made City Library 'the living room of the city' – a place to visit, stay and return.

Shellharbour City Libraries has attracted strong community support with high levels of visitation, program attendance and new memberships throughout the year. 230,406 people visited our libraries this year and borrowed a total of 419,593 items. 25,351 people participated in 1,327 programs delivered across the city, and 3,772 new members joined the library.

Operational  
Income

**\$220k**

Operational  
Expense

**\$1.876m**

Capital  
Spend

**\$4.382m**

Total performance  
progress met

**100%**



#### Collections

Shellharbour City Libraries launched an Aboriginal Culture collection that provides resources to support and promote learning and understanding about Aboriginal history, art and culture in Shellharbour. The initiative was guided by Council's Aboriginal Advisory Committee and the State Library of NSW Indigenous Services.



## Technology

Shellharbour City Libraries has provided increased access to the 24/7 eLibrary during the year with a major expansion to the range of eBooks and eAudio through the easy to use BorrowBox app. This has resulted in an 85% increase in usage of the eLibrary by the community. In another technology improvement, use of the Stocard app has been introduced to allow customers to store their library membership card on their phone and use it to borrow items in the collection, offering a user-friendly alternative to a physical library card.

## Programs

The Shellharbour community has enjoyed participating in a diverse range of library programs across our libraries during the year. Popular activities included author talks, art after hours, senior's week activities, nature talks, sustainability workshops, school holiday activities, book clubs and even a story trail at the Civic Centre.

One of the program highlights was an evening with celebrity maths teacher, Eddie Woo. Eddie Woo engaged with a packed audience of adults and children at Shellharbour Civic Centre. This exciting program was delivered in conjunction with the launch of two new library numeracy programs, designed to inspire children and discover the wonder and enjoyment of maths.

In an exciting partnership with the University of Wollongong's Early Start Discovery Space, Shellharbour library members can access a free family pass to the Discovery Space once a year. The Discovery Space children's museum promotes learning through play, and complements the library's role in supporting early education.

## Warilla Library

Construction of the new Warilla Library is well underway and due for completion at the end of 2019. The new branch library for Warilla will deliver on the objective of the Libraries & Museum Strategy 2024 to provide our community with an accessible facility that is contemporary, inclusive and welcoming - a place where diverse members of our community can socialise, relax and learn.



## OBJECTIVE 1.2 Active and healthy

### STRATEGY 1.2.1

Provide access to services and facilities where people can live, learn and play

Council is committed to providing residents access to a range of services and facilities that are relevant and responsive to health and wellbeing. New outdoor exercise equipment has been constructed at:

- Wilson Memorial Park, Albion Park Rail
- Frasers Reserve, Albion Park
- Beverly Whitfield Pool, Shellharbour Village

'Come and try' sessions were held at the new outdoor exercise equipment stations. The programs provided an opportunity to launch the equipment, provide instruction on the use of the equipment and access other health related information.

We maintain more than 218 parks and reserves. Over the last year we've consulted with our community and upgraded key locations including Terry Reserve at Albion Park, which needed improvements to cope with increased use. We worked with sporting user groups to scope and prioritise improvements and sought grant funding. The resulting upgrade at Terry Reserve includes new lighting, tiered and field-side seating and additional car parking.

We're also exhibiting a master plan for the future of Reddall Reserve beside Lake Illawarra and recreation and play facilities at McDonald Park at Albion Park Rail, to identify upgrade opportunities that will benefit the growing community. The plan seeks to balance the needs of different community groups while improving connections throughout these two popular sites and enhancing biodiversity.

We also completed a \$15 million state-funded upgrade, in collaboration with Roads and Maritime Services, to sportsfields at Croom sporting complex to accommodate the future Albion Park Rail Bypass.

#### Shellharbour Village Skate Park

With skateboarding part of the 2020 Olympics, Shellharbour now has its own Olympic class skateboard park. In response to local young people campaigning for a new skate park in the City, Council decided to overhaul Shellharbour Village's ageing skate facility.

We engaged with local skaters and international experts in the design phase, and the result is a world-class, multi-generational facility with 20 design features. It's suitable for skateboarders of all skills and can also be used by scooter and BMX riders and roller skaters.

The facility's launch and community open day attracted more than 1,500 people and the skate park has now become a key social hub for young people across the Illawarra.

Operational  
Income

**\$826k**

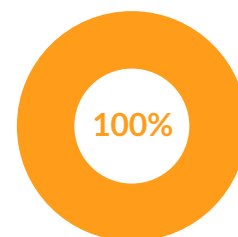
Operational  
Expense

**\$2.637m**

Capital  
Spend

**\$211k**

Total performance  
progress met



**OBJECTIVE 1.2**  
Active and healthy

**STRATEGY 1.2.2**

Provide diverse opportunities for sport, recreation and enjoyment in the City's parks, open spaces and facilities

**63,085**

community members attended the Shellharbour City Stadium



**3,365**

sporting events/competition games held at Shellharbour City Stadium



**259,759**

patrolled visitations to the City's beaches

**34,451**

rounds of golf were played at the Links Shell Cove



**1,500**

people attended the opening and launch of the newly developed Shellharbour Skate Park



**178,371**

visitations to the City's pools

Operational Income

**\$4.432m**

Operational Expense

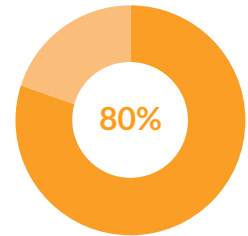
**\$9.677m**

Capital Spend

**-\$2.797m**

(\$7.1M transferred to Cost of Sales related to the Links Subdivision)

Total performance progress met





# Environment objectives

Our City is....

**Protects, promotes and enhances its natural environment**

**Practices sustainable living**

**A city that is connected through places and spaces**



## OBJECTIVE 2.1

Protects, promotes and enhances its natural environment

### STRATEGY 2.1.1

Manage and improve catchments cleanliness, health and biodiversity of creeks, waterways and oceans

#### Water Quality

Water quality sampling was conducted quarterly to monitor the quality of local waterways. Assessment for the 12 regular sample sites found water quality results to be considered as within their normal range compared to historical data. Additional sampling was undertaken at three sites in response to water quality concerns, however test results did not show any concern that required further follow up.

Industrial audits were undertaken on 19 occasions to ensure industrial premises are complying with relevant environmental legislation and avoiding stormwater pollution. All premises audited were found to be in compliance.

Assessment of the Beachwatch (bacteriological) quarterly data received for Shellharbour North Beach, Warilla Beach and the Lake Illawarra Entrance lagoon has been completed against the NSW Beachwatch programs star rating system. Shellharbour North Beach and Warilla Beach consistently received the highest rating of four stars. Lake Illawarra Entrance lagoon received a four star rating on two occasions, and a three star rating on two occasions. All three locations were rated as suitable for swimming throughout the year.



Operational  
Income

**\$631k**

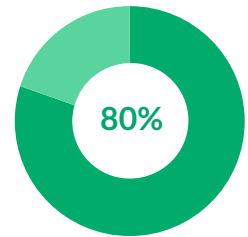
Operational  
Expense

**\$627k**

Capital  
Spend

**\$824k**

Total performance  
progress met



## Stormwater

The Stormwater Levy was utilised to improve the management of stormwater flows within the City, primarily by funding six stormwater management projects. Two Gross Pollutant Traps (GPTs) were constructed at Hamilton Road Albion Park and Wattle Road Flinders to filter debris and rubbish from the stormwater network. Stabilisation of the western embankment of Benson Creek at The Kingsway Warilla was undertaken, and the Shellharbour Road Culvert Installation was completed. Design work was undertaken for modification works to Blackbutt Dam and for new detention basins as recommended by Floodplain Risk Management Studies. Condition inspections of Council's stormwater network were completed as schedule. A water bottle refill station featuring stormwater education messages was installed at Boonerah Point, Mount Warrigal.

As part of the Stormwater Education program, 62 children were engaged in stormwater education activities as part of Council's Local Government open day in August.

Reviews of the Dunmore, City Pond, Ashburton/Stubbs Road, Myimbarr, Shell Cove and Flinders Wetland Plans of Management were undertaken. Site inspections were conducted on various locations to view progress of management actions over the last 12 months, review priorities of management actions and list new actions at each site.

Council has focused on weed treatment along wetland edges where weeds are most prominent, particularly in winter before spring growth.



## OBJECTIVE 2.1

Protects, promotes and enhances its natural environment

### STRATEGY 2.1.2

Deliver plans and programs that enhance and protect biodiversity in our natural areas

The Draft Lake Illawarra Coastal Management Program 2019-2029 has been prepared in collaboration with Wollongong City Council and the Lake Illawarra Estuary Management Committee. It outlines the strategic direction and specific actions that can be implemented over the next 10 years to address the threats to Lake Illawarra. The draft program has been prepared for public exhibition, with community feedback scheduled to open in July 2019.

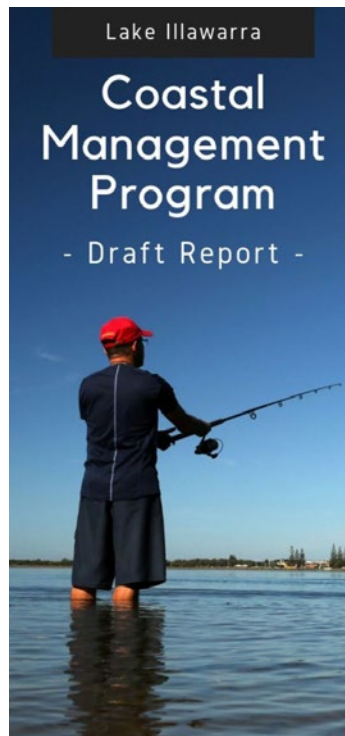
Annual reviews were undertaken of the Ecological and Bushfire Management Plans for Windang Island, Picnic Island, Elizabeth Brownlee Reserve, Abercombie Reserve, Alex Hoffman Reserve, Pelican View Reserve, Boonerah Point, Currambene Parkway Reserve, Mount Warrigal, Light Rail Museum, Blackbutt Reserve, Croom Reserve, Stoney Range and Shell Cove Reserve, as well as the Dune Management Plan. Site inspections were undertaken to view progress on management actions over the last 12 months, review priorities of actions and list any new issues at the sites. In addition, a comprehensive (5 year) review of the Ecological and Bushfire Management Plans for Pelican View Reserve was completed. A comprehensive review of the Bass Point Ecological and Bushfire Plan of Management has commenced and will assist in the longer term planning for the management of Bass Point.

Council consistently monitored all sites where works are carried out to ensure any outbreaks of emerging weeds or sightings of notifiable weeds are documented and reported to the Illawarra District Weeds Authority (IDWA). Council's weed management programs focused on annual weeds in natural areas and asset protection zones, perimeter mulching of natural areas, and aquatic weeds on the perimeters of wetlands. Council staff have worked collaboratively with the IDWA Chief Weeds Officer to ensure the delivery of the weeds program, and hosted the Weeds Authority meeting in December, which included the Annual General Meeting.

Monitoring undertaken for threatened plants included a number of surveys for the Illawarra Greenhood Orchid (*Pterostylis gibbosa*), Eastern Flame Pea (*Chorizema parviflorum*), Spiked Rice-flower (*Pimelea spicata*), and Illawarra Zieria (*Zieria granulate*).

Conservation and monitoring of the threatened Rice flower (*Pimelea curviflora* var. *curviflora*) was undertaken at Hargraves, Croom and Light Rail Museum with support from Saving Our Species grant funding from the Office of Environment and Heritage (OEH). Assistance was also provided to the OEH to collect seed from the Illawarra Greenhood Orchid for conservation at the Royal Botanic Garden seed bank, and to collect specimens of the Spiked Rice-flower (*Pimelea spicata*).

Monitoring for OEH's National Flying-fox Census was completed for the threatened Grey-headed Flying Fox at the Blackbutt Reserve camp a number of times throughout the year. This data was sent to OEH and added to the internal Council flying fox monitoring database.



Operational Income

**\$23k**

Operational Expense

**\$545k**

Capital Spend

-

Total performance progress met



## OBJECTIVE 2.1

Protects, promotes and enhances its natural environment

### STRATEGY 2.1.4

Facilitate active community engagement in caring for the natural environment

Council supported several groups of BushCare and LandCare volunteers in caring for the natural environment. In August, National Tree Day was celebrated by Council, Blackbutt BushCare and students from five local schools through the planting of 1,500 native grasses, climbers, shrubs and trees over three days. A significant milestone was reached, with over 20,000 plants having now been planted as part of this schools national tree day program over the past 12 years.

Council worked with community groups to fund the delivery of 18 nature education workshops. The following groups received funding for workshops through Council's Small Environmental Projects Fund:

- All Saints Preschool
- Alunga Children's Centre
- Big Fat Smile Shellharbour Early Learning Centre
- Chillawong Child Care Centre
- Dynamic Learners Early Learning Centre
- Early Years Care
- Illawarra Academy of Learning - Mt Warrigal
- Koninderie Community Based Preschool
- Lake Illawarra South Public School
- Pelican Preschool
- Peterborough School
- Tongarra Road Preschool and Early Learning Centre
- Warilla Baptist Preschool
- Warilla Preschool and Occasional Care Centre

Operational  
Income

-

Operational  
Expense

**\$44k**

Capital  
Spend

-

Total performance  
progress met

**100%**





## OBJECTIVE 2.2 Practices sustainable living

### STRATEGY 2.2.1 Provide community engagement and education on environmental sustainability

Council provided community engagement and education on environmental sustainability through the Sustainable Shellharbour and Environmental Leadership programs with 3,250 people engaged in 56 activities, events and initiatives. Highlights included the launch of the new Nature Talks in the Library program in partnership with Shellharbour City Libraries, the delivery of the Wild About Shellharbour Nature Photography Competition and a suite of activities to support national Threatened Species Day. We also hosted to regional 'Connecting Over Fair Food' event at the Civic Centre, bringing together over 100 people.

Interest in the monthly Sustainable Shellharbour e-newsletter has continued to increase, with over 1,200 people now receiving the monthly editions.



Operational  
Income

**\$15k**

Operational  
Expense

**\$160k**

Capital  
Spend

-

Total performance  
progress met



## OBJECTIVE 2.2 Practices sustainable living

### STRATEGY 2.2.2

Provide effective and sustainable waste operations and services for the City

#### Dunmore Resource Recovery Centre

In 2019, our Dunmore Resource Recovery Centre was named one of the top two facilities in the Australian Landfill and Transfer Station Awards Excellence category. This national award recognises excellence and innovation in waste management.

The Centre redefines the standard for resource recovery through the implementation of a recycling process line, enabling customers to recycle about 30 different waste types and products before reaching the final, and least preferable option of landfill disposal.

The facility's design supports best practice environmental principles including being fully enclosed to eliminate windblown litter, dust, odour and contaminated water leakage. Its infrastructure includes:

- The Tinkering an education-based facility that provides advice and assistance for waste reduction and reuse.
- Revolve Centre a purpose-built facility to buy, swap and sell pre-loved goods.
- Recycling Centre a state-of-the-art undercover facility that provides multiple options for recycling.
- FOGO Facility which mixes and processes garden organics like lawn clippings and branches with food materials to produce a rich compost.
- Landfill Transfer Station where any remaining waste (of which there should be little) is disposed of safely.

Many of the Centre's staff have been specifically targeted as long-term unemployed, and a number have since moved into long-term work in other organisations.

#### FOGO (Food Organics Garden Organics)

At the forefront of Council's waste operations is FOGO (Food Organics Garden Organics) program, a first in the region, which – together with our award-winning Dunmore Resource Recovery Centre - is setting new benchmarks in diverting waste from landfill.

Introduction of the service has included widespread promotion to the community. Even in its early stages, FOGO has achieved remarkable results:

- Only 28% of the average waste in Shellharbour City is now food waste, a reduction of 12%.
- This year 3,000 tonnes more food and garden waste has been diverted from landfill and turned into reusable compost, compared to 2017/18.
- FOGO contamination levels (e.g. the wrong waste types put in the FOGO bin) have been only 1.27%, compared to the NSW average of about 6%.

Operational  
Income

**\$21.077m**

Operational  
Expense

**\$18.251m**

Capital  
Spend

**\$1.718m**

Total performance  
progress met



## OBJECTIVE 2.2 Practices sustainable living

### STRATEGY 2.2.3 Reduce our ecological footprint

In September Council resolved to join the Climate Council's Cities Power Partnership (CPP), a collaboration of over 100 Councils across the Council working to deliver specific, local climate solutions. In March Council pledged to undertake five key actions:

- Install solar power on council buildings
- Adopt best practice energy efficiency measures across all Council buildings, and support community facilities to adopt these measures
- Ensure Council fleet purchases meet strict greenhouse gas emissions requirements and support the uptake of hybrid and/or electric vehicles
- Provide fast-charging user pays infrastructure throughout the city at key locations for electric vehicles
- Set minimum energy efficiency benchmarks for all planning applications

Progress on pledges has commenced, with Council's small fleet vehicles set to be replaced with hybrid vehicles as renewal is due. Grant funding was received from the Office of Environment and Heritage for a large LED lighting upgrade to replace 2,270 inefficient streetlights with energy efficient LED lights. Completing this project will reduce Council's annual corporate emissions by over 19,460 tonnes, the largest reduction in emissions by any energy efficiency project ever completed by Council which will also result in significant financial savings.



Council's Works Depot generates solar energy which is also monitored monthly. Investigations have commenced to include solar power generation on other Council sites.

Council monitors water consumption over several sites. Smartmeter monitors installed at a number of our high water using sites measure water consumption at 15 minute intervals. This assists us to closely monitor water use and identify leaks. Any occurrences outside of expected ranges are investigated and repairs conducted.

Operational  
Income

-

Operational  
Expense

**\$11k**

Capital  
Spend

-

Total performance  
progress met



## OBJECTIVE 2.3 A city that is connected through places and spaces

### STRATEGY 2.3.1 Activate a vibrant city centre

Shellharbour City Council has delivered a modern, multipurpose community precinct in Shellharbour Civic Centre that includes Council administration, Council Chambers, City Library and Museum, an Auditorium with commercial kitchen, meeting rooms and sessional services, Civic Square, café and 'backyard'.

The vision for the Civic Centre is to become a destination in and of itself. We aims to deliver a vibrant precinct offering a variety of activities across the day and a space that is sustainable - socially, environmentally and financially.

The Civic Centre is the focal point of the engagement that exists between the Community, our Councillors and our Customers and the services, operations and products that can be offered by the Council.

Following the relocation of Council services to the new building in 2018, the focus over the last 12 months has been embedding a new model of service delivery and giving the community every opportunity to explore and enjoy the Civic Centre's facilities and spaces. We formed a Civic Centre Activation Team to ensure visitors to the Civic Centre have the highest quality experience. The team's unique structure and autonomy enables it to operate with a high level of flexibility, innovation and creativity.

During the last 12 months, the Civic Centre has seen an average of 18,000 visitors per month with over 500 bookings.

The Civic Centre has seen a number of events/programs and exhibitions held within the space, these have included

- Arty Party
- Sculptures at Killalea Satellite exhibition
- National Tree Planting event
- "All About Women" satellite event streamed live from the Opera House,
- University of Wollongong gaming event which was live-streamed to more than 100,000 viewers



Operational  
Income

-

Operational  
Expense

**\$1k**

Capital  
Spend

**\$344**

Total performance  
progress met

**100%**

## OBJECTIVE 2.3

### A city that is connected through places and spaces

#### STRATEGY 2.3.2

##### Undertake land use planning in a socially, economically and environmentally responsive manner

A number of key Council strategic planning documents fall under this strategy, including Councils Local Strategic Planning Statement, Open Space Recreation Needs Study and Strategy, and Local Housing Strategy. Varying degrees of work have been carried out on these plans.

The preparation of Council's Local Strategic Planning Statement (LSPS) began in the reporting period. The LSPS sets a 20 year land use planning vision for Shellharbour City and guides how we manage growth and development across the City. The LSPS will be informed by Council's other strategic planning documents, to ensure that we are considering all aspects of our community, environment and economy when planning for the future.

Council has begun a review of Council's Open Space Recreation Needs Study and Strategy. The project will provide direction for the Council and the community regarding the future management of current active and passive recreation areas, parks and reserves, sports fields and aquatic facilities management by Council.

Council began preparing a Local Housing Strategy. Substantial community and stakeholder consultation, including two dwelling preferences surveys, and community workshops were undertaken to inform its preparation.

Discussions continued with the Department of Planning, Industry and Environment on the implications of the implication of the Low Rise Medium Density Housing Code in the Shellharbour Local Government Area. The preparation of the Local Housing Strategy has assisted Council with these discussions.

The Tenth Review of Council's Infrastructure Contributions Plan (previously referred to as the Section 94 Plan) commenced. This involves the review of the assumptions on which the plan are based to ensure that it remains relevant and up to date. This includes the review of the projected population, the scope of infrastructure to be provided, estimated cost of provision and contributions levied.

Council continued to advocate for the community on state and regional planning matters during the reporting period. Of particular importance is the planning and delivery of the urban release area of Calderwood. Council continued to negotiate with the developer and also made submissions to the NSW Department of Planning, Industry and Environment on this significant project.

Council was actively represented on the Illawarra Shoalhaven Regional Plan Co-ordinating and Monitoring Committee as well as the Illawarra Shoalhaven Urban Development Committee. This representation helps to ensure that Shellharbour City can demonstrate its achievements in relation to regional planning and development, as well as advocate for the needs and well-being of its community in terms of infrastructure and services.

Operational  
Income

**\$17k**

Operational  
Expense

**\$726k**

Capital  
Spend

-

Total performance  
progress met



## OBJECTIVE 2.3

### A city that is connected through places and spaces

#### STRATEGY 2.3.3

##### Provide and promote a sustainable, safe and connected transport network

Over 320 requests for traffic investigations and new streetlights were received during the reporting period and 96% of these were investigated and had an action determined within the target timeframe. A large amount National Heavy Vehicle Regulator permit requests were received during this period that are a direct result of the large number of developments currently underway within the Local Government Area, including the Albion Park Rail Bypass Project being delivered by RMS. Most public Lighting Design Briefs relating to new subdivision development were completed within the target time frame of 10 days.

Opportunities and available funding streams are regularly checked and submissions prepared where appropriate. Council successfully applied for funding through the RMS Active Transport Grant scheme. The grants were used to fund the construction and renewals of Shared Use Paths in Albion Park, Dunmore and Albion Park Rail, including a Shared Use Path installation connecting the Croome Sporting Complex to the Albion Park Train Station and a Shared Use Path installation linking Albion Park Town Centre with the Tullimbar Village Estate. The Shared User Path Strategy has enabled Council to secure over \$1m of grant funding for these projects through the Transport for NSW Active Transport Programs.

The Road Renewal Program saw the renewal of 52 road segments as part of the Road to Recovery Program, this included to Wollongong Street, Shellharbour, pavement reconstruction.

As part of the Federal Blackspot Program, Council was successful in securing grant funding for a new roundabout at the intersection of Moore Street and Parkes Street Oak Flats. This is now included in the 2019/20 program of works.

Development of a concept design for the Tripoli Way Extension (Albion Park Bypass) continued and Council is passionate about championing this project to State Government for a long-term solution to the traffic growth in Albion Park due to the rapidly developing surrounding areas.

Operational  
Income

**\$181k**

Operational  
Expense

**\$1.560m**

Capital  
Spend

-

Total performance  
progress met



## OBJECTIVE 2.3 A city that is connected through places and spaces

### STRATEGY 2.3.4 Facilitate the development of the built environment to meet community needs

There were 917 Development Applications and Modification Development Applications lodged in 2018-19. This is an increase of an additional 244 applications from the previous year. This increase has seen an increase in the total of capital investment value of development activity from \$268m to \$415m in the 12-month reporting period.

In addition, and consistent with the last financial year, there continues to be a noticeable increase in the percentage turnaround of development applications within legislative requirements. Of the 917 applications determined, 67% were processed within 40 days.

The strong output has been underpinned by a number of achievements developed and implemented within the environment of processing development applications. This includes the following:

#### Launch of Development Application Strategy 2019-2021

This strategy has been developed to strengthen the Customer Experience and Processes of Development Application. With three main priority areas focusing on processing practices, building a customer service approach and building on software opportunities, the strategy has developed actions that have resulted in improved processing times.

The Strategy includes:

- New assessment practices including an automated system for DA lodgment, assessment and determination. The system contributed to a record 247 DAs being determined in Quarter 4 of 2018/19, 89 more than Quarter 4 of the previous year.
- Building a customer-focused approach, including a new online tracking system which allows transparency and enables customers to view and comment on DAs at any time of day.
- Ensuring staff have the information and tools they need. This has seen the recruitment of five new staff to the DA assessment team in 18 months, contributing to our record number of DA determinations.

#### Implementation of Fast-Track system

A fast track system for certain dual occupancy development applications has been launched within the operation. This fast track system has seen a reduction in the requirement to refer the application within the various technical departments of Council. As a result, such direction has seen improved processing and determinations.

#### Launch of the Shellharbour Design Review Advisory Panel

Council is committed to ensuring that the design contributions of future buildings will contribute positively to the urban form and function of the City and will ensure local planning policies are actively achieved. The Panel has been established to provide an advisory service and its role is to provide independent, expert advice on the design quality of development proposals. The Policy framework provides the type of developments that need to be heard by the panel and is typically done at the pre-DA stage.

Operational  
Income

**\$1.105m**

Operational  
Expense

**\$2.087m**

Capital  
Spend

-

Total performance  
progress met



## OBJECTIVE 2.3

### A city that is connected through places and spaces

#### STRATEGY 2.3.5

##### Recognise, protect and celebrate our heritage

Shellharbour City Museum has had an exciting 12 months in the brand new facility at the Civic Centre. The Museum's central location and extended opening hours have provided great opportunities for sharing and celebrating our city's history, with the community.

12,105 people visited City Museum and 53,701 engaged with us online. Museum staff completed 322 heritage information requests for our customers, delivered 37 programs throughout the year, and installed seven exhibitions at the Civic Centre.

In November, the Museum launched *Shellharbour Remembers*, an exhibition developed in partnership with Albion Park RSL Sub Branch and Warilla RSL Sub Branch. The exhibition, in recognition of the Centenary of Armistice, told local World War One stories and included a Shellharbour Roll of Honour. Artefacts from the Museum's collection, Warilla RSL Sub-Branch, and personal collections from members of the community were also displayed as part of the exhibition.

The National Museum of Australia 2019 *Australian of the Year* exhibition, paid tribute to eight extraordinary Australians chosen as the 2019 Australian of the Year finalists. The exhibition featured personal objects selected by each finalist that provided a special insight into their lives and experiences, and was the first touring exhibition to be hosted by the Museum in the new facility. The exhibition was complimented by the *Shellharbour Australia Day Awards* exhibition, honouring recipients of our local awards.

In celebration of Shellharbour City Council's 160th anniversary of local government, in June 2019, the Museum launched *Shellharbour 160 Years*, an exhibition featuring artefacts from Council's collection including the Mayoral and Town Clerk's robes, which were modelled by our current Mayor and General Manager on launch night!

The Museum launched the monthly *'What's in the Box?'* program for pre-schoolers this year. *'What's in the Box?'*, features a themed story time session which allows children to explore and interact with real museum objects supplied by the Australian Museum's regional outreach program, with a range of supporting activities prepared and delivered by Libraries and Museum staff. Dinosaurs made an appearance at the March session with over 70 participants unearthing dinosaurs and fossils from the mini excavation pit, and interacting with prehistoric animals using augmented reality technology.

Over 300 students and teachers have participated in Shellharbour City Libraries & Museum education program. The Museum component features questionnaires tailored to the student's age group, and a hands-on presentation in which students are shown one of the oldest Museum collection items, an 1838 silk taffeta skirt worn by one of Shellharbour's first European settlers, Sarah Thomas.

Shellharbour City Libraries and Museum hosted a tour of the original 1828 Census at the Civic Centre in May. Over 50 people attended the event to catch a glimpse of the rare manuscript and hear from State Archives staff about the census and how it can help people researching their local and family research.

Operational  
Income

**\$4k**

Operational  
Expense

**\$328k**

Capital  
Spend

-

Total performance  
progress met





The Civic Centre Public Art Trail was added to the Museum's *'Tread Shellharbour'* touring app. The tour takes people on a self-guided walk of the fantastic art works commissioned for the new community facility, and includes several short digital stories featuring the history of Shellharbour which were developed by students from the University of Wollongong.

Shellharbour City Libraries historic photograph collection *'Shellharbour Images'* made an appearance on Council's Facebook page in a weekly series of 'Flashback Friday's' posts. The posts are designed to share some of the city's most interesting and unknown history and heritage, with old and new members of our growing community.



## OBJECTIVE 2.3 A city that is connected through places and spaces

### STRATEGY 2.3.6 Deliver sustainable whole of life asset management for the community

Council maintains and plans for community assets throughout the year and has undertaken condition assessments on its assets. Developing Asset Management Plans that will prioritise and plan building maintenance and renewals for the next 20 years.

With the reintroduction of Regular Passenger Transport (RPT) by Fly Corporate, the focus has been on security and operations of the airport. Council is working on a long term maintenance plan to ensure the operations continue efficiently and within Civil Aviation, Transport Security and Council rules, regulations and policies.

Council maintains and operates two cemeteries and has been working on the creation of electronic cemetery maps. A consultant was engaged to create a Strategic Plan with a draft document being created.

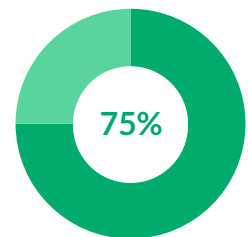
Council managed leases and licenses for its facilities and ensured services to user groups were provided as needed. Council has been working closely with Roads and Maritime Services (RMS) on the progression of the Albion Park Rail Bypass Project with leasing a portion of land at Croome Sporting Complex to RMS for their contractor to carry out necessary preliminary works.

Operational  
Income  
**\$17.596m**

Operational  
Expense  
**\$7.511m**

Capital  
Spend  
**\$8k**

Total performance  
progress met





## community objectives

Our City....

**Plans, builds and manages infrastructure for the community**

**Supports and increases employment and business opportunities within a strong local economy**

**Welcomes, engages and attracts visitors**

## OBJECTIVE 3.1

### Plans, builds and manages infrastructure for the community

#### STRATEGY 3.1.1

Provide the community with a range of infrastructure delivered in a sustainable manner

The last 12 months has seen the delivery of landmark capital works projects, each realising a significant component of the Delivery Program within the Community Strategic Plan.

At the forefront of these was the completion of Shellharbour's new Civic Centre complex, including an administration building, city library, museum and auditorium at a cost of \$54,168,101.

Other major projects completed or in progress include:

- The Links Shell Cove development
- New Shell Cove sub-division
- Upgrade of Shellharbour Skate Park
- Preparation and construction of an additional landfill waste cell
- Refurbishment of historic Centenary Hall
- Commenced upgrade of the Shellharbour Airport (to be completed 2020/21)
- Upgrades to lighting, grand stand seating and car parks at Terry Reserve, Albion Park
- Reconstruction of the lifeguard tower at Warilla Beach,
- Renewal of pump system and pipelines at Beverley Whitfield Pool
- Commenced construction of shared path connection at Tongarra (to be completed 2019/20)
- Warilla Seawall Rock Revetment stabilisation and cost benefit analysis

In 2018/19 Council spent more than \$19m on new projects, each catering for population growth, improving public safety or providing an environmental benefit. An additional \$18m was spent on renewal projects for existing assets. Council has increased its capital renewal spend by an average of 14% over the last five years.

Additionally, Council will continue to work closely with NSW Roads and Maritime Services, which is delivering the \$630 million Albion Park Rail Bypass Project. When completed, the bypass will transform road access to and within the western half of our LGA. This major project will continue to require significant Council focus and resources.

Operational  
Income

**\$17.168m**

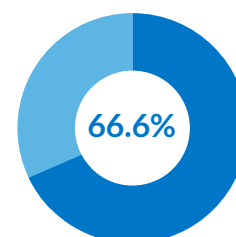
Operational  
Expense

**\$4.791m**

Capital  
Spend

**\$5.348m**

Total performance  
progress met



## OBJECTIVE 3.1

### Plans, builds and manages infrastructure for the community

#### STRATEGY 3.1.2

##### Maintain the City's assets to meet community needs and the delivery of services

\$18m was spent on renewal projects for existing assets increasing Council's capital renewal spend by an average of 14% over the last five years.

At the same time as delivering a vast range of services to our growing community, in 2018/19 Council focused on increasing the safety and efficiency of our maintenance crews. Initiatives included a new incident reporting system, introduction of field based computing that minimises duplication of data while distributing work and recording tasks, and an Operational Environmental Management Plan to reduce environmental risk.

Asset Management Plans have been refined to prioritise and plan building maintenance and renewals for the next 20 years.

Over \$2m of Federal and State government funded road and shared use path projects were commenced or completed and a tender for road renewals (resurfacing) was awarded in the third quarter.

Some of the renewal work completed included:

- Centenary Hall refurbishment
- Beverley Whitfield pool pumping system renewal
- Road Renewal program - over 50 road segments
- Terry Reserve upgrade
- Warilla Beach Seawall renewal
- Parkland furniture renewal at Boonerah Point, Blackbutt Forest and Panorama Oval

Operational  
Income

**\$33.189m**

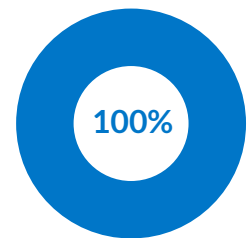
Operational  
Expense

**\$18.374m**

Capital  
Spend

**\$5.661m**

Total performance  
progress met



## OBJECTIVE 3.2

Supports and increases employment and business opportunities within a strong local economy

### STRATEGY 3.2.1

Activate the Shell Cove Harbour Precinct as a lifestyle and boating destination providing development, tourism and community opportunities

After decades in the planning, Council's \$1.5 billion Shell Cove development is now at the very essence of Shellharbour City's identity, delivering a unique blend of state-of-the-art residential and tourism facilities while highlighting Shellharbour's spectacular coastal and natural bushland environment.

Shell Cove includes the biggest marina in NSW - now under construction - a vibrant town centre, expansive parkland and foreshore areas, the Links Shell Cove Golf Course and a 3500-home residential community equipped with a school, pre-schools, a medical centre and aged care facility.

The harbour which will house the marina, and its long breakwaters, is the largest piece of recreational marine infrastructure being delivered on Australia's east coast with a total capital value of \$180 million for the civil works alone. When completed it will create a major boating, tourist and lifestyle destination.

Central to the project is its environmental focus. We have called upon some of Australia's leading environmental experts to ensure Shell Cove is delivered in harmony with its natural surroundings.

With the housing areas of Shell Cove now some of the hottest real estate south of Sydney, the project's focus is on completing the harbour/marina and developing the waterfront shopping precinct.

Achievements over the last 12 months include:

- Completion of the breakwaters and significant stages of the harbour basin construction
- Commencement of piling for the marina
- Construction of the first stage of the town centre, including a supermarket as an anchor tenant and 10 specialty shops
- Commencement of concept designs for a library and community centre in the Shell Cove town centre
- Development approval for a waterfront restaurant precinct including 45 premium apartments, alfresco dining and car parking and approval for a waterfront tavern

Operational  
Income

**\$46.260m**

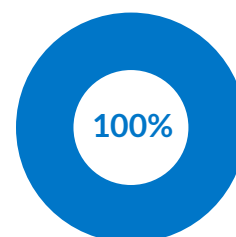
Operational  
Expense

**\$30.183m**

Capital  
Spend

-

Total performance  
progress met



## OBJECTIVE 3.2

Supports and increases employment and business opportunities within a strong local economy

### STRATEGY 3.2.2

Create, promote and maintain local business, job, investment and lifestyle opportunities

#### Shellharbour Airport (formerly Illawarra Regional Airport)

Council has the unique and exciting distinction of operating its own airport, servicing the broader Illawarra region.

Originally a wartime RAAF training facility, Shellharbour Airport now supports businesses including emergency services, flight training, aircraft maintenance facilities, tourism (including an aviation museum) and a regular commuter airline service.

We've long recognised the airport as an economic cornerstone of our region and have strategically pursued opportunities to expand its offerings and upgrade facilities. In 2019, Council received \$15.97 million as part of the Regional Growth Fund to construct a new passenger terminal, increase capacity of aircraft parking and support development of an aviation business park. The first stage, which included security upgrade of fencing, is now complete.

The community now benefits from 32 public flights per week between Brisbane and Melbourne.

The airport is also home to Wings Over Illawarra - one of Australia's largest annual air shows - and the Historical Aircraft Restoration Society (HARS). HARS houses and still operates some of the world's oldest aircraft including the Qantas Boeing 747.

#### Economic Gardening

As well as running a busy calendar of business networking events, Council strongly supports Economic Gardening Illawarra, an innovative program that helps local businesses develop and grow sustainably. The program is delivered free to all qualifying businesses and is supported by Council and our counterparts in Wollongong and Kiama.

Since its inception, more than 500 businesses of all sizes and from diverse industry sectors have graduated from the program. Businesses that complete Economic Gardening Illawarra consistently report higher trading and profitability than the broader Illawarra's business community (Source: IRIS Research quarterly business survey).

A survey of recent graduates showed participant businesses had increased their employment by 71.2% and turnover by 74% since completing the program. This equates to the creation of an additional 310 full-time jobs and generation of \$58.8m in the regional economy.

Operational  
Income

**\$32k**

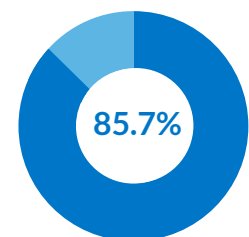
Operational  
Expense

**\$312k**

Capital  
Spend

**\$422k**

Total performance  
progress met



## Cadetship Program

The Cadetship Program is an opportunity for university students to gain practical workplace experience whilst completing their on-going studies. Council is committed to the development of its people and this structured learning program gives students the opportunity to work across key business areas supported by a mentor.

Council implemented a new Cadetship program in April 2019. As part of the new Cadetship program, Cadets are employed as temporary full time employees for up to four years while completing their University studies part time (two subjects per semester). They are supported in their placements by detailed training plans, peer support sessions and network events.

Council employs five cadets (three Cadet Civil Engineers, one Cadet Strategic Planner, and one Cadet Communications and Media). Cadet Civil Engineers rotate through a number of groups during their time at Council. These include Services, Asset Strategy and Design. This enables the Cadet Civil Engineers an opportunity to experience a variety of engineering specialties.

## Work Experience

Council provided 32 students with work placement during the year and attended the Illawarra Careers Expo to speak to students and career advisors about career opportunities and work experience at Council.

## Shellharbour City Council and University of Wollongong Scholarships

Shellharbour City Council awarded scholarships worth a total of \$25,000 to three high-performing University of Wollongong (UOW) students in May 2019.

The \$5000 Shellharbour City Council Community Scholarship recipient was Caitlin Vickers, while two \$10,000 Shellharbour City Council Integrated Learning Scholarships went to Hannah Schymitzek and Tea Rundback, respectively.





## OBJECTIVE 3.3 Welcomes, engages and attracts visitors

### STRATEGY 3.3.1 Promote our City as a tourist destination of choice

Tourism Shellharbour continues to provide information for visitors to the area with the Shellharbour Visitor Centre receiving 9,463 visitor enquiries in 2018/19.

#### “Unspoilt” Tourism Campaign

A highlight of our tourism initiatives has been Tourism Shellharbour’s partnership with Destination NSW and neighbouring Councils to deliver Unspoilt South Coast, the south coast’s first “whole-of-region” tourism marketing campaign.

The 30-week campaign included digital outdoor media signage and content on Xtracks TV at key Sydney railway stations. It featured people enjoying outdoor activities in the unspoilt landscape of Shellharbour and surrounding areas, particularly targeting busy couples and families in Sydney and Canberra, seeking a break in beautiful surroundings.

Shellharbour has also been featured on the Sydney Weekender program, both as part of the “Unspoilt” campaign and through Tourism Shellharbour’s continued direct relationship with the Sydney Weekender team.

“Unspoilt” contributed to record increases in visitor numbers and more than one million leads to south coast tourism businesses. The campaign was the most successful of its type in NSW for 2018/19.

Operational  
Income

-

Operational  
Expense

**\$1.955m**

Capital  
Spend

-

Total performance  
progress met

100%







# Leadership objectives

Our City is....

**Led through collaboration**

**Supported by a council that is responsive, accountable and financially viable**



## OBJECTIVE 4.1 Led through collaboration

### STRATEGY 4.1.1

Ensure that the Mayor and Councillors are representative of the community, providing strong, innovative and proactive leadership

There were 17 Ordinary Council meetings and 2 Extraordinary Council meetings held this year. The business papers and minutes were published on Council's website.

At the Extraordinary Council meeting on 25 September 2018 Councillor Marianne Saliba continued as Mayor and Councillor John Murray was elected as Deputy Mayor.

More than 20 briefings were conducted by staff to discuss various matters with the Councillors including:

- New Warilla Library Project
- Native Title
- Bass Point Review
- Customer Service Framework and Charter
- Shell Cove
- Online Community Engagement Portal
- Ward Boundaries
- Regional Economic Development Strategy (REDS)
- Draft Shellharbour City Event Strategy 2018-2021
- Integrated Planning and Reporting Reports
- Albion Park Bypass – Tripoli Way

Operational  
Income

**\$2k**

Operational  
Expense

**\$744k**

Capital  
Spend

-

Total performance  
progress met



## OBJECTIVE 4.1 Led through collaboration

### STRATEGY 4.1.2 Actively engage, consult and inform the community

Council wants to have meaningful conversations with our community to ensure that the community's priorities and aspirations are reflected and kept up to date.

#### Ideas Lounge

Council is always re-thinking how we engage with our community. By continually reflecting and evaluating current methods, we are able to adapt to changing community expectations and remove the barriers to providing feedback. As a result we have introduced the 'Ideas Lounge', a drop in session at the Civic Centre set up like a lounge room, where you can informally chat to Council Staff and Consultants. Ideas Lounge provides a unique opportunity for stakeholders to share feedback, ideas, issues and suggest solutions about a specific issue or concept.

#### Wishing Lines

Engagement is really only limited by our imagination at this year's Australia Day Celebration we created a pop up engagement activation, the 'Wishing Lines' installation. This was a way to interact with the space, ensuring that community stories were reflected in a visual display. This was a way to capture feedback on the event and provided a platform for the community to share their vision for the City. It allowed the community to not only be part of the story and made it their own.

#### Creative Mixer

Engaging on the development of the Public Art Strategy was a unique opportunity to activate the local Exhibition Space with the 'Creative Mixer'. The purpose of the creative mixer was invite passionate creative minds in a room to collectively brainstorm the best approach to enhancing Shellharbour's role in the arts. Guests participated in the 'Drop Pom Pom Mapping' a fun way to explore future public art locations, 'Vision Ribbons' participants wrote their creative vision for the City on ribbons that were woven into a collective vision statement. It was clear from the energy in the room that the arts have tremendous potential to improve our personal and community wellbeing, enhance our public places and strengthen our local economy. The development of the Public Art Strategy will explore how we can tap into this potential and make arts and creativity integral aspects of our daily lives in Shellharbour City.

Other projects that we have engaged on:

- Warilla Library development
- Playground renewals
- Youth Plan
- Event Strategy
- Amenities renewals
- Delivery Program and Operational Plan
- Fitness Equipment – Healthy Ageing
- Flood Study
- Dog Friendly Spaces
- Cemetery Operations
- Safer Shellharbour - Lighting

Started last year but is ongoing:

- Public Art Strategy
- Master Plan Reddall Reserve and McDonald Park
- Local Strategic Planning Statement
- Housing Strategy

Operational  
Income

-

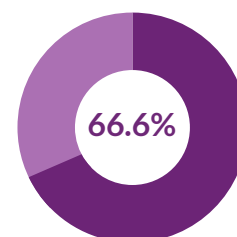
Operational  
Expense

**\$290k**

Capital  
Spend

-

Total performance  
progress met



## OBJECTIVE 4.1 Led through collaboration

### STRATEGY 4.1.3

#### Acknowledge and respect the Aboriginal community as the traditional custodians of the land

Council has seen many highlights this year in its ongoing commitment to acknowledge and respect the local Aboriginal community. Council has been host to local and regional community events, launched the Aboriginal Cultural Collection in City Library, and also celebrated the 20 year anniversary of the Aboriginal Advisory Committee (AAC).

#### Aboriginal Advisory Committee

For the past two decades Shellharbour City Council has been inviting members of the local Aboriginal community to provide advice and guidance on Council plans and processes as members of the Aboriginal Advisory Committee. Regularly consulting with the AAC is a key engagement tool that allows Council to work respectfully alongside our local Aboriginal community. Council is proud to host the longest running council-based within the state, which is a testament to its level of success. In December 2018 the AAC celebrated its milestone anniversary of 20 years supporting and advising Shellharbour City Council.

#### Aboriginal Cultural Collection

In December 2018 Council also launched our new Aboriginal Cultural Collection at the City Library to mark this important milestone. This newly created collection provides an important space for Indigenous authors and topics to co-exist, enshrining both fiction and non-fiction and ranging from short stories to academic essays to language resources and much more. The Aboriginal Cultural collection is compiled to enhance local interest in learning and understanding Aboriginal culture in Shellharbour. In December 2018 Council invited Councillors, AAC members and Aboriginal and Torres Strait Islander Council staff to an afternoon tea at the Civic Centre, to view the new collection and listen to Damian Webb, a guest speaker from the State Library of NSW who specialises in Indigenous Services.

#### Reconciliation Flag Walk

Shellharbour City Council continues to acknowledge and respect the Aboriginal community as the custodians of the land. The Annual Reconciliation Flag walk was hosted on 27 May at Harris Park and was attended by 19 local Aboriginal elders, 26 schools, and a broad range of community members. Councillor Marsh and Richard Davis, Co-chair of the AAC, led 138 Aboriginal and non-Aboriginal students on the Flag Walk, as they waved their flags proudly in honour of reconciliation. The Flag Walk was completed by all ages, with everyone from year 12 students to toddlers from Wallaroo Day Care, coming together to demonstrate respect for our local Aboriginal community.

After the ceremony was completed Aboriginal elders sat down and yarned over countless cups of tea, while volunteers from the local Shellharbour Lions Club cooked up a storm of snags for lunch. The students themselves participated in a range of cultural workshops hosted by Gumaraa, learning about local language, artefacts, and Dreaming stories. This Reconciliation event was yet another sign of respect and acknowledgement of local cultural knowledge as young children were heard chorusing conversations in Dharawal language, or listening to a local elder recount the Dreaming story of Gangmangang (Windang Island).

Operational  
Income

-

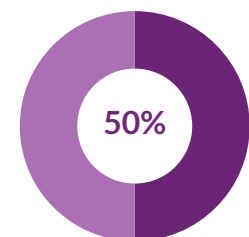
Operational  
Expense

**\$73k**

Capital  
Spend

-

Total performance  
progress met



## OBJECTIVE 4.2

Supported by a council that is responsive, accountable and financially viable

### STRATEGY 4.2.1

Undertake Council activities within a clear framework of strategic planning, policies, procedures and service standards

90 policies have been published in a new centralised online system (Pulse) including 36 operation policies and 54 Council policies. Public policies are also able to be accessed online through the same system.

#### Core Values

The organisational reform has included a Core Values Program, to help determine “who we are and how we see ourselves.” This was identified as our highest priority and a large investment was made to involve all staff and support them through this change. The program entails:

- Establishing shared values
- Setting out expected behaviours
- Providing an opportunity to “reboot and refocus” after a long period of disruption and uncertainty
- Ensuring everything we do benefits our four Cs: Community, Customers, Councillors and Council (ourselves)

Our Core Values journey has seen unprecedented staff involvement, with strong sponsorship from leaders and a willingness to address the “real” root causes of cultural issues.

We ran interactive workshops, giving staff the opportunity to improve the organisation by voicing their opinions. Conversations in this phase raised a number of real and important issues. Of the 200 staff who voluntarily attended, 98.8% felt the workshop content had important implications for Council.

The final values of Collaboration, Accountability, Integrity, Respect and Sustainability or “CAIRS” were democratically selected and we celebrated this achievement at a launch event attended by more than 250 staff.

Ongoing activities include a weekly Core Values blog from the General Manager, the establishment of a Cultural Improvement Team to support Council leaders in reinforcing and sponsoring the program and regular conversations at senior management meetings.

Core Values 101: Courageous Conversations workshops were developed and rolled out to leaders in 2018 and to all staff in 2019 and promotional reminders of the Core Values and Core Corporate Behaviours were disseminated across workplaces.

The Core Values Program has seen a marked shift in the way we do things, breaking down silos and setting foundations for a positive work culture. We have successfully addressed cultural issues consistently raised by staff, including greater communication, more effective leadership and increased accountability.

Council was recognised for this achievement as a finalist in the LG Professionals NSW Excellence Award for Excellence in People and Culture.

Operational  
Income

**\$46k**

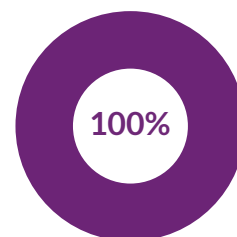
Operational  
Expense

**\$3.977m**

Capital  
Spend

–

Total performance  
progress met



## Business Improvement

The Business Improvement Program focuses on building and enhancing Council's business process management and improvement practices, tools, skills and capabilities.

In April, Council recruited a Business Improvement Coordinator. This role focusses on building organisational business improvement capabilities as well as supporting the delivery of business improvement projects across Council.

Promapp software was purchased to support Council in documenting and improving business processes. As part of the rollout of Promapp, a network of Promapp Champions attended a two day training program. This was followed by a further 200 staff completing training in the use of the Promapp.

## Integrated Planning and Reporting

The newly developed Community Strategic Plan 2018-2028, Delivery Program including the Operational Plan 2018-2021 and Resourcing Strategy 2018-2028 came into effect at the beginning of the financial year.

Council undertook a review of what measures we use to track our results. To assist in the review, a Measures Toolkit was created. The toolkit was designed to guide employees through the development and tracking of measures, comprised of 5 phases: Imagine; Plan; Decide; Measure; and Analyse and Improve.





## OBJECTIVE 4.2

Supported by a council that is responsive, accountable and financially viable

### STRATEGY 4.2.2

Continually improve services to enhance the customer experience and meet customer expectations

#### Customer Service Charter

As part of continuing to strengthen relationships with our community and key stakeholders, we have developed and implemented a Customer Service Charter to underpin our commitment to exceptional customer service across our operations.

The Charter was developed in consultation with community representatives, Councillors and staff and outlines the standards we will use to deliver professional, reliable and consistent customer service and how it will be measured.

We facilitated customer service training for more than 400 Council staff and mystery shopping was carried out to measure performance against our benchmarks and test alignment to Council's Core Value behaviours. Results were very positive, with Council receiving an overall score of 90% based on 115 evaluations.

We have also reviewed the way we receive, manage and respond to customer requests and correspondence, which has provided additional ways to evaluate performance against the standards of the Charter.

Operational Income

**\$77k**

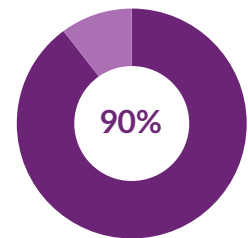
Operational Expense

**\$2.419m**

Capital Spend

-

Total performance progress met



The graphic features a vertical blue bar on the left with the Shellharbour City Council logo and the text 'CUSTOMER SERVICE CHARTER'. To the right, a woman in a blue uniform and headset is illustrated. Further right, text describes the council's commitment to providing a positive experience to customers at every opportunity, defines 'Our customers', and lists 'Our commitment to you' with specific bullet points.

**Shellharbour CITY COUNCIL**

**CUSTOMER SERVICE CHARTER**

**Shellharbour City Council (Council) strives to provide a positive experience to customers at every opportunity.**

Council is committed to delivering programs and services with a strong focus on exceptional customer service. Our staff are committed to being open, honest, fair and accountable in all our dealings with Customers and strive to provide timely, efficient and consistent services.

The Customer Service Charter outlines standards we will use to deliver professional, reliable and consistent customer service that meets your expectations. Customer service is everyone's responsibility and we will hold each other accountable in our service commitment.

**Our customers**

A customer is a person or organisation that has any form of interaction with Council for information, goods, services or transactions. This includes residents, property owners, business operators, consultants, Council staff, contractors, other Government agency representatives, developers, Councillors, elected representatives and visitors.

**Our commitment to you**

We will:

- act in a way that reflects and upholds our core values - Collaboration, Accountability, Integrity, Respect, Sustainability
- listen and respect your issues and concerns
- set clear expectations and deliver on those commitments
  - be professional, respectful and courteous
  - train our staff to deliver information and services
  - provide clear and concise information in a timely manner
  - recognise and respond to the diverse needs of our community and act with proper regard and sensitivity
  - actively measure and monitor our performance against the Customer Service Standards

## OBJECTIVE 4.2

Supported by a council that is responsive, accountable and financially viable

### STRATEGY 4.2.3

Ensure Council is financially sustainable and continues to be transparent and accountable

#### Fit For the Future

In 2014, the NSW Government announced Fit For the Future, a plan to transform local government to ensure councils were ready to deliver the quality services and infrastructure that communities deserve. Shellharbour's submission was found to be "fit" for all criteria except the financial criteria of "sustainability".

Since that time, we have focused heavily on improving our financial strategies. In 2018, Council undertook an extensive financial assessment looking ahead to 2012/22, which forecast we will continue to exceed the state government's financial benchmarks and can demonstrate Council is financially sustainable.

In March 2018, Council lodged its reassessment proposal and in July 2018 was assessed as being "fit". This result reaffirmed the integrity of our strategies and long-term financial plan, the leadership of the elected Council, the professionalism and financial acumen of staff and the strategic delivery of services and infrastructure to our community.

This also means Council is now eligible to access highly competitive loan borrowing rates from the NSW Treasury Corporation, which has the potential to assist us in providing new and upgraded infrastructure at low borrowing costs.

#### Financial sustainability

The Audit Office of NSW Report on Local Government found Shellharbour City Council was one of only five local governments in NSW to have achieved all five 'Fit For the Future' ratios included in the Report on Local Government 2018. It was also one of only five councils to achieve all 11 of the Office of Local Government's performance indicators.

The report focuses on key observations and findings from the 2017/18 financial audits of 135 councils across the state, looking at financial reporting, governance and internal controls, information technology, asset management, financial performance and sustainability.

Our outstanding financial results have set the bar for other NSW councils and underline the positive impact of Council's strategies and long-term financial planning.

Operational  
Income

**\$52.936m**

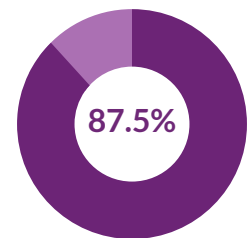
Operational  
Expense

**\$5.283m**

Capital  
Spend

—

Total performance  
progress met



## OBJECTIVE 4.2

Supported by a council that is responsive, accountable and financially viable

### STRATEGY 4.2.4

Provide a diverse range of business technology to facilitate information sharing

#### Business Technology

Council's core business systems were available for 97.78% for the community, customers and staff. Upgrades to provide mobile computer access to over 50% of the organisation occurred during the year enabling staff to access information any time and any place.

Council's new website was successfully launched in conjunction with a redesign of eServices to provide a richer customer experience and seamless transition from the new website to the eServices platform.

Progress has also occurred on the geographical information system (GIS) and the new facility booking solution.

#### Social Media

Council has used social media platforms like Facebook, Twitter and Instagram to effectively communicate with the community. Providing informal and accessible information for customers and the community from Councillors and Council.

News, events, projects, policies, information on services, resources and facilities have been added on a regular basis. Essential updates on road and bridge closures and weather warnings have also been added.

Community engagement was promoted through our Let's Chat portal via social media and Council's website.

Council will continue to monitor current trends in the social media sector to stay up to date with the latest in digital communications.

Operational  
Income

**\$319k**

Operational  
Expense

**\$4.931m**

Capital  
Spend

**\$558k**

Total performance  
progress met



## OBJECTIVE 4.2

Supported by a council that is responsive, accountable and financially viable

### STRATEGY 4.2.5

Minimise risk, ensure continuity of critical business functions and assist in the delivery of service for emergency events including flooding, coastal/oceanic, bushfire and other events

#### Risk Management

Council's Business Continuity Management Plan is in place to assist Shellharbour City Council staff restore business operations in the event of an unscheduled business disruption or catastrophic event such as the total loss of Council's administration building. The plan covers all mission critical business functions and mission critical IT systems and applications.

Council's Business Continuity Plan (BCP) is up to date and available on Council's intranet. The Information Technology Disaster Recovery Plan is a recent addendum to the BCP

#### Work, Health and Safety

Council renewed its Workers Compensation Insurance, Aviation Liability and Fine Arts Insurance policies in June.

Vault, Council's safety management software package is used by all staff to report incidents injuries, near misses and observation. This follows extensive training of staff in the use of the system.

All Work Health and Safety Policies and Procedures are available to all staff through the software system, Pulse.

In addition:

- Over 400 staff attended a Beyond Blue Mental Health training program
- Managers and Supervisors were trained in managing staff with mental health issues and assist them to access support
- Flu Vaccinations were provided to over 100 staff
- Hepatitis A and B testing and vaccinations for 34 staff

#### Floodplain Management

Floodplain management continued with the Draft Lake Illawarra, Mt Warrigal and Oak Flats Flood Study Report being presented to the committee on 2 April 2019 and endorsed by Council for public exhibition on 30 April 2019. A series of drop in session for the public occurred in May and Councillors were also briefed on the report.

Data has been collated for the Macquarie Rivulet Floodplain Risk Management Study including rainfall records, historical flood level information, stormwater asset data and information on the new development approvals in the catchment. The data was given to the consultant engaged to prepare a study in the future.

Operational  
Income

**\$365k**

Operational  
Expense

**3.625m**

Capital  
Spend

-

Total performance  
progress met



# Statutory Reporting

The information in this section of the annual report addresses the reporting requirements detailed in the *Local Government Act 1993* as per section 428, the *Local Government (General) Regulation 2005* as per clause 217(1) and other relevant legislation.

It serves to complement the information provided in other sections of this report as well as provide increased transparency and accountability to the community.

# Companion Animals Act

## Community

Shellharbour City Council is responsible for enforcing the provisions of responsible pet ownership within the local government area. Council must adhere to and report on a number of statutory requirements that are contained within the legislation.

Council has recently adopted a risk based regulatory model of enforcement, which includes taking a measured response to responsible pet ownership. Council proactively educate the community regarding responsible pet ownership, both when animals are at home, and especially when out in the public domain. Council stresses the importance of ensuring pets remain under the effective control of a responsible person to prevent unnecessary risk to our community through dog attacks and other hazards caused by roaming animals.

## Impounded Animals

From time to time, companion animals may escape their properties and end up being seized by council or members of the community. The exponential growth of social media has been key in reuniting lost pets with their owners. Where the owner is identified through microchipping information and registration, stray or roaming dogs are quickly returned home.

However, when the owner is unknown or unable to be contacted, a number of these animals are conveyed to the RSPCA animal shelter at Unanderra, where they are held for collection.

In the 2018-19 financial year there were 245 stray animals seized by Council. Council was able to return 121 animals back to their homes, with 124 taken to the RSPCA. This represents a 49% return rate, which places Shellharbour in the top 5 councils in New South Wales for animal returns.

## Unregistered and Unidentified Animals

Council monitors compliance with Companion Animal requirements to ensure that companion animals are microchipped and registered. There is a requirement that all dogs and cats over 6 months of age, are registered. There is also a requirement that companion animals are microchipped by three months of age or when sold.

Council issued 379 notices reminding owners to comply with registration and identification requirements. These matters are followed up in 14 days with penalty notices issued for non-compliance.

## Alternatives to Euthanasia for Unclaimed Animals

The education and enforcement of registration and identification requirements plays a key role in reducing the rate of euthanised animals that are seized and unclaimed. By ensuring that contact details are current and correct, owners have the best chance of being reunited with their pets should their animals escape.

If a companion animal is seized and remains impounded and there are no details to identify the owner, the animals will be assessed for suitability for rehoming. The RSPCA actively seeks to find homes for unclaimed animals, including providing the animals to rescue organisations.

## Dog Attacks

Unfortunately a small number of dogs that escape a property, or are let free to roam and are not under the effective control of competent person become involved in dog attacks against other animals or people. The effects of these attacks can have lasting impacts on their victims, and may result in excessive medical expenses or even death.

Council officers have investigated 27 dog attacks during this reporting period, which is down from 49 attacks in the previous year. Dog attacks range from rushing at to physical biting and/or injury. Council can seize attacking animals, impose large fines or commence prosecution action. Strict controls can be imposed on owners to ensure that such dogs are kept in controlled environments.

Dog attacks can be prevented with appropriate training and supervision, including the socialisation of dogs from a young age. Prevention is much better than cure.

## Education Programs

Shellharbour Council provides and participates in a number of programs that provide education and understanding in responsible pet ownership. Council engages the community through social media platforms, promoting upcoming events as well as providing responsible messaging. Council further sponsors programs that promote free and subsidised microchipping and de-sexing. Council has invested over \$7,000 in providing literature and merchandise to promote responsible pet ownership and companion animal management.

Council proactively engages with the community in prominent areas, such as parks, reserves and the foreshore, reminding people to keep their pets under effective control. Council hosts the annual 'Dogs Day Out' and assists with other organisations and events such as 'Million Paws Walk' and 'Adopt a Dog'. Information on these events is available on Council's website and social media pages.

Council are in the process of developing a 'Dog Friendly Spaces Strategy' to balance the needs of dog owners with the needs of the general community for accessible safe parks; to identify gaps in the provision of dog friendly spaces and ensure equitable distribution across the area and to plan for dog friendly spaces in line with the expected population growth and ownership trends.

## Off-leash exercise areas for dogs

Council has provided a number of conveniently located off-leash exercise areas where residents and visitors can take their dogs to assist in developing skills in socialisation and to provide adequate room to run and play.

Dog parks are located in Albion Park Rail, Flinders, Oak Flats, Barrack Heights, Shellharbour and Mount Warrigal. Some of these parks include dog agility areas.

Pets must still be under effective control and owners MUST pick up any droppings!

Dogs are not permitted on Shellharbour City beaches.

For further details of off-leash areas and dog agility parks, visit [www.shellharbour.nsw.gov.au](http://www.shellharbour.nsw.gov.au)

# Swimming Pool Inspections (Regulation and Enforcement)

Council conducted 136 swimming pool fence inspections for this financial year. Details of inspections of private swimming pools include:

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|  |    |
|--|----|
| Number of inspections of tourist and visitor accommodation   | 1  |
| Number of inspections of premises with more than 2 dwellings   | 1  |
| Number of inspections that resulted in issuance of a certificate of compliance under section 22D of the Swimming Pools Act     | 50 |
| Number of inspections that resulted in issuance of a certificate of non-compliance under section 22D of the Swimming Pools Act | 2  |

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## Carers Recognition

No longer applicable as Council exited out of direct service provision to carers on 31 October 2015.



# Disability Inclusion

Shellharbour City Council has a Disability Access and Inclusion Plan 2017 - 2021. The Plan focuses on how to make the City a more accessible and inclusive city, a place where people want to live, work and play.

The plan commenced on 1 July 2017 and has four focus areas. These are:

**Focus Area 1: Developing positive community attitudes and behaviours**

**Focus Area 2: Creating liveable communities**

**Focus Area 3: Supporting access to meaningful employment**

**Focus Area 4: Improving access to services through better systems and processes.**

Achievements have been delivered across the four focus areas. Highlights include:

**Focus Area 1: Developing positive community attitudes and behaviours**

One of the key ways Council promotes positive community attitudes and behaviours towards people with disability is through the support of International Day of People with Disability. In support of this event, Council coordinated the production and distribution of the 'Calendar of Events'. The calendar covered the period of 12 November to 7 December 2018 and featured 17 events hosted by nine organisations. Several hundred people attended the range of events on offer.

**Focus Area 2: Creating liveable communities**

Improving access to beaches and waterways is one of the top five ideas in the Plan. This year, Council provided further access improvements at Shellharbour North Beach by providing mobi-matting and an additional fully immersive beach wheelchair. These facilities build on the previous pathway improvements and mean wheelchair users can fully access the water and benefit from the full beach experience. This is the first beach in Shellharbour to be fully accessible and has been very well received by all beach users.

**Focus Area 3: Supporting access to meaningful employment**

To ensure community members with disability have access to all of Council's information, including information about job opportunities, Council's website has been upgraded to comply with the Web Content Accessibility Guidelines 2.0.

**Focus Area 4: Improving access to services through better systems and processes.**

Council has promoted access to services via the provision of a series of National Disability Insurance Scheme (NDIS) information sessions. These monthly sessions have been held at locations across the City to maximise accessibility and have covered topics such as Navigating NDIS, Implementing your NDIS Plan, and how the law can help with NDIS.

# Financial Assistance

## Applications for Financial Assistance

Councils may provide financial assistance to others, under S356 of the *NSW Local Government Act 1993* (the Act). Shellharbour Council allocates funds for certain kinds of donations, listed as miscellaneous donations in each annual Operational Plan and the distribution of funds is managed by the Financial Assistance Working Party, which includes all Councillors. Applications are considered four times a year. Council's Financial Assistance - Donations Policy is available on Council's website.

## Applications for Fee Reduction

The working party also considered Applications for Fee Reduction at the Dunmore Waste Disposal Depot. These applications are considered twice a year and are funded from a separate budget allocation.

The Fee Reduction Policy - Dunmore Recycling and Waste Disposal Depot - is available on Council's website.

The following applications for Fee Reduction were granted during the 2018/19 financial year.

| Organisation                                 | Reason Requesting  | Amount          |
|--|--|-----------------|
| Shellharbour City Baptist Church Assist Inc. | Disposal of damaged / unusable donated items               | \$1,000         |
| St Vincent de Paul Society – Oak Flats       | Towards costs to dispose of excessive unsuitable donations | \$3,000         |
|  | <b>Total</b>   | <b>\$ 4,000</b> |

All subsidies made under the Council Policy '*Leasing and Licencing on Council Public Land and Buildings*' are made as 'in-kind donations'. That is, the use of the facility for a lesser amount in return for the services that they offer to the community as well as the maintenance responsibilities that they may undertake on the property rather than cash from Council's Donations Policy budget.

Council provided in-kind donations to the value of \$138,695 through rental agreements to groups who have provided certain community benefits to the City.

## Requests for Donation 2018/19

A total of \$22,167 was donated from the miscellaneous donations budget as follows:

| Organisation   | Reason Requesting  | Amount   |
|--|--|----------|
| <b>First quarter allocation</b>                                |  |          |
| Albion Park Youth and Community Care Inc.                      | Rent of Community Centre, Russell Street, Albion Park for free breakfast program for local children and youth for 12 months during school terms.   | \$ 1,500 |
| St Vincent de Paul Albion Park Conference                      | Material aid for disadvantaged local residents.  | \$ 1,000 |
| Warilla High School  | Concrete a section of footpath on western side of the school housing waste containers.   | \$ 3,000 |
| <b>Second quarter allocation</b>                               |  |          |
| Warilla Lake South MRLFC                                       | Purchase of playing jumpers, shorts and socks for the 2019/20 seasons.   | \$ 1,500 |
| Warilla Barrack Point Surf Life Saving Club                    | Purchase of 1 nipper racing board.   | \$ 927   |
| St Vincent de Paul Albion Park Conference                      | Material aid for disadvantaged local residents.  | \$ 1,000 |
| 2528 at Crew Park  | Purchase of insurance for 2019.  | \$ 500   |
| Koori Men's Support Group                                      | Purchase of materials that will be used to carve a wooden sculpture that represents an Aboriginal woman and her baby in a stylised form. The sculpture will be placed at the birthing tree in Killalea State Park. | \$ 1,000 |
| The DENNY Foundation   | Purchase of a cash register, shop equipment and covering ongoing costs to enable The DENNY Foundation to expand their program.   | \$ 500   |
| The Shepherd Centre  | Donation will assist The Shepherd Centre in providing Sing & Grow—A Music Therapy Program for children in the Shellharbour Community who are deaf or hearing-impaired.   | \$ 1,200 |
| Community Service Awards for local schools                     | \$25 per primary school and \$50 per high school student to be presented to students at their end of year Awards Ceremonies.   | \$ 900   |
| <b>Third quarter allocation</b>                                |  |          |
| Global Care Shellharbour (Foodcare)                            | Shelving units to stack and store food.  | \$ 1,000 |
| St Vincent de Paul Albion Park Conference                      | Purchase of food parcels, food vouchers, removalist costs and assistance with rent and power bills for families struggling financially.  | \$ 1,000 |
| Southlake BMX  | Purchase of loan equipment such as BMX bikes and safety gear.  | \$ 500   |
| Supported Accommodation and Homelessness Services (SAHSSI) Inc | Purchase of child safety restraints for use in SAHSSI vehicles that are used to transport homeless women and children to necessary appointments.   | \$ 600   |
| Shellharbour Swans Junior Australian Football Club             | Purchase of new training and playing equipment for the junior kids.  | \$ 1,000 |

## Requests for Donation (continued)

| Organisation  | Reason Requesting  | Amount           |
|---|--|------------------|
| <b>Fourth quarter allocation</b>                          |  |                  |
| St Vincent de Paul Society – Shellharbour City Conference | By providing financial and material support including budgeting and counselling assistance to those in need in the Shellharbour City.                                  | \$ 500           |
| Warilla High School                                       | To purchase a shipping container to be used as storage for the school community garden that was completed by year 11 Skills for Work and Vocational Pathways students. | \$ 2,500         |
| Shellharbour Swans Junior Australian Football Club        | Purchase of new game posts and padding for the Auskicks and U9's   | \$ 500           |
| Albion Park Youth and Community Care Inc                  | Assist in the costs associated in running a healthy eating program.  | \$ 500           |
| Albion Park Youth and Community Care Inc                  | Assist in the costs associated in running a breakfast program for local children through the "Breaky Club" held at Albion Park Community Centre.                       | \$ 500           |
| Shellharbour Tri Club                                     | Purchase of triathlon suites for members to train and compete in.  | \$ 540           |
| <b>Total</b>  |  | <b>\$ 22,167</b> |

## Applications for Sponsorship 2018/19

| Organisation  | Project Summary   | Amount           |
|---|---|------------------|
| Kao Kreative  | Sculptures at Killalea                                  | \$7,500          |
| NSW Department of Education                             | 2018 Southern Stars Sponsorship                         | \$3,000          |
| Wheelchair Sports NSW                                   | 2018 Top End Slam Tournament                            | \$455            |
| Jessica Smith Marketing                                 | The Farms Market  | \$3,000          |
| Illawarra Veterans Golf Week                            | Illawarra Veterans Golf Week Tournament                 | \$500            |
| Bright Events   | Wings over Illawarra                                    | \$6219           |
| Albion Park Show  | Albion Park Show Sponsorship                            | \$2,669          |
| Carols by the Harbour                                   | Carols by the Harbour Sponsorship                       | \$2,000          |
| i98FM Illawarra Convoy & Illawarra Community Foundation | i98fm Illawarra Convoy                                  | \$ 5,137         |
| RSPCA   | RSPCA Million Paws Walk                                 | \$ 418           |
| Cancer Council NSW – Southern Region                    | Shellharbour Relay for Life Trivia and games night      | \$ 525           |
| KidsFest Shellharbour                                   | KidsFest Shellharbour 2019 ‘People Play Nature Nurture’ | \$ 5,000         |
| Kao Kreative  | Sculptures at Killalea                                  | \$ 6,364         |
| NSW Department of Education                             | 2019 Southern Stars Sponsorship                         | \$ 4,545         |
| Wollongong RollerHawks                                  | Roller Hawks Competition at Shellharbour City Stadium   | \$ 5,000         |
| <b>Total</b>  |   | <b>\$ 52,332</b> |

## Small Environmental Grants

| Group   | Workshop Received | Value of Workshop  |
|---|-------------------|--------------------|
| All Saints Preschool                              | Butterfly House   | \$675              |
| Dynamic Learners Early Learning Centre            | Butterfly House   | \$675              |
| Illawarra Academy of Learning - Mt Warrigal       | Butterfly House   | \$675              |
| Lake Illawarra South Public School                | Butterfly House   | \$675              |
| Pelican Preschool                                 | Butterfly House   | \$675              |
| Tongarra Road Preschool and Early Learning Centre | Butterfly House   | \$675              |
| Big Fat Smile Shellharbour Early Learning Centre  | Creepy Creatures  | \$475              |
| Chillawong Child Care Centre                      | Creepy Creatures  | \$475              |
| Early Years Care                                  | Creepy Creatures  | \$475              |
| Koninderie Community Based Preschool              | Creepy Creatures  | \$475              |
| Warilla Baptist Preschool                         | Creepy Creatures  | \$475              |
| Warilla Preschool and Occasional Care Centre      | Creepy Creatures  | \$475              |
| Alunga Children's Centre                          | The Animal Show   | \$472.73           |
| Chillawong Child Care Centre                      | The Animal Show   | \$472.73           |
| Koninderie Community Based Preschool              | The Animal Show   | \$472.73           |
| Peterborough School                               | The Animal Show   | \$472.73           |
| Tongarra Road Preschool and Early Learning Centre | The Animal Show   | \$472.73           |
| Warilla Baptist Preschool                         | The Animal Show   | \$472.73           |
| <b>Total</b>                                      |                   | <b>\$ 9,736.38</b> |

## Written off Rates and Charges

There was no written off rates and charges for the 2018/19 financial year.

# Planning Agreements

Planning agreements are also known as Voluntary Planning Agreements, or VPA's. These agreements are a voluntary arrangement under which the developer is required to dedicate land free of cost, pay a monetary contribution or provide any other material public benefit, to be used for or applied towards the provision of public infrastructure or another public purpose.

A planning agreement may be used instead of (or in addition to) imposing the conditions included in Council's current Contributions Plan, to negotiate development contributions that relate to a development, that may address other purposes and have a wider public benefit.

In 2018/19, there were two Planning Agreements in force:

## Calderwood Voluntary Planning Agreement

On 15 September 2014 Council entered into a Planning Agreement with Lend Lease Communities (Australia) Limited for the provision of all Shellharbour City Council local infrastructure contributions that are necessitated by the development of the Calderwood Urban Development Project.

Under this Planning Agreement the developer will provide approximately \$20m in monetary contributions toward both local and citywide infrastructure (in lieu of Section 94 Contributions) and deliver onsite infrastructure including a community centre, parks, sportsfields, road upgrades and land dedications to the value of approximately \$50m. The development is expected to occur over the next 20-25 years and will significantly increase both the population of the City's West and Council's asset base.

Council continues to implement this Planning Agreement and will negotiate an amendment with the developer, Lend Lease, should approval be given by the State Government to an application to modify the development.

## Voluntary Planning Agreement – Benson Avenue, Shellharbour City Centre

This Planning Agreement was executed between Council and NPA Developments Pty Ltd on 31 October 2018 and applies to land at 4-6 Benson Avenue Shellharbour City Centre.

Under the Agreement the developer agrees to carry out road works in association with the development of the site a mixed residential and commercial development. The works were included as a condition of development consent to ensure that the traffic impacts arising from the development can be managed appropriately.

The works are expected to be completed within 12 months and involve the design and construction of traffic lights at the intersection of Benson Avenue and Lamerton Crescent, including:

- The addition of the fourth southern leg to the existing T-intersection;
- Removal of the existing roundabout;
- Removal and reconstruction of associated kerb and gutter, drainage and road pavement

# Environmental Upgrade Agreement

No Environmental Upgrade Agreements have been established.

# Fisheries Management

Council have not received any formal requests or complaints regarding matters covered in any recovery or threat abatement plan listed under the NSW Fisheries Management Act.

# Stormwater Management Services

## Stormwater Services

The Stormwater Levy provided funding for various stormwater upgrade projects, as well as funding the maintenance of assets previously constructed with the stormwater levy:

- Gross Pollutant Traps (GPT) at Hamilton Road, Albion Park and Wattle Road, Flinders
- Stabilisation of the western embankment of Benson Creek on The Kingsway, Warilla
- Modification of Blackbutt Dam Design
- Shellharbour Road Culvert Installation
- Concept designs of new detention basins as recommended by Floodplain Risk Management Studies

## Stormwater Monitoring

Water quality monitoring continues to be undertaken for major waterways and wetlands under the stormwater monitoring program. Stormwater monitoring assists with characterising the environmental health of the city's major waterways and assessing the quality of stormwater discharging from urban and rural catchments. Results are used to identify any water quality concerns and assess the effectiveness of stormwater treatment measures.

Quarterly monitoring is undertaken for waterways including Elliott Lake, Bensons Creek, Tongarra Creek, City Pond, Horsley Creek, Oakey Creek, Macquarie Rivulet and Dunmore and Myimbarr wetlands.

Shellharbour Council is also participating in the Smart Cities and Suburbs Program in collaboration with the Illawarra Shoalhaven Joint Organisation, University of Wollongong and industry partners. The program is to develop real-time automatic monitoring of water quality measures and will supplement the Stormwater Monitoring program, by increasing Council's monitoring capacity without requiring Council officers to constantly visit the sampling sites. This program utilises funding provided by the Australian Government.

## Stormwater Education

Funding from the Stormwater Levy has contributed to the development and delivery of stormwater education activities throughout Council. This included attending Local Government week event, and installation of water bottle refill stations with stormwater education messaging.

## Coastal Protection Service

Council does not administer an annual charge for coastal protection services.



# Special Rate Variation Expenditure

Shellharbour City Council was successful with its special rate variation application, under Section 508A of the Local Government Act, in 2012/13. This allowed Council to increase its general rating income to go towards the renewal of infrastructure. The annual program is based on priorities determined by Council's asset management system in conjunction with the Asset Management Plans.

The total funds expended in 2018/19 under the special rate variation amounted to \$8.24m. A breakdown of this expenditure according to asset class is provided below:

|  |  |
|--|--|
| Buildings<br><b>\$3,206,963</b>                | <ul style="list-style-type: none"> <li>• Warilla Library Project</li> <li>• Howard Fowles Oval Amenities Renewal</li> <li>• Geoff Shaw Oval Amenities Renewal</li> <li>• Roof Replacement of Shellharbour Sea Spray Function Centre</li> <li>• Shellharbour Airport Business Plan Implementation</li> <li>• Centenary Hall Refurbishment</li> <li>• Shellharbour Men's Shed Refurbishment</li> </ul> |
| Footpaths and Shared Paths<br><b>\$687,252</b> | <ul style="list-style-type: none"> <li>• Ski Way Park Promenade Renewal</li> <li>• Shared Path Renewal – Lake Cycleway Stage 2</li> <li>• Shared Path: Croome Sporting Complex to Albion Park Train Station</li> <li>• Shared Path: Dunmore Road</li> <li>• Footpath Renewal - Central Avenue: Deakin Street to Lyne Street Oak Flats</li> </ul>   |
| Transport<br><b>\$1,822,959</b>                | <ul style="list-style-type: none"> <li>• Asphalt renewal of 22 road segments</li> <li>• Pavement renewal of Calderwood Road</li> <li>• Formalisation of The Shallows Car Park (3)</li> <li>• Footbridge Renewals (Darcy Dunster, Oakey Creek, Ashburton Drive)</li> </ul>  |
| Open Spaces<br><b>\$1,270,231</b>              | <ul style="list-style-type: none"> <li>• Beverley Whitfield Pool Pumping System Renewal</li> <li>• Cec Glenholmes Sportsfield Lighting Renewal</li> <li>• Warilla Beach Rockwall Renewal</li> <li>• Park Facilities Renewal</li> <li>• Warilla Beach Lifeguard Tower Reconstruction</li> </ul>   |
| Stormwater<br><b>\$1,123,306</b>               | <ul style="list-style-type: none"> <li>• Werrang Street Albion Park Rail Stormwater Renewal</li> <li>• Sunset Avenue Low-Flow System</li> <li>• Central Avenue Stormwater Pipe and Pit Renewal</li> <li>• Creamery Road Albion Park Rail Drainage Renewal</li> </ul>   |
| Other<br><b>\$129,056</b>                      | <ul style="list-style-type: none"> <li>• Airport Asphalt Renewals</li> </ul>   |
| Total<br><b>\$8,239,767</b>                    |  |

# Assets acquired by Council during 2018/19

Assets are added to Council's asset register on an ongoing basis through private development and works carried out by Council as part of its adopted Capital Works Program. The total value of asset additions associated with Council capital works amounts to \$16.75m for the 2018/19 financial year. The works carried out by Council include both the construction of new assets and the renewal or upgrade of existing infrastructure.

Assets acquired through private development includes handover of assets constructed through major subdivisions, works in kind and user groups of Council land. For 2018/19, the total value of assets acquired was \$29.37m. This was comprised of \$18.27m of infrastructure assets and \$11.10m of contributed land. This largely came from new sections of Calderwood, Shell Cove and Tullimbar being handed over.

The values of assets acquired are summarised below.

## Works Completed and In Progress

|  |   |
|--|---|
| Buildings<br><b>\$7,049,590</b>                  | <ul style="list-style-type: none"> <li>• Geoff Shaw and Howard Fowles Amenities Renewal</li> <li>• Warilla Library</li> <li>• Roof Replacement at Shellharbour Sea Spray Function Centre</li> <li>• Civic Centre Café Fitout</li> </ul>   |
| Footpaths and Shared Paths<br><b>\$1,849,401</b> | <ul style="list-style-type: none"> <li>• Tongarra Road Shared Path Renewal</li> <li>• Skiway Park Promenade Renewal</li> <li>• Shared Path Dunmore Road</li> <li>• Shared Path: Illawarra Highway (Church Street to Tullimbar)</li> </ul>   |
| Transport<br><b>\$3,596,673</b>                  | <ul style="list-style-type: none"> <li>• Asphalt renewal of 37 road segments</li> <li>• Pavement renewal of Wollongong Street and Calderwood Road</li> <li>• Footbridge Renewals (Darcy Dunster, Oakey Creek, Ashburton Drive)</li> <li>• Formalisation of The Shallows Car Park (3)</li> </ul> |
| Open Spaces<br><b>\$2,996,656</b>                | <ul style="list-style-type: none"> <li>• Terry Reserve Soccer Fields</li> <li>• Warilla Beach Lifeguard Tower Reconstruction</li> <li>• Beverly Whitfield Pool Pumping System Renewal</li> <li>• Cec Glenholmes Sportsfield Lighting Renewal</li> </ul>   |
| Stormwater<br><b>\$1,270,870</b>                 | <ul style="list-style-type: none"> <li>• Werrang Street, Albion Park Rail, Stormwater Renewal</li> <li>• Central Avenue Oak Flats Pipe and Pit Renewal</li> <li>• Sunset Avenue low-flow System</li> <li>• Creamery Road Albion Park Rail Drainage Renewal</li> </ul>                           |
| Other<br><b>\$9,415</b>                          | <ul style="list-style-type: none"> <li>• Actual expenditure was \$7,090,585 however \$7,100,000 was transferred to Cost of Sales relating to the Links Subdivision project</li> </ul>   |
| Total<br><b>\$16,753,776</b>                     |   |

## Assets contributed by developers and others

| Asset Class      | Value \$'000    |
|------------------|-----------------|
| Open Space       | \$ 245          |
| Drainage         | \$ 10,971       |
| Paving           | \$ 2,278        |
| Roads            | \$ 3,912        |
| Land under Roads | \$ 11,104       |
| Bridges          | \$ 0            |
| Other            | \$ 862          |
| <b>Total</b>     | <b>\$29,372</b> |

## Assets held by Council at the end of 2018/19

Infrastructure assets managed by Council include sealed and unsealed local roads, stormwater drainage, recreation facilities and public buildings. The table below summarises the asset portfolio currently held by Council at the end of the 2018/19 financial year.

| Asset Type          | Quantity |
|---------------------|----------|
| Buildings           | 236      |
| Sealed Roads        | 416km    |
| Unsealed Roads      | 12km     |
| Footpaths           | 227km    |
| Stormwater Drainage | 331km    |
| Stormwater Pits     | 10,708   |
| Swimming Pools      | 10       |

## Work carried out on private land

Council performs various works on private land each year for which it looks to recover costs as part of the process.

# Contracts Awarded

Contracts in excess of \$150,000 awarded by Council during 2018/19

| Contractor                                 | Contract detail & purpose  | Contract Value (\$)              |
|--|--|----------------------------------|
| Patterson Building Group                   | Construction contractor for Warilla Library  | \$ 5,105,277                     |
| Joss Facility Management                   | Warilla Lifeguard Tower Reconstruction   | \$ 414,995                       |
| Batmac Constructions                       | Construction of Two Amenities Buildings  | \$ 1,612,456                     |
| Warrane - Design Construct Fit-Out Pty Ltd | The Links Club House Refurbishment Design  | \$ 334,647                       |
| Joss Facility Management                   | Contractor for Civic Centre Café Fitout Works  | \$ 386,310                       |
| WMA Water                                  | Macquarie Rivulet Floodplain Risk Management Study and Plan  | \$ 183,645                       |
| Resource Recovery Australia                | Operation of the Revolve Centre and Resource Recovery Services at the Dunmore Recycling and Waste Disposal Depot | \$ 1,250,000                     |
| Stabilised Pavements of Australia          | Wollongong Street Shellharbour Rehabilitation  | \$ 516,606                       |
| Roadworx Surfacing Pty Ltd                 | 2018/19 Asphalt Renewal Road Renewals  | \$ 670,000<br>upper limiting fee |
| Power by Watts Pty Ltd                     | Cec Glenholmes Sportsfield Lighting  | \$ 191,500                       |
| Dynamic Civil Pty Ltd                      | Terry Reserve - Concrete Tiered Seating  | \$ 250,000                       |
| TechnologyOne Limited                      | TechnologyOne Software as a Service  | \$ 5,018,346                     |
| Westrac                                    | Waste Depot Loader and attachments 966G replacement  | \$ 410,000                       |
| Cadifern Pty Ltd                           | 2018/52 - Construction of the Tongarra Road Shared Use Path  | \$ 1,008,346                     |
| GPM Marine                                 | 2018/45 - Skiway Park Promenade Renewal Works  | \$ 894,157                       |
| Cadifern Pty Ltd                           | 2019/20 - Shellharbour Slipway   | \$ 272,939                       |

# Condition of Public Works

As at 30/06/2019

\$ '000

| Asset Class                    | Asset Category                       | Estimated cost to bring assets to satisfactory standard | Estimated cost to bring to the agreed level of service set by Council | 2018/19 Required maintenance | 2018/19 Actual maintenance | Net carrying amount |
|--------------------------------|--------------------------------------|---|---|------------------------------|----------------------------|---------------------|
| Buildings                      | Buildings                            | 1,940   | 3,880   | 1,819                        | 1,975                      | 123,669             |
|                                | <b>Sub-total</b>                     | <b>1,940</b>  | <b>3,880</b>  | <b>1,819</b>                 | <b>1,975</b>               | <b>123,669</b>      |
| Other Structures               | Other structures                     | 84  | 167   | –                            | –                          | 2,436               |
|                                | <b>Sub-total</b>                     | <b>84</b>   | <b>167</b>  | <b>–</b>                     | <b>–</b>                   | <b>2,436</b>        |
| Roads                          | Sealed roads                         | 2,364   | 4,727   | 1,819                        | 1,930                      | 137,537             |
|                                | Unsealed roads                       | –   | –   | 66                           | 44                         | 17                  |
|                                | Bridges                              | 218   | 435   | 7                            | 9                          | 13,453              |
|                                | Footpaths                            | 1,144   | 2,288   | 408                          | 382                        | 39,734              |
|                                | Other road assets                    | 398   | 796   | 929                          | 1,001                      | 15,983              |
|                                | <b>Sub-total</b>                     | <b>4,124</b>  | <b>8,246</b>  | <b>3,229</b>                 | <b>3,366</b>               | <b>206,724</b>      |
| Stormwater drainage            | Stormwater drainage                  | 3,560   | 7,120   | 492                          | 425                        | 188,400             |
|                                | <b>Sub-total</b>                     | <b>3,560</b>  | <b>7,120</b>  | <b>492</b>                   | <b>425</b>                 | <b>188,399</b>      |
| Open space/recreational assets | Swimming pools                       | 0   | 0   | 1,432                        | 1,599                      | 2,771               |
|                                | Other open space recreational assets | 942   | 1,884   | 5,276                        | 5,281                      | 20,315              |
|                                | <b>Sub-total</b>                     | <b>942</b>  | <b>1,884</b>  | <b>6,708</b>                 | <b>6,880</b>               | <b>23,086</b>       |
| Other infrastructure assets    | Other                                | 0   | 0   | 198                          | 457                        | 7,140               |
|                                | <b>Sub-total</b>                     | <b>0</b>  | <b>0</b>  | <b>198</b>                   | <b>457</b>                 | <b>7,140</b>        |
| <b>Total Classes</b>           | <b>Total - All Assets</b>            | <b>10,650</b>   | <b>21,297</b>   | <b>12,446</b>                | <b>13,103</b>              | <b>551,454</b>      |

## Asset Condition Key

- 1 - Excellent - No work required (normal maintenance)
- 2 - Good - Only minor maintenance work required
- 3 - Average - Maintenance work required
- 4 - Poor - Renewal required
- 5 - Very Poor - Urgent renewal / upgrading required

| Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost |              |              |             |             |
|------------------------------|---|--------------|--------------|-------------|-------------|
|                              | 1   | 2            | 3            | 4           | 5           |
| 182,576                      | 51.7%   | 33.1%        | 13.1%        | 1.8%        | 0.4%        |
| <b>182,576</b>               | <b>51.7%</b>  | <b>33.1%</b> | <b>13.1%</b> | <b>1.8%</b> | <b>0.3%</b> |
| 3,531                        | 84.4%   | 6.0%         | 4.9%         | 4.7%        | 0.0%        |
| <b>3,531</b>                 | <b>84.4%</b>  | <b>6.0%</b>  | <b>4.9%</b>  | <b>4.7%</b> | <b>0.0%</b> |
| 175,679                      | 27.6%   | 55.9%        | 13.8%        | 2.6%        | 0.1%        |
| 17                           | 100.0%  | 0.0%         | 0.0%         | 0.0%        | 0.0%        |
| 16,813                       | 66.1%   | 12.8%        | 18.5%        | 2.5%        | 0.1%        |
| 53,800                       | 48.3%   | 30.6%        | 16.9%        | 3.9%        | 0.4%        |
| 21,731                       | 55.4%   | 23.8%        | 17.1%        | 3.1%        | 0.6%        |
| <b>268,040</b>               | <b>36.5%</b>  | <b>45.5%</b> | <b>15.0%</b> | <b>2.9%</b> | <b>0.1%</b> |
| 267,981                      | 33.8%   | 35.4%        | 28.2%        | 2.0%        | 0.6%        |
| <b>267,981</b>               | <b>33.8%</b>  | <b>35.4%</b> | <b>28.2%</b> | <b>2.0%</b> | <b>0.6%</b> |
| 8,265                        | 0.0%  | 50.2%        | 49.8%        | 0.0%        | 0.0%        |
| 28,597                       | 39.6%   | 27.6%        | 25.2%        | 5.4%        | 2.3%        |
| <b>36,862</b>                | <b>30.7%</b>  | <b>32.6%</b> | <b>30.7%</b> | <b>4.2%</b> | <b>1.8%</b> |
| 8,092                        | 73.4%   | 21.6%        | 5.0%         | 0.0%        | 0.0%        |
| <b>8,092</b>                 | <b>73.4%</b>  | <b>21.6%</b> | <b>5.0%</b>  | <b>0.0%</b> | <b>0.0%</b> |
| <b>767,082</b>               | <b>39.5%</b>  | <b>38.0%</b> | <b>19.8%</b> | <b>2.4%</b> | <b>0.3%</b> |

# Equal Employment Opportunity Management Plan

Council's Core Values have been embedded across Council. They are included in recruitment, position descriptions and policies and procedures. The Core Values reinforce Council's commitment to Equal Employment Opportunities for all Council employees.

Council has continues to review its policies and procedures with the aim to include flexibility where possible. The Flexible Working Arrangement Policy and the Pregnancy, Parental Leave and Return to Work Policy, are examples of Council's commitment to making it easier for staff to balance their work/family responsibilities.

Council was successful in gaining White Ribbon Accreditation showing its continued commitment to supporting victims of domestic violence.

Over the next year Council will be providing training to all staff in the Code of Conduct. This will assist in ensuring our workplace is free from bullying, harassment and discrimination in any form.

# Councillor Costs

The total cost for payment of expenses and provision of facilities to the Mayor and Councillors (from 1 July 2018 to 30 June 2019) was \$31,395.

Specific costs as required by Clause 217 of the Local Government (General) Regulation 2005 are as follows:

| Item   | Cost (\$) |
|--|-----------|
| Total cost during the year for office equipment (including laptop, computer and mobile phone) allocated to Councillors on a personal basis   | \$2,087   |
| Total cost during the year for telephone calls made by Councillors, including calls made from mobile phones provided by the Council and from landline telephones and facsimile services installed in councillors homes   | \$5,366   |
| Details of attendance of councillors at conferences and seminars and the total cost  | \$17,236  |
| Details of training of councillors and the provision of skill development for councillors and the total cost   | \$0       |
| Details of interstate visits undertaken during the year by councillors while representing the council (including the cost of transport, the cost of accommodation and other out of pocket travelling expenses  | \$2,081   |
| Details of overseas visits undertaken during the year by councillors while representing the council (including the cost of transport, the cost of accommodation and other out of pocket travelling expenses  | \$4,236   |
| Expenses of any spouse, partner or other person who accompanied a councillor in the performance of his or her civic functions, being expenses payable in accordance with the Guidelines for the payment of expenses and the provision of facilities for Mayors and Councillors for Local Councils in NSW | \$389     |
| Expenses involved in the provision of care for a child of, or an immediate family member of, a councillor, to allow the councillor to undertake his or her civic functions   | \$0       |



# Overseas Visits

## 8th Alliance for Healthy Cities Global Conference and General Assembly 2018 Malaysia

In October 2018, the Mayor attended the Alliance for Healthy Cities Global Conference and General Assembly in Kuching, Malaysia as per the Council resolution on 12 June 2018.

The Conference is an occasion where policy makers, planners, academics, non-government offices and individuals get together to exchange ideas on how to better manage and run cities to ensure that all three dimensions of sustainability—social, economic, and physical environment—are properly managed in order to promote the health and wellbeing of the citizens.

The theme of the Conference reflected the important local and global ideas and events affecting healthy cities as well as urban health topics at the time. In recognition of the importance of the Sustainable Development Goals (SDGs) and the important roles that cities play in their realisation, the theme for Alliance for Healthy Cities Conference 2018 is “*Our Cities, Our SDGs, Our Journey*”.

**Costs for the conference, airfares, accommodation and other associated expenses were \$4,236.**

## International Federation of Library Associations (IFLA) World Library and Information Congress 2018 Malaysia

In August 2018, Council's Manager Libraries and Museum attended the 84th International Federation of Library Associations (IFLA) General Conference and Assembly in Kuala Lumpur, Malaysia.

The world Library and Information Congress is the annual conference of the International Federation of Library Associations (IFLA). It draws together over 3,500 librarians and library delegates from more than 110 countries to share ideas and showcase best practice. Key themes include a global vision for libraries, the library 'ideas store' and the role of libraries in delivering on the UN Sustainable Development Goals to create improved community outcomes - globally and locally.

**Council covered the conference cost of \$1,292.74, all other costs were paid by the attendee.**

## UK Local Government Risk Management Conference and Study Tour 2019

Council's Risk and Audit Manager attended as a nominated CivicRisk Mutual delegate to attend a study tour and ALARM Conference at Manchester, United Kingdom in June 2019.

As part of the study tour, delegates met with the International Cooperative and Mutual Insurance federation (ICMIF). This group support insurance mutuals all over the world. They visited the Rochdale Society of equitable pioneers – This was the first formal cooperative established in the UK. It was established to improve the health and welfare of society (unadulterated food). Based on the principles of collaboration, equality, consensus and profit sharing.

The ALARM Conference included speeches by keynote speaker, Claire Lomas, who gave an inspiring story about confronting the challenges of being a paraplegic. UK wild fires – maintaining business as usual is a challenge for large events as they don't have Rural Fire Service and State Emergency Service equivalents. Leicester Council's response to arson attack of Grenfell Tower that killed 5 people.

**Costs for airfares, accommodation and other associated expenses were covered by CivicRisk Mutual.**

**Total costs to Council for overseas visits by Councillors and staff was \$5,528.74**

# Senior Staff Remuneration

Shellharbour City Council employed one (1) General Manager and three (3) Directors during the period 1 July 2018 to 30 June 2019.

The General Manager and the Directors are employed on a Division of Local Government contract for a period of five years.

## **General Manager**

As at 30 June 2019, the General Manager was paid a total remuneration of \$315,905.26

## **Directors**

As at the 30 June 2019, the three Directors were paid a total remuneration of \$678,417.17.

These costs include salary, superannuation paid by way of employer contributions and salary sacrifice, non-cash benefits and fringe benefits tax payable by Council for non-cash benefits.

# External Bodies, Companies and Partnerships

Council has not exercised any delegations of functions to external bodies and did not hold any controlling interests in any companies during the 2018/19 financial year.

Council had interests in the following entities during the 2018/19 financial year:

- CivicRisk West – provision of public liability and professional indemnity insurance
- CivicRisk Mutual – provision of property, motor vehicle insurance etc.
- Shell Cove – development of residential property and associated infrastructure

# Summary of Legal Proceedings 2018/19

| Court                             | Name of Other Party     | Amounts Incurred | Finalised | Result  |
|-----------------------------------|-------------------------|------------------|-----------|---|
| Land and Environment Court of NSW | Wollongong City Council | \$362.00         | Completed | Executed Deed of Settlement   |
| Land and Environment Court of NSW | JV Co. 8 Pty Limited    | \$28,559.59      | Ongoing   | Development consent granted by the Court. Applicant to be pursued for costs.  |
| Land and Environment Court of NSW | A & G Holdings Pty Ltd  | \$21,393.18      | Ongoing   | Matter listed for hearing   |
| Land and Environment Court of NSW | Amir Bassam             | \$8,901.50       | Completed | Council filed a submitting appearance in the proceedings. The proceedings were discontinued, with no order as to costs. |
| Land and Environment Court of NSW | Calderwood Heights P/L  | \$2,368.50       | Ongoing   | Without Prejudice meeting to occur. Proceedings listed for a conciliation conference                                    |
| Land and Environment Court of NSW | Calderwood Heights P/L  | \$10,427.50      | Ongoing   | Without Prejudice meeting to occur. Proceedings listed for a conciliation conference                                    |
| Land and Environment Court of NSW | Williams                | \$3,864.00       | Ongoing   | Proceedings are listed for Hearing  |
| Federal Court of Australia        | Bright Events Pty Ltd   | \$138,986.14     | Ongoing   | Settlement reached. Appeal refused. Post settlement process in progress   |

# Obligations under the Government Information (Public Access) Act 2009 (GIPA Act)

## Review of proactive release program – Clause 7(a)

Under section 7 of the GIPA Act, agencies must review their programs for the release of government information to identify the kinds of information that can be made publicly available. This review must be undertaken at least once every 12 months.

Shellharbour City Council is committed to being open, transparent and accountable by providing as much information as possible on its website. Staff from all areas of Council are continuously updating and providing new information to the public on its website.

Let's Chat Shellharbour provides an online forum for community engagement. Information about current topics and projects is placed on this site and the community is encouraged to have their say, post their ideas, thoughts and contributions.

Council continues to be open, transparent and accountable by proactively releasing information in relation to code of conduct complaints statistics, gifts and benefits and Councillor expenses registers.

Shellharbour City Council's program for the proactive release of information involves the following:

- Reporting and discussions with senior management to identify new information suitable for proactive release
- Annual awareness communication with all council officials
- Discussions with key internal stakeholders to promote awareness of releasing information under proactive release
- Discussions with external stakeholders to identify information that is of public interest that may be considered for proactive release
- Consideration of access applications for proactive release
- Annual review of existing proactive release information to ensure it is relevant and up to date

## Number of access applications received – Clause 7(b)

During the reporting period, Council received a total of 25 formal access applications (including withdrawn applications but not invalid applications).

## Number of refused applications for Schedule 1 information – Clause 7(c)

During the reporting period, Shellharbour City Council refused nil access applications either wholly or in part because the information requested was information referred to in Schedule 1 to the GIPA Act (information for which there is conclusive presumption of overriding public interest against disclosure).

## Schedule 2 - Statistical information about access applications

**Table A: Number of applications by type of applicant and outcome\***

|  | Access granted in full | Access granted in part | Access refused in full | Information not held | Information already available | Refuse to deal with application | Refuse to confirm/deny whether information is held | Application withdrawn | Total     | % of Total |
|--|------------------------|------------------------|------------------------|----------------------|-------------------------------|---------------------------------|--|-----------------------|-----------|------------|
| Media  | 0                      | 0                      | 0                      | 0                    | 0                             | 0                               | 0  | 0                     | 0         | 0%         |
| Members of Parliament                            | 0                      | 0                      | 0                      | 0                    | 0                             | 0                               | 0  | 0                     | 0         | 0%         |
| Private sector business                          | 2                      | 4                      | 0                      | 0                    | 0                             | 0                               | 0  | 0                     | 6         | 20%        |
| Not for profit organisations or community groups | 0                      | 0                      | 0                      | 0                    | 0                             | 0                               | 0  | 0                     | 0         | 0%         |
| Members of the public (by legal representative)  | 5                      | 3                      | 0                      | 2                    | 4                             | 0                               | 0  | 0                     | 14        | 47%        |
| Members of the public (other)                    | 3                      | 6                      | 0                      | 0                    | 0                             | 0                               | 0  | 1                     | 10        | 33%        |
| <b>Total</b>                                     | <b>10</b>              | <b>13</b>              | <b>0</b>               | <b>2</b>             | <b>4</b>                      | <b>0</b>                        | <b>0</b>   | <b>1</b>              | <b>30</b> |            |
| % of Total                                       | 33%                    | 43%                    | 0%                     | 7%                   | 13%                           | 0%                              | 0%   | 3%                    |           |            |

\*More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.

**Table B: Number of applications by type of application and outcome\***

|  | Access granted in full | Access granted in part | Access refused in full | Information not held | Information already available | Refuse to deal with application | Refuse to confirm/deny whether information is held | Application withdrawn | Total     | % of Total |
|--|------------------------|------------------------|------------------------|----------------------|-------------------------------|---------------------------------|--|-----------------------|-----------|------------|
| Personal information applications*   | 0                      | 0                      | 0                      | 0                    | 0                             | 0                               | 0  | 0                     | 0         | 0%         |
| Access applications (other than personal information applications)                     | 9                      | 13                     | 0                      | 2                    | 4                             | 0                               | 0  | 1                     | 29        | 97%        |
| Access applications that are partly personal information applications and partly other | 1                      | 0                      | 0                      | 0                    | 0                             | 0                               | 0  | 0                     | 1         | 3%         |
| <b>Total</b>   | <b>10</b>              | <b>13</b>              | <b>0</b>               | <b>2</b>             | <b>4</b>                      | <b>0</b>                        | <b>0</b>   | <b>1</b>              | <b>30</b> |            |
| % of Total   | 33%                    | 43%                    | 0%                     | 7%                   | 13%                           | 0%                              | 0%   | 3%                    |           |            |

\*AA personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

**Table C: Invalid applications**

| Reason for invalidity   | Number of applications | % of Total |
|---|------------------------|------------|
| Application does not comply with formal requirements (section 41 of the Act)  | 7                      | 100%       |
| Application is for excluded information of the agency (section 43 of the Act) | 0                      | 0%         |
| Application contravenes restraint order (section 110 of the Act)              | 0                      | 0%         |
| Total number of invalid applications received                                 | 7                      | 100%       |
| Invalid applications that subsequently became valid applications              | 6                      | 86%        |

**Table D: Conclusive presumption of overriding public interest against disclosure:  
matters listed in Schedule 1 of the Act**

|   | Number of times<br>consideration<br>used* | % of Total |
|---|---|------------|
| Overriding secrecy laws                               | 0   | 0%         |
| Cabinet information                                   | 0   | 0%         |
| Executive Council information                         | 0   | 0%         |
| Contempt  | 0   | 0%         |
| Legal professional privilege                          | 0   | 0%         |
| Excluded information                                  | 0   | 0%         |
| Documents affecting law enforcement and public safety | 0   | 0%         |
| Transport safety                                      | 0   | 0%         |
| Adoption  | 0   | 0%         |
| Care and protection of children                       | 0   | 0%         |
| Ministerial code of conduct                           | 0   | 0%         |
| Aboriginal and environmental heritage                 | 0   | 0%         |
| <b>Total</b>  | <b>0</b>                                  |            |

\*More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

**Table E: Other public interest considerations against disclosure:  
matters listed in table to section 14 of the Act**

|  | Number of times<br>consideration used* | % of Total |
|--|--|------------|
| Responsible and effective government                                 | 1                                      | 7%         |
| Law enforcement and security   | 0                                      | 0%         |
| Individual rights, judicial processes and natural justice            | 12                                     | 86%        |
| Business interests of agencies and other persons                     | 1                                      | 7%         |
| Environment, culture, economy and general matters                    | 0                                      | 0%         |
| Secrecy provisions   | 0                                      | 0%         |
| Exempt documents under interstate Freedom of Information legislation | 0                                      | 0%         |
| <b>Total</b>   | <b>14</b>                              |            |

**Table F: Timeliness**

|   | Number of<br>applications | % of Total |
|---|---------------------------|------------|
| Decided within the statutory time frame (20 days plus any extensions) | 25                        | 100%       |
| Decided after 35 days (by agreement with applicant)                   | 0                         | 0%         |
| Not decided within time (deemed refusal)                              | 0                         | 0%         |
| <b>Total</b>  | <b>25</b>                 |            |



**Table G: Number of applications reviewed under Part 5 of the Act  
(by type of review and outcome)**

|  | Decision varied | Decision upheld | Total    | % of Total |
|--|-----------------|-----------------|----------|------------|
| Internal review  | 1               | 1               | 2        | 100%       |
| Review by Information Commissioner*                              | 0               | 0               | 0        | 0%         |
| Internal review following recommendation under section 93 of Act | 0               | 0               | 0        | 0%         |
| Review by NCAT   | 0               | 0               | 0        | 0%         |
| <b>Total</b>   | <b>1</b>        | <b>1</b>        | <b>2</b> |            |

\*The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

**Table H: Applications for review under Part 5 of the Act (by type of applicant)**

|   | Number of applications for review | % of Total |
|---|-----------------------------------|------------|
| Applications by access applicants   | 2                                 | 100%       |
| Applications by persons to whom information the subject of access application relates (see section 54 of the Act) | 0                                 | 0%         |
| <b>Total</b>  | <b>2</b>                          |            |

**Table I: Applications transferred to other agencies under Division 2 of Part 4 of the Act  
(by type of transfer)**

|                               | Number of applications transferred | % of Total |
|-------------------------------|------------------------------------|------------|
| Agency-initiated transfers    | 0                                  | 0%         |
| Applicant-initiated transfers | 0                                  | 0%         |
| <b>Total</b>                  | <b>0</b>                           |            |

# Public Interest Disclosures (PID)

The Public Interest Disclosures Act 1994 (PID Act) sets in place a system to encourage public officials to report serious wrongdoing. The conditions around this reporting are set out in Council's Internal Reporting (Public Interest Disclosures) Policy.

Councils are required to provide the NSW Ombudsman with statistical information on their compliance with their obligations under the PID Act on a six monthly basis. Councils are also required to report on their obligations under the PID Act in their annual report.

During 2018/19, Council did not receive any Public Interest Disclosures. Council undertook the following actions to meet its staff awareness obligations:

- Compulsory all staff training delivered by the Office of the NSW Ombudsman
- Email messages to all staff providing information about how to make a Public Interest Disclosure
- Undertaking review of the Internal Reporting (Public Interest Disclosures) Policy
- Training provided to new staff during inductions
- Links to the policy on our external website
- Links to the policy on our internal Intranet site

# AUDITED FINANCIAL STATEMENTS

**For year ending  
30 June 2019**



# Shellharbour City Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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# General Purpose Financial Statements

for the year ended 30 June 2019

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## Overview

Shellharbour City Council Local Government Act 1993 (NSW) and has its principal place of business at:

76 Cygnet Avenue  
Shellharbour City Centre NSW 2529

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 2(b).

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

# Shellharbour City Council

## General Purpose Financial Statements

for the year ended 30 June 2019

### Understanding Council's Financial Statements

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#### Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their council and community.

#### What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2019.

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

#### About the Councillor/Management Statement

Senior staff certify the Financial Statements are "true and fair". The Financial Statements are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

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

##### 2. The Statement of Comprehensive Income

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

##### 3. The Statement of Financial Position

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

##### 4. The Statement of Changes in Equity

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

##### 5. The Statement of Cash Flows

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

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

#### Who uses the Financial Statements?

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

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

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

## Shellharbour City Council

### General Purpose Financial Statements

for the year ended 30 June 2019

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

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

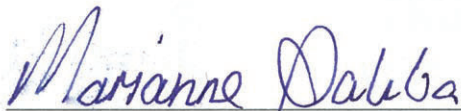
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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 29 October 2019.



Marianne Saliba  
Mayor  
29 October 2019



Nathan Cattell  
Councillor  
29 October 2019



Carey McIntyre  
General Manager  
29 October 2019



Gary Grantham  
Responsible Accounting Officer  
29 October 2019

## Income Statement

for the year ended 30 June 2019

| Original<br>unaudited<br>budget<br>2019    | \$ '000  | Notes | Actual<br>2019 | Restated<br>Actual<br>2018 <sup>1</sup> |
|--|--|-------|----------------|---|
| <b>Income from continuing operations</b>   |  |       |                |   |
| <u>Revenue:</u>                            |  |       |                |   |
| 59,761                                     | Rates and annual charges   | 3a    | 61,168         | 58,148                                  |
| 18,495                                     | User charges and fees  | 3b    | 17,104         | 17,378                                  |
| 3,042                                      | Interest and investment revenue  | 3c    | 3,322          | 2,771                                   |
| 22,803                                     | Other revenues   | 3d    | 65,757         | 43,776                                  |
| 4,451                                      | Grants and contributions provided for operating purposes   | 3e,3f | 8,419          | 8,360                                   |
| 44,473                                     | Grants and contributions provided for capital purposes   | 3e,3f | 42,813         | 27,181                                  |
| <u>Other income:</u>                       |  |       |                |   |
| –  | Fair value increment on investment properties  | 11    | –              | 3,570                                   |
| –  | Net share of interests in joint ventures and associates using the equity method                        | 17    | 20             | 211                                     |
| 153,025                                    | <b>Total income from continuing operations</b>   |       | 198,603        | 161,395                                 |
| <b>Expenses from continuing operations</b> |  |       |                |   |
| 35,574                                     | Employee benefits and on-costs   | 4a    | 35,166         | 33,666                                  |
| 1,140                                      | Borrowing costs  | 4b    | 1,176          | 892                                     |
| 20,664                                     | Materials and contracts  | 4c    | 21,893         | 21,696                                  |
| 14,735                                     | Depreciation and amortisation  | 4d    | 16,706         | 14,914                                  |
| 26,181                                     | Other expenses   | 4e    | 50,523         | 40,660                                  |
| (174)                                      | Net losses from the disposal of assets   | 5     | 2,244          | 600                                     |
| 98,120                                     | <b>Total expenses from continuing operations</b>   |       | 127,708        | 112,428                                 |
| 54,905                                     | <b>Operating result from continuing operations</b>   |       | 70,895         | 48,967                                  |
| 54,905                                     | <b>Net operating result for the year</b>   |       | 70,895         | 48,967                                  |
| 54,905                                     | Net operating result attributable to council   |       | 70,895         | 48,967                                  |
| 10,432                                     | <b>Net operating result for the year before grants and contributions provided for capital purposes</b> |       | 28,082         | 21,786                                  |

(<sup>1</sup>) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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



## Statement of Comprehensive Income

for the year ended 30 June 2019

| \$ '000   | Notes | 2019          | Restated<br>2018 <sup>1</sup> |
|---|-------|---------------|-------------------------------|
| <b>Net operating result for the year (as per Income Statement)</b>  |       | <b>70,895</b> | <b>48,967</b>                 |
| <b>Other comprehensive income:</b>  |       |               |                               |
| Amounts which will not be reclassified subsequently to the operating result   |       |               |                               |
| Gain (loss) on revaluation of IPP&E   | 10    | 6,322         | 36,559                        |
| Other comprehensive income – joint ventures and associates  | 17a   | –             | 1                             |
| <b>Total items which will not be reclassified subsequently to the operating result</b>                              |       | <b>6,322</b>  | <b>36,560</b>                 |
| Amounts which will be reclassified subsequently to the operating result when specific conditions are met            |       |               |                               |
| Gain/(loss) on revaluation of equity instruments at fair value through other comprehensive income                   |       | (128)         | –                             |
| <b>Total items which will be reclassified subsequently to the operating result when specific conditions are met</b> |       | <b>(128)</b>  | <b>–</b>                      |
| <b>Total other comprehensive income for the year</b>  |       | <b>6,194</b>  | <b>36,560</b>                 |
| <b>Total comprehensive income for the year</b>  |       | <b>77,089</b> | <b>85,527</b>                 |
| Total comprehensive income attributable to Council  |       | 77,089        | 85,527                        |

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under *AASB 139 Financial Instruments: Recognition and Measurement*

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

## Statement of Financial Position

as at 30 June 2019

| \$ '000   | Notes | 2019             | Restated<br>2018 <sup>1</sup> | Restated<br>1 July 2017 |
|---|-------|------------------|-------------------------------|-------------------------|
| <b>ASSETS</b>                                     |       |                  |                               |                         |
| <b>Current assets</b>                             |       |                  |                               |                         |
| Cash and cash equivalent assets                   | 6(a)  | 13,814           | 14,865                        | 24,407                  |
| Investments                                       | 6(b)  | 17,519           | 45,570                        | 44,418                  |
| Receivables                                       | 7     | 7,319            | 5,479                         | 7,367                   |
| Inventories                                       | 8a    | 17,280           | 12,433                        | 16,153                  |
| Other   | 8b    | 340              | 401                           | 212                     |
| Current assets classified as 'held for sale'      | 9i    | –                | 1,158                         | 1,158                   |
| <b>Total current assets</b>                       |       | <b>56,272</b>    | <b>79,906</b>                 | <b>93,715</b>           |
| <b>Non-current assets</b>                         |       |                  |                               |                         |
| Investments                                       | 6(b)  | 76,102           | 30,000                        | 26,315                  |
| Receivables                                       | 7     | 1,358            | 1,285                         | 1,137                   |
| Infrastructure, property, plant and equipment     | 10    | 945,963          | 896,878                       | 807,803                 |
| Investment property                               | 11a   | 23,012           | 23,061                        | 388                     |
| Intangible assets                                 | 12    | 2,880            | 2,945                         | 19,475                  |
| Investments accounted for using the equity method | 17    | 620              | 600                           | 3,110                   |
| <b>Total non-current assets</b>                   |       | <b>1,049,935</b> | <b>954,769</b>                | <b>858,228</b>          |
| <b>TOTAL ASSETS</b>                               |       | <b>1,106,207</b> | <b>1,034,675</b>              | <b>951,943</b>          |
| <b>LIABILITIES</b>                                |       |                  |                               |                         |
| <b>Current liabilities</b>                        |       |                  |                               |                         |
| Payables  | 13    | 15,666           | 15,702                        | 16,576                  |
| Income received in advance                        | 13    | 1,799            | 1,477                         | 1,695                   |
| Borrowings  | 13    | 2,144            | 7,299                         | 1,251                   |
| Provisions  | 14    | 13,618           | 12,942                        | 13,052                  |
| <b>Total current liabilities</b>                  |       | <b>33,227</b>    | <b>37,420</b>                 | <b>32,574</b>           |
| <b>Non-current liabilities</b>                    |       |                  |                               |                         |
| Borrowings  | 13    | 14,051           | 15,398                        | 16,697                  |
| Provisions  | 14    | 17,884           | 17,477                        | 15,511                  |
| <b>Total non-current liabilities</b>              |       | <b>31,935</b>    | <b>32,875</b>                 | <b>32,208</b>           |
| <b>TOTAL LIABILITIES</b>                          |       | <b>65,162</b>    | <b>70,295</b>                 | <b>64,782</b>           |
| <b>Net assets</b>                                 |       | <b>1,041,045</b> | <b>964,380</b>                | <b>887,161</b>          |
| <b>EQUITY</b>                                     |       |                  |                               |                         |
| Accumulated surplus                               | 15a   | 625,587          | 555,465                       | 514,806                 |
| Revaluation reserves                              | 15a   | 414,996          | 408,674                       | 372,115                 |
| Other reserves                                    | 15a   | 221              | –                             | –                       |
| <b>Council equity interest</b>                    |       | <b>1,040,804</b> | <b>964,139</b>                | <b>886,921</b>          |
| <b>Non-controlling equity interests</b>           |       | <b>241</b>       | <b>241</b>                    | <b>240</b>              |
| <b>Total equity</b>                               |       | <b>1,041,045</b> | <b>964,380</b>                | <b>887,161</b>          |

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

## Statement of Changes in Equity

for the year ended 30 June 2019

| \$ '000   | Notes | 2019                |                           |                           |                  |                          |                  | 2018 <sup>1</sup>   |                           |                           |                  |                          |                |
|---|-------|---------------------|---------------------------|---------------------------|------------------|--------------------------|------------------|---------------------|---------------------------|---------------------------|------------------|--------------------------|----------------|
|   |       | Accumulated surplus | IPP&E revaluation reserve | Financial assets at FVOCI | Council interest | Non-controlling interest | Total equity     | Accumulated surplus | IPP&E revaluation reserve | Financial assets at FVOCI | Council interest | Non-controlling interest | Total equity   |
| Opening balance   |       | 504,140             | 408,674                   | –                         | 912,814          | 241                      | 913,055          | 461,746             | 372,115                   | –                         | 833,861          | 240                      | 834,101        |
| Correction of prior period errors   | 15b   | 51,325              | –                         | –                         | 51,325           | –                        | 51,325           | 53,060              | –                         | –                         | 53,060           | –                        | 53,060         |
| Adoption of new accounting standards – not retrospective  | 15c   | –                   | –                         | 349                       | 349              | –                        | 349              | –                   | –                         | –                         | –                | –                        | –              |
| <b>Restated opening balance</b>   |       | <b>555,465</b>      | <b>408,674</b>            | <b>349</b>                | <b>964,488</b>   | <b>241</b>               | <b>964,729</b>   | <b>514,806</b>      | <b>372,115</b>            | <b>–</b>                  | <b>886,921</b>   | <b>240</b>               | <b>887,161</b> |
| Net operating result for the year   |       | 70,895              | –                         | –                         | 70,895           | –                        | 70,895           | 42,228              | –                         | –                         | 42,228           | –                        | 42,228         |
| Correction of prior period errors   | 15b   | –                   | –                         | –                         | –                | –                        | –                | 6,739               | –                         | –                         | 6,739            | –                        | 6,739          |
| <b>Restated net operating result for the period</b>   |       | <b>70,895</b>       | <b>–</b>                  | <b>–</b>                  | <b>70,895</b>    | <b>–</b>                 | <b>70,895</b>    | <b>48,967</b>       | <b>–</b>                  | <b>–</b>                  | <b>48,967</b>    | <b>–</b>                 | <b>48,967</b>  |
| <b>Other comprehensive income</b>   |       |                     |                           |                           |                  |                          |                  |                     |                           |                           |                  |                          |                |
| – Gain (loss) on revaluation of IPP&E   | 10    | –                   | 6,322                     | –                         | 6,322            | –                        | 6,322            | –                   | 36,559                    | –                         | 36,559           | –                        | 36,559         |
| – Gain/(loss) on revaluation of equity instruments at fair value through other comprehensive income |       | –                   | –                         | (128)                     | (128)            | –                        | (128)            | –                   | –                         | –                         | –                | –                        | –              |
| – Joint ventures and associates   | 17a   | –                   | –                         | –                         | –                | –                        | –                | 1                   | –                         | –                         | 1                | –                        | 1              |
| <b>Other comprehensive income</b>   |       | <b>–</b>            | <b>6,322</b>              | <b>(128)</b>              | <b>6,194</b>     | <b>–</b>                 | <b>6,194</b>     | <b>1</b>            | <b>36,559</b>             | <b>–</b>                  | <b>36,560</b>    | <b>–</b>                 | <b>36,560</b>  |
| <b>Total comprehensive income</b>   |       | <b>70,895</b>       | <b>6,322</b>              | <b>(128)</b>              | <b>77,089</b>    | <b>–</b>                 | <b>77,089</b>    | <b>48,968</b>       | <b>36,559</b>             | <b>–</b>                  | <b>85,527</b>    | <b>–</b>                 | <b>85,527</b>  |
| Distributions to/(contributions from) non-controlling interests                                     |       | (773)               | –                         | –                         | (773)            | –                        | (773)            | (8,309)             | –                         | –                         | (8,309)          | 1                        | (8,308)        |
| <b>Equity – balance at end of the reporting period</b>  |       | <b>625,587</b>      | <b>414,996</b>            | <b>221</b>                | <b>1,040,804</b> | <b>241</b>               | <b>1,041,045</b> | <b>555,465</b>      | <b>408,674</b>            | <b>–</b>                  | <b>964,139</b>   | <b>241</b>               | <b>964,380</b> |

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under *AASB 139 Financial Instruments: Recognition and Measurement*

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

## Statement of Cash Flows

for the year ended 30 June 2019

| Original<br>unaudited<br>budget<br>2019     | \$ '000  | Notes | Actual<br>2019  | Actual<br>2018  |
|---|--|-------|-----------------|-----------------|
| <b>Cash flows from operating activities</b> |  |       |                 |                 |
| <u>Receipts</u>                             |  |       |                 |                 |
| 58,691                                      | Rates and annual charges                                     |       | 62,294          | 57,214          |
| 18,448                                      | User charges and fees  |       | 17,580          | 18,722          |
| 3,042                                       | Investment and interest revenue received                     |       | 3,061           | 2,972           |
| 12,163                                      | Grants and contributions                                     |       | 21,941          | 16,779          |
| 3,953                                       | Other  |       | 66,395          | 49,725          |
| <u>Payments</u>                             |  |       |                 |                 |
| (34,950)                                    | Employee benefits and on-costs                               |       | (35,651)        | (33,844)        |
| (21,682)                                    | Materials and contracts                                      |       | (23,708)        | (19,683)        |
| (831)                                       | Borrowing costs  |       | (836)           | (589)           |
| (15,701)                                    | Other  |       | (51,580)        | (51,430)        |
| <b>23,133</b>                               | <b>Net cash provided (or used in) operating activities</b>   | 16b   | <b>59,496</b>   | <b>39,866</b>   |
| <b>Cash flows from investing activities</b> |  |       |                 |                 |
| <u>Receipts</u>                             |  |       |                 |                 |
| 22,816                                      | Sale of investment securities                                |       | 40,519          | 23,960          |
| 19,121                                      | Sale of infrastructure, property, plant and equipment        |       | 1,508           | 303             |
| <u>Payments</u>                             |  |       |                 |                 |
| (27,015)                                    | Purchase of investment securities                            |       | (57,960)        | (27,376)        |
| –   | Purchase of investment property                              |       | –               | (151)           |
| (37,415)                                    | Purchase of infrastructure, property, plant and equipment    |       | (31,962)        | (50,894)        |
| –   | Purchase of real estate assets                               |       | (4,762)         | –               |
| –   | Purchase of intangible assets                                |       | (615)           | –               |
| <b>(22,493)</b>                             | <b>Net cash provided (or used in) investing activities</b>   |       | <b>(53,272)</b> | <b>(54,158)</b> |
| <b>Cash flows from financing activities</b> |  |       |                 |                 |
| <u>Receipts</u>                             |  |       |                 |                 |
| 6,408                                       | Proceeds from borrowings and advances                        |       | –               | 6,000           |
| <u>Payments</u>                             |  |       |                 |                 |
| (7,513)                                     | Repayment of borrowings and advances                         |       | (6,502)         | (1,251)         |
| –   | Distributions to non-controlling interests                   |       | (773)           | 1               |
| <b>(1,105)</b>                              | <b>Net cash flow provided (used in) financing activities</b> |       | <b>(7,275)</b>  | <b>4,750</b>    |
| <b>(465)</b>                                | <b>Net increase/(decrease) in cash and cash equivalents</b>  |       | <b>(1,051)</b>  | <b>(9,542)</b>  |
| –   | Plus: cash and cash equivalents – beginning of year          | 16a   | 14,865          | 24,407          |
| <b>(465)</b>                                | <b>Cash and cash equivalents – end of the year</b>           | 16a   | <b>13,814</b>   | <b>14,865</b>   |
| Additional Information:                     |  |       |                 |                 |
| –   | plus: Investments on hand – end of year                      | 6(b)  | 93,621          | 75,570          |
| <b>(465)</b>                                | <b>Total cash, cash equivalents and investments</b>          |       | <b>107,435</b>  | <b>90,435</b>   |

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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# Shellharbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 31 October 2019. Council has the power to amend and reissue these 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 (NSW)* and Regulations, 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 21 – Material budget variations

and are clearly marked.

#### (a) New and amended standards adopted by Council

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 15.

#### (b) Historical cost convention

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

#### (c) Significant accounting estimates and judgements

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of investment properties – refer Note 11
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (iii) estimated tip remediation provisions – refer Note 14
- (iv) employee benefit provisions – refer Note 14.

#### Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation (continued)

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Council has made a significant judgement about the impairment of a number of its receivables – refer Note 7.

#### Monies and other assets received by Council

##### (a) 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.

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

- General purpose operations

##### (b) The Trust Fund

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

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

#### 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 amounts of GST recoverable from, and payable to the taxation authority is included within other receivables and 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.

#### New accounting standards and interpretations issued not yet effective

##### AASB 16 Leases

AASB 16 will result (for year end 19/20 and beyond) in almost all operating leases being recognised on the balance sheet by Council (alongside existing finance leases) with the distinction between operating and finance leases removed.

Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1/7/19).

AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30/6/19.

While the impact of AASB16 has not yet fully been calculated, council currently has \$1.9m of operating lease commitments which are likely to be brought to account. This will result in a non-current right to use asset and recognition of a lease liability which will be separated into a current and non-current component.

Rental expense will decrease and interest and depreciation will increase.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation (continued)

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#### **AASB 15 Revenue from Contracts with Customers and associated amending standards**

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

Councils should assess each revenue stream but particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. Each revenue contract with customers received by Council will be assessed separately to determine accounting treatment and correct timing to bring the revenue to account per the standard.

#### **AASB 1058 Income of NFP Entities**

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

Whilst the impact of AASB1058 not yet been fully calculated, it is expected the timing of income recognition will mainly impact grants received by Council. Each grant received by Council will be assessed separately to determine its specific nature and the purpose it was intended for, based on the funding providers agreement.

#### **AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities**

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases.



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation (continued)

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As per a NSW Office of Local Government recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018.

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 2(a). Council functions/activities – financial information

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

| \$ '000                               | Income from continuing operations |                | Expenses from continuing operations |                | Operating result from continuing operations |               | Grants included in income from continuing operations |              | Total assets held (current and non-current) |                  |
|---------------------------------------|-----------------------------------|----------------|-------------------------------------|----------------|---|---------------|--|--------------|---|------------------|
|                                       | 2019                              | 2018           | 2019                                | 2018           | 2019  | 2018          | 2019   | 2018         | 2019  | 2018             |
|                                       | Restated                          |                | Restated                            |                | Restated                                    |               | Restated   |              | Restated                                    |                  |
| <b>Functions or activities</b>        |                                   |                |                                     |                |   |               |  |              |   |                  |
| Environment                           | 40,649                            | 30,174         | 31,852                              | 26,713         | 8,797                                       | 3,461         | 426  | 1,313        | 259,755                                     | 208,372          |
| Community                             | 7,560                             | 6,417          | 18,901                              | 18,159         | (11,341)                                    | (11,742)      | 455  | 327          | 308,531                                     | 291,864          |
| Economy                               | 96,649                            | 69,825         | 55,614                              | 46,725         | 41,035                                      | 23,100        | 3,696  | 1,870        | 400,264                                     | 371,718          |
| Leadership                            | 53,745                            | 54,979         | 21,341                              | 20,831         | 32,404                                      | 34,148        | 4,356  | 4,322        | 127,448                                     | 145,850          |
| Other                                 | –                                 | –              | –                                   | –              | –   | –             | –  | –            | 10,209                                      | 16,871           |
| <b>Total functions and activities</b> | <b>198,603</b>                    | <b>161,395</b> | <b>127,708</b>                      | <b>112,428</b> | <b>70,895</b>                               | <b>48,967</b> | <b>8,933</b>   | <b>7,832</b> | <b>1,106,207</b>                            | <b>1,034,675</b> |

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 2(b). Council functions/activities - component descriptions

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Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:

#### Environment

The preservation and enhancement of our natural environment is important, as is the efficient use of our natural resources and a sustainable and healthy built environment. Better public transport systems to move around our city and opportunities available for our citizens to be able to live, work and consume locally is also important.

#### Community

Feeling safe and being involved in the local community is important for residents. A range of recreational facilities to provide opportunities for active and healthy lifestyles and access to a range of community and cultural services and facilities is important. These services and facilities need to be vibrant, accessible and well maintained. Council needs to provide better communication to the broader community on Council matters, activities and events.

#### Economy

Well maintained infrastructure is important to our local economy, access to technology and tourism as a significant industry needs to be supported. The completion of the Shell Cove Boat Harbour is seen as important to the ongoing development of Shellharbour City. Training opportunities, strong local businesses and local jobs for local people are also the key to the success of Shellharbour's economic future.

#### Leadership

The community values fair and honest representative government that is transparent and accountable. They wish to see innovative future planning, sustainable outcomes and the opportunity to engage with Council in deciding the future of Shellharbour.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations

| \$ '000   | 2019          | 2018          |
|---|---------------|---------------|
| <b>(a) Rates and annual charges</b>                                   |               |               |
| <b>Ordinary rates</b>   |               |               |
| Residential   | 40,846        | 38,534        |
| Farmland  | 255           | 303           |
| Business  | 5,879         | 5,688         |
| Less: pensioner rebates (mandatory)                                   | (1,062)       | (1,066)       |
| Less: pensioner rebates (Council policy)                              | (126)         | (136)         |
| <b>Rates levied to ratepayers</b>                                     | <b>45,792</b> | <b>43,323</b> |
| Pensioner rate subsidies received                                     | 589           | 578           |
| <b>Total ordinary rates</b>   | <b>46,381</b> | <b>43,901</b> |
| <b>Annual charges</b>   |               |               |
| <small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small> |               |               |
| Domestic waste management services                                    | 13,922        | 13,415        |
| Stormwater management services  | 630           | 618           |
| Waste management services (non-domestic)                              | 358           | 342           |
| Section 611 charges   | 39            | 40            |
| Less: pensioner rebates (mandatory)                                   | (363)         | (366)         |
| <b>Annual charges levied</b>  | <b>14,586</b> | <b>14,049</b> |
| Pensioner subsidies received:   |               |               |
| – Domestic waste management   | 201           | 198           |
| <b>Total annual charges</b>   | <b>14,787</b> | <b>14,247</b> |
| <b>TOTAL RATES AND ANNUAL CHARGES</b>                                 | <b>61,168</b> | <b>58,148</b> |

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

**Accounting policy for rates and charges**

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

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.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

| \$ '000  | 2019         | 2018         |
|--|--------------|--------------|
| <b>(b) User charges and fees</b>   |              |              |
| <b>Specific user charges</b>   |              |              |
| <small>(per s.502 - specific 'actual use' charges)</small>                   |              |              |
| Waste management services (non-domestic)                                     | 6,496        | 7,054        |
| <b>Total specific user charges</b>   | <b>6,496</b> | <b>7,054</b> |
| <b>Other user charges and fees</b>   |              |              |
| <b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b> |              |              |
| Building control   | 262          | 240          |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

| \$ '000   | 2019          | 2018          |
|---|---------------|---------------|
| Inspection services   | 102           | 94            |
| Private works – section 67  | 23            | 36            |
| Section 10.7 certificates (EP&A Act)  | 249           | 206           |
| Section 603 certificates  | 139           | 128           |
| Certificate registration  | 123           | 94            |
| Development applications  | 1,236         | 1,075         |
| Subdivision   | 453           | 508           |
| <b>Total fees and charges – statutory/regulatory</b>                          | <b>2,587</b>  | <b>2,381</b>  |
| <b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b> |               |               |
| Airport   | 234           | 552           |
| Caravan park  | 1,676         | 1,688         |
| Cemeteries  | 302           | 266           |
| Fire and emergency services levy (FESL) implementation                        | –             | 3             |
| Library   | 47            | 39            |
| Recycling   | 181           | 155           |
| RMS (formerly RTA) charges (state roads not controlled by Council)            | 168           | 176           |
| Swimming pools  | 421           | 386           |
| Animal control  | 97            | 149           |
| Golf course   | 3,168         | 3,026         |
| Nursery   | 402           | 426           |
| Shell cove maintenance  | 2             | 2             |
| Shellharbour city stadium   | 383           | 359           |
| Sportsfields  | 282           | 213           |
| Other   | 658           | 503           |
| <b>Total fees and charges – other</b>   | <b>8,021</b>  | <b>7,943</b>  |
| <b>TOTAL USER CHARGES AND FEES</b>  | <b>17,104</b> | <b>17,378</b> |

**Accounting policy for user charges and fees**

User charges and fees are recognised as revenue when the service has been provided.

## (c) Interest and investment revenue (including losses)

**Interest on financial assets measured at amortised cost**

|  |       |       |
|--|-------|-------|
| – Overdue rates and annual charges (incl. special purpose rates) | 161   | 167   |
| – Cash and investments   | 2,671 | 2,435 |
| – Cash and investments – Shell Cove                              | 101   | 123   |

**Fair value adjustments**

|  |     |    |
|--|-----|----|
| – Movements in investments at fair value through profit and loss | 389 | 46 |
|--|-----|----|

**TOTAL INTEREST AND INVESTMENT REVENUE**

|              |              |
|--------------|--------------|
| <b>3,322</b> | <b>2,771</b> |
|--------------|--------------|

**Interest revenue is attributable to:****Unrestricted investments/financial assets:**

|   |       |       |
|---|-------|-------|
| Overdue rates and annual charges (general fund)   | 161   | 167   |
| General Council cash and investments - Shell Cove | 101   | 123   |
| General Council cash and investments              | 1,595 | 1,431 |

**Restricted investments/funds – external:**

|                                |       |       |
|--------------------------------|-------|-------|
| Development contributions      |       |       |
| – Section 7.11                 | 1,352 | 1,009 |
| – Voluntary Planning Agreement | 113   | 41    |

**Total interest and investment revenue**

|              |              |
|--------------|--------------|
| <b>3,322</b> | <b>2,771</b> |
|--------------|--------------|

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

**Accounting policy for interest and investment revenue**

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 unless the dividend clearly represents a recovery of part of the cost of the investment.

| \$ '000                                  | Notes | 2019                 | 2018<br>Restated     |
|--|-------|----------------------|----------------------|
| <b>(d) Other revenues</b>                |       |                      |                      |
| Rental income – investment property      | 11    | 468                  | 396                  |
| Rental income – other council properties |       | 632                  | 607                  |
| Fines                                    |       | 500                  | 537                  |
| Commissions and agency fees – Shell Cove |       | 514                  | 314                  |
| Sales of inventories                     |       | 16,035               | 4,433                |
| Rental income – Shell Cove               |       | 34                   | 27                   |
| Gaming machines                          |       | 475                  | 430                  |
| Motor vehicle contributions              |       | 294                  | 252                  |
| Other charges – rates and charges        |       | 311                  | 334                  |
| Performance payment                      |       | 105                  | 105                  |
| Other                                    |       | 778                  | 209                  |
| Sales of Inventories – Shell Cove        |       | 45,603               | 36,125               |
| Other – Shell Cove                       |       | 8                    | 7                    |
| <b><u>TOTAL OTHER REVENUE</u></b>        |       | <b><u>65,757</u></b> | <b><u>43,776</u></b> |

**Accounting policy for other revenue**

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

Rental income is accounted for on a straight-line basis over the lease term.

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

| \$ '000 | Operating<br>2019 | Operating<br>2018 | Capital<br>2019 | Capital<br>2018 |
|---------|-------------------|-------------------|-----------------|-----------------|
|---------|-------------------|-------------------|-----------------|-----------------|

**(e) Grants****General purpose (untied)****Current year allocation**

|  |       |       |   |   |
|--|-------|-------|---|---|
| Financial assistance – general component           | 2,097 | 2,124 | – | – |
| Financial assistance – local roads component       | 454   | 433   | – | – |
| <b>Payment in advance - future year allocation</b> |       |       |   |   |
| Financial assistance – general component           | 2,174 | 2,181 | – | – |
| Financial assistance – local roads component       | 470   | 445   | – | – |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

| \$ '000                                     | Operating<br>2019 | Operating<br>2018 | Capital<br>2019 | Capital<br>2018 |
|---|-------------------|-------------------|-----------------|-----------------|
| <b>Total general purpose</b>                | <b>5,195</b>      | <b>5,183</b>      | <b>–</b>        | <b>–</b>        |
| <b>Specific purpose</b>                     |                   |                   |                 |                 |
| Community services                          | 181               | 47                | –               | –               |
| Employment / business schemes               | 3                 | 17                | –               | –               |
| Environmental                               | 70                | 666               | 2               | 221             |
| Library                                     | 172               | 198               | –               | –               |
| LIRS subsidy                                | 59                | 71                | –               | –               |
| Street lighting                             | 171               | 168               | –               | –               |
| Transport (roads to recovery)               | 901               | 784               | –               | –               |
| Transport (other roads and bridges funding) | 110               | 121               | 947             | 70              |
| Stronger Countries Community Grant          | –                 | –                 | 710             | –               |
| Other                                       | 137               | 105               | 275             | 181             |
| <b>Total specific purpose</b>               | <b>1,804</b>      | <b>2,177</b>      | <b>1,934</b>    | <b>472</b>      |
| <b>Total grants</b>                         | <b>6,999</b>      | <b>7,360</b>      | <b>1,934</b>    | <b>472</b>      |
| <b>Grant revenue is attributable to:</b>    |                   |                   |                 |                 |
| – Commonwealth funding                      | 6,129             | 5,957             | 947             | –               |
| – State funding                             | 857               | 1,403             | 987             | 472             |
| – Other funding                             | 13                | –                 | –               | –               |
|   | <b>6,999</b>      | <b>7,360</b>      | <b>1,934</b>    | <b>472</b>      |

| \$ '000 | Notes | Operating<br>2019 | Operating<br>2018 | Capital<br>2019 | Capital<br>2018 |
|---------|-------|-------------------|-------------------|-----------------|-----------------|
|---------|-------|-------------------|-------------------|-----------------|-----------------|

## (f) Contributions

**Developer contributions:  
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):****Cash contributions**

|   |            |            |               |              |
|---|------------|------------|---------------|--------------|
| S 7.4 – contributions using planning agreements   | –          | –          | 2,235         | 412          |
| S 7.11 – contributions towards amenities/services | 763        | 531        | –             | –            |
| Community facilities                              | –          | –          | 3,616         | 2,494        |
| Drainage  | –          | –          | 507           | 300          |
| Open space  | –          | –          | 2,412         | 1,956        |
| Roadworks   | –          | –          | 2,532         | 1,787        |
| Traffic facilities                                | –          | –          | 26            | 61           |
| <b>Total developer contributions – cash</b>       | <b>763</b> | <b>531</b> | <b>11,328</b> | <b>7,010</b> |

**Non-cash contributions**

|   |          |          |            |           |
|---|----------|----------|------------|-----------|
| Other developer contributions                 | –        | –        | 20         | 50        |
| Open space                                    | –        | –        | 245        | 15        |
| <b>Total developer contributions non-cash</b> | <b>–</b> | <b>–</b> | <b>265</b> | <b>65</b> |

|                                      |    |            |            |               |              |
|--------------------------------------|----|------------|------------|---------------|--------------|
| <b>Total developer contributions</b> | 25 | <b>763</b> | <b>531</b> | <b>11,593</b> | <b>7,075</b> |
|--------------------------------------|----|------------|------------|---------------|--------------|

**Other contributions:****Cash contributions**

|   |     |     |     |     |
|---|-----|-----|-----|-----|
| RMS contributions (regional roads, block grant) | 169 | 165 | 49  | 4   |
| Other   | 233 | 43  | 130 | 110 |
| Employment / business schemes                   | 32  | 32  | –   | –   |

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

| \$ '000                                     | Notes | Operating<br>2019 | Operating<br>2018 | Capital<br>2019 | Capital<br>2018 |
|---|-------|-------------------|-------------------|-----------------|-----------------|
| NSW rural fire services                     |       | 219               | 225               | –               | –               |
| Sport and recreation                        |       | 4                 | 4                 | –               | –               |
| <b>Total other contributions – cash</b>     |       | <b>657</b>        | <b>469</b>        | <b>179</b>      | <b>114</b>      |
| <b>Non-cash contributions</b>               |       |                   |                   |                 |                 |
| Drainage                                    |       | –                 | –                 | 10,971          | 5,768           |
| Paving                                      |       | –                 | –                 | 2,278           | 1,061           |
| Roads                                       |       | –                 | –                 | 3,912           | 2,257           |
| Other                                       |       | –                 | –                 | 842             | 130             |
| Land Under Roads                            |       | –                 | –                 | 11,104          | 4,707           |
| Bridges                                     |       | –                 | –                 | –               | 5,597           |
| <b>Total other contributions – non-cash</b> |       | <b>–</b>          | <b>–</b>          | <b>29,107</b>   | <b>19,520</b>   |
| <b>Total other contributions</b>            |       | <b>657</b>        | <b>469</b>        | <b>29,286</b>   | <b>19,634</b>   |
| <b>Total contributions</b>                  |       | <b>1,420</b>      | <b>1,000</b>      | <b>40,879</b>   | <b>26,709</b>   |
| <b>TOTAL GRANTS AND CONTRIBUTIONS</b>       |       | <b>8,419</b>      | <b>8,360</b>      | <b>42,813</b>   | <b>27,181</b>   |

**Accounting policy for grants and contributions**

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner, or used over a particular period, and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed below.

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

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

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

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at reporting date.

| \$ '000 | 2019 | 2018 |
|---------|------|------|
|---------|------|------|

**(g) Unspent grants and contributions****Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:****Operating grants**

|  |         |         |
|--|---------|---------|
| Unexpended at the close of the previous reporting period   | 3,851   | 3,427   |
| <b>Add:</b> operating grants recognised in the current period but not yet spent                  | 435     | 786     |
| <b>Add:</b> operating grants received for the provision of goods and services in a future period | 2,644   | 2,626   |
|  | (3,585) | (2,988) |



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

| \$ '000  | 2019          | 2018          |
|--|---------------|---------------|
| <b>Less:</b> operating grants recognised in a previous reporting period now spent  | (3,585)       | (2,988)       |
| <b>Unexpended and held as restricted assets (operating grants)</b>   | <b>3,345</b>  | <b>3,851</b>  |
| \$2.6m of the \$3.3m unspent relates to the advance payment of the Financial Assistance Grant.   |               |               |
| <b>Capital grants</b>  |               |               |
| Unexpended at the close of the previous reporting period   | 71            | 993           |
| <b>Add:</b> capital grants recognised in the current period but not yet spent  | 865           | 6             |
| <b>Add:</b> capital grants received for the provision of goods and services in a future period   | –             | –             |
| <b>Less:</b> capital grants recognised in a previous reporting period now spent  | (20)          | (928)         |
| <b>Unexpended and held as restricted assets (capital grants)</b>   | <b>916</b>    | <b>71</b>     |
| \$0.7 m of the \$0.9m unspent relates to the Stronger Countries Communities Grants.  |               |               |
| <b>Contributions</b>   |               |               |
| Unexpended at the close of the previous reporting period   | 37,561        | 31,234        |
| <b>Add:</b> contributions recognised in the current period but not yet spent   | 13,750        | 8,941         |
| <b>Add:</b> contributions received for the provision of goods and services in a future period  | –             | –             |
| <b>Add:</b> contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate | –             | –             |
| <b>Less:</b> contributions recognised in a previous reporting period now spent   | (1,627)       | (2,614)       |
| <b>Unexpended and held as restricted assets (contributions)</b>  | <b>49,684</b> | <b>37,561</b> |

\$49.0m of the \$49.6m unspent relates to Developer Contributions.

## Note 4. Expenses from continuing operations

| \$ '000  | 2019          | 2018          |
|--|---------------|---------------|
| <b>(a) Employee benefits and on-costs</b>                    |               |               |
| Salaries and wages   | 27,930        | 26,551        |
| Employee leave entitlements (ELE)                            | 3,914         | 4,106         |
| Superannuation   | 3,220         | 3,076         |
| Workers' compensation insurance                              | 892           | 1,006         |
| Fringe benefit tax (FBT)                                     | 269           | 256           |
| Training costs (other than salaries and wages)               | 455           | 531           |
| Other  | 244           | 224           |
| <b>Total employee costs</b>                                  | <b>36,924</b> | <b>35,750</b> |
| Less: capitalised costs                                      | (1,758)       | (2,084)       |
| <b>TOTAL EMPLOYEE COSTS EXPENSED</b>                         | <b>35,166</b> | <b>33,666</b> |
| Number of 'full-time equivalent' employees (FTE) at year end | 379           | 372           |

**Accounting policy for employee benefits and on-costs**

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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

*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, that is as an expense when it becomes payable – refer to Note 19 for more information.

| \$ '000  | Notes | 2019         | 2018       |
|--|-------|--------------|------------|
| <b>(b) Borrowing costs</b>   |       |              |            |
| <b>(i) Interest bearing liability costs</b>                            |       |              |            |
| Interest on loans  |       | 836          | 589        |
| <b>Total interest bearing liability costs expensed</b>                 |       | <b>836</b>   | <b>589</b> |
| <b>(ii) Other borrowing costs</b>                                      |       |              |            |
| Fair value adjustments on recognition of advances and deferred debtors |       |              |            |
| – Remediation liabilities  | 14    | 340          | 303        |
| <b>Total other borrowing costs</b>                                     |       | <b>340</b>   | <b>303</b> |
| <b>TOTAL BORROWING COSTS EXPENSED</b>                                  |       | <b>1,176</b> | <b>892</b> |

**Accounting policy for borrowing costs**

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.

| \$ '000  | 2019          | 2018          |
|--|---------------|---------------|
| <b>(c) Materials and contracts</b>                             |               |               |
| Raw materials and consumables                                  | 3,539         | 3,774         |
| Contractor and consultancy costs                               | 14,249        | 14,619        |
| Auditors remuneration <sup>2</sup>                             | 148           | 75            |
| <b>Legal expenses:</b>   |               |               |
| – Legal expenses: planning and development                     | 163           | 80            |
| – Legal expenses: other  | 581           | 653           |
| <b>Operating leases:</b>                                       |               |               |
| – Operating lease rentals: minimum lease payments <sup>1</sup> | 3,213         | 2,495         |
| <b>Total materials and contracts</b>                           | <b>21,893</b> | <b>21,696</b> |
| <b>TOTAL MATERIALS AND CONTRACTS</b>                           | <b>21,893</b> | <b>21,696</b> |

**Accounting policy for operating leases**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**1. Operating lease payments are attributable to:**

|                                  |       |       |
|----------------------------------|-------|-------|
| Buildings                        | 1,828 | 1,074 |
| Motor vehicles                   | 945   | 841   |
| Computer hardware / photocopiers | 304   | 485   |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

| \$ '000    | 2019         | 2018         |
|------------|--------------|--------------|
| Golf carts | 136          | 95           |
|            | <u>3,213</u> | <u>2,495</u> |

**2. Auditor remuneration**

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

**Auditors of the Council - NSW Auditor-General:****(i) Audit and other assurance services**

|  |            |           |
|--|------------|-----------|
| Audit and review of financial statements                   | 148        | 75        |
| <b>Remuneration for audit and other assurance services</b> | <u>148</u> | <u>75</u> |

**Total Auditor-General remuneration**

|            |           |
|------------|-----------|
| <u>148</u> | <u>75</u> |
|------------|-----------|

**Non NSW Auditor-General audit firms****Total remuneration of non NSW Auditor-General audit firms**

|   |   |
|---|---|
| – | – |
|---|---|

**Total Auditor remuneration**

|            |           |
|------------|-----------|
| <u>148</u> | <u>75</u> |
|------------|-----------|

| \$ '000 | Notes | 2019 | 2018 |
|---------|-------|------|------|
|---------|-------|------|------|

**(d) Depreciation, amortisation and impairment of intangible assets and IPP&E****Depreciation and amortisation**

|                                 |  |       |       |
|---------------------------------|--|-------|-------|
| Plant and equipment             |  | 1,253 | 1,080 |
| Office equipment                |  | 355   | 186   |
| Furniture and fittings          |  | 202   | 139   |
| Land improvements (depreciable) |  | 315   | 309   |

**Infrastructure:**

|  |  |       |       |
|--|--|-------|-------|
| – Buildings – non-specialised          |  | 2,650 | 1,992 |
| – Buildings – specialised              |  | 1,908 | 1,501 |
| – Other structures                     |  | 110   | 108   |
| – Roads                                |  | 3,177 | 3,109 |
| – Bridges                              |  | 188   | 140   |
| – Footpaths                            |  | 651   | 632   |
| – Stormwater drainage                  |  | 2,239 | 2,155 |
| – Swimming pools                       |  | 207   | 200   |
| – Other open space/recreational assets |  | 1,237 | 1,237 |
| – Other infrastructure                 |  | 149   | 149   |

**Other assets:**

|                 |  |     |     |
|-----------------|--|-----|-----|
| – Library books |  | 331 | 237 |
| – Other         |  | 595 | 469 |

**Reinstatement, rehabilitation and restoration assets:**

|                              |       |     |     |
|------------------------------|-------|-----|-----|
| – Waste depot/Sandmine Asset | 10,14 | 459 | 416 |
| Intangible assets            | 12    | 680 | 855 |

**Total gross depreciation and amortisation costs**

|               |               |
|---------------|---------------|
| <u>16,706</u> | <u>14,914</u> |
|---------------|---------------|

**Total depreciation and amortisation costs**

|               |               |
|---------------|---------------|
| <u>16,706</u> | <u>14,914</u> |
|---------------|---------------|

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

| \$ '000   | Notes | 2019          | 2018          |
|---|-------|---------------|---------------|
| <u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECUREMENT FOR INTANGIBLES AND IPP&amp;E</u> |       | <u>16,706</u> | <u>14,914</u> |

**Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E****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 10 for IPPE assets and Note 12 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 no longer required to be tested for impairment under AASB 136. This is because 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 that have an indefinite useful life, or are 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 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). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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.

| \$ '000  | 2019  | 2018<br>Restated |
|--|-------|------------------|
| <b>(e) Other expenses</b>  |       |                  |
| Advertising  | 287   | 259              |
| Agency fees  | 188   | 185              |
| Bad and doubtful debts   | 402   | 416              |
| Cost of sales  | 1,316 | 1,317            |
| Computer maintenance   | 571   | 780              |
| Contributions/levies to other levels of government                 |       |                  |
| – Emergency services levy (includes FRNSW, SES, and RFS levies)    | 986   | 1,015            |
| – Government taxes   | 203   | 169              |
| – Waste levy   | 6,236 | 5,921            |
| Councillor expenses – mayoral fee                                  | 43    | 40               |
| Councillor expenses – councillors' fees                            | 139   | 132              |
| Councillors' expenses (incl. mayor) – other (excluding fees above) | 59    | 116              |
| Donations, contributions and assistance to other organisations     | 830   | 1,310            |
| Election expenses  | –     | 364              |
| Electricity and gas  | 812   | 686              |
| Financial investing advice   | 27    | 36               |
| Insurance  | 695   | 636              |
| Investigation and promotion  | 25    | 23               |
| Memberships, subscriptions and publications                        | 372   | 331              |
| Postage  | 157   | 164              |
| Software   | 634   | 277              |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

| \$ '000   | 2019                 | 2018<br>Restated     |
|---|----------------------|----------------------|
| Street lighting   | 1,329                | 1,140                |
| Telephone and communications                            | 257                  | 412                  |
| Valuation fees  | 172                  | 252                  |
| Water rates   | 258                  | 311                  |
| Management Fee – Shell Cove                             | 894                  | 679                  |
| Sales Fee – Shell Cove                                  | 471                  | 366                  |
| Administration Fee – Shell Cove                         | 514                  | 314                  |
| Write-down of inventories held for sale or distribution | 4,296                | 775                  |
| Cost of goods sold – Shell Cove                         | 26,994               | 21,384               |
| Other   | 520                  | 496                  |
| Other – Shell Cove                                      | 836                  | 354                  |
| <b>Total other expenses</b>                             | <b>50,523</b>        | <b>40,660</b>        |
| <b><u>TOTAL OTHER EXPENSES</u></b>                      | <b><u>50,523</u></b> | <b><u>40,660</u></b> |

**Accounting policy for other expenses**

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

## Note 5. Gains or losses from the disposal, replacement and de-recognition of assets

| \$ '000   | Notes | 2019                  | 2018                |
|---|-------|-----------------------|---------------------|
| <b>Infrastructure</b>   | 10    |                       |                     |
| Proceeds from disposal – infrastructure                         |       | 1,508                 | 303                 |
| Less: carrying amount of infrastructure assets sold/written off |       | (3,703)               | (768)               |
| <b>Net gain/(loss) on disposal</b>                              |       | <b>(2,195)</b>        | <b>(465)</b>        |
| <b>Investment properties</b>                                    | 11    |                       |                     |
| Less: carrying amount of investment property sold/written off   |       | (49)                  | (135)               |
| <b>Net gain/(loss) on disposal</b>                              |       | <b>(49)</b>           | <b>(135)</b>        |
| <b>Investments</b>  | 6(b)  |                       |                     |
| Proceeds from disposal/redemptions/maturities – investments     |       | 40,519                | 23,960              |
| Less: carrying amount of investments sold/redeemed/matured      |       | (40,519)              | (23,960)            |
| <b>Net gain/(loss) on disposal</b>                              |       | <b>–</b>              | <b>–</b>            |
| <b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>             |       | <b><u>(2,244)</u></b> | <b><u>(600)</u></b> |

**Accounting policy for disposal of assets**

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 6(a). Cash and cash equivalent assets

| \$ '000                                | 2019          | 2018          |
|--|---------------|---------------|
| <b>Cash and cash equivalents</b>       |               |               |
| Cash on hand and at bank               | 4,486         | 1,034         |
| Cash on hand and at bank – Shell Cove  | 402           | 766           |
| Cash-equivalent assets                 |               |               |
| – Deposits at call                     | 8,099         | 6,350         |
| – Deposits at call – Shell Cove        | 517           | 6,411         |
| – Managed funds                        | 310           | 304           |
| <b>Total cash and cash equivalents</b> | <b>13,814</b> | <b>14,865</b> |

**Accounting policy for cash and cash equivalents**

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.

## Note 6(b). Investments

| \$ '000   | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| <b>Investments</b>  |                 |                     |                 |                     |
| a. 'Financial assets at fair value through profit and loss'   |                 |                     |                 |                     |
| – 'Held for trading'  | 3,519           | 16,381              | 22,255          | –                   |
| b. 'Financial assets at amortised cost' / 'held to maturity' (2018)   | 14,000          | 59,500              | 23,315          | 30,000              |
| d. 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018) | –               | 221                 | –               | –                   |
| <b>Total Investments</b>  | <b>17,519</b>   | <b>76,102</b>       | <b>45,570</b>   | <b>30,000</b>       |
| <b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>  | <b>31,333</b>   | <b>76,102</b>       | <b>60,435</b>   | <b>30,000</b>       |
| <b>Financial assets at fair value through the profit and loss</b>   |                 |                     |                 |                     |
| Managed funds   | –               | –                   | 5,327           | –                   |
| NCD's, FRN's (with maturities > 3 months)   | 3,519           | 16,381              | 16,928          | –                   |
| <b>Total</b>  | <b>3,519</b>    | <b>16,381</b>       | <b>22,255</b>   | <b>–</b>            |
| <b>Financial assets at amortised cost / held to maturity (2018)</b>   |                 |                     |                 |                     |
| Long term deposits  | 14,000          | 59,500              | 23,315          | 30,000              |
| <b>Total</b>  | <b>14,000</b>   | <b>59,500</b>       | <b>23,315</b>   | <b>30,000</b>       |
| <b>Financial assets at fair value through other comprehensive income / available for sale financial assets (2018)</b> |                 |                     |                 |                     |
| Unlisted equity securities  | –               | 221                 | –               | –                   |
| <b>Total</b>  | <b>–</b>        | <b>221</b>          | <b>–</b>        | <b>–</b>            |

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 6(b). Investments (continued)

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#### Accounting policy for investments

##### Accounting policy under AASB 9 – applicable from 1 July 2018

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

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

##### Financial assets

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

##### Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

##### Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

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 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.

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs and NCDs in the Statement of Financial Position.

##### Accounting policy under AASB 139 – applicable for 2018 comparatives only

##### Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 6(b). Investments (continued)

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for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

#### (a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are held at fair value with changes in value taken through profit or loss at each reporting period.

#### (b) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

#### (c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. 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.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

#### (d) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

#### Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Income Statement as gains and losses from investment securities.

#### Impairment of financial assets

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

#### Impairment of available for sale investments

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 6(c). Restricted cash, cash equivalents and investments – details

| \$ '000                                      | 2019          |               | 2018          |               |
|--|---------------|---------------|---------------|---------------|
|  | Current       | Non-current   | Current       | Non-current   |
| Total cash, cash equivalents and investments | 31,333        | 76,102        | 60,435        | 30,000        |
| <b>attributable to:</b>                      |               |               |               |               |
| External restrictions                        | –             | 60,316        | 16,153        | 30,000        |
| Internal restrictions                        | –             | 14,255        | 34,825        | –             |
| Unrestricted                                 | 31,333        | 1,531         | 9,457         | –             |
|  | <b>31,333</b> | <b>76,102</b> | <b>60,435</b> | <b>30,000</b> |

| \$ '000 | 2019 | 2018 |
|---------|------|------|
|---------|------|------|

## Details of restrictions

**External restrictions – included in liabilities**

|   |     |       |
|---|-----|-------|
| Specific purpose unexpended loans – general | 466 | 2,056 |
|---|-----|-------|

|  |            |              |
|--|------------|--------------|
| <b>External restrictions – included in liabilities</b> | <b>466</b> | <b>2,056</b> |
|--|------------|--------------|

**External restrictions – other**

|                                    |        |        |
|------------------------------------|--------|--------|
| Developer contributions – general  | 48,986 | 36,802 |
| Specific purpose unexpended grants | 4,261  | 3,922  |
| Domestic waste management          | 5,374  | 2,475  |
| Stormwater management              | 531    | 138    |
| Other contributions                | 698    | 760    |

|                                      |               |               |
|--------------------------------------|---------------|---------------|
| <b>External restrictions – other</b> | <b>59,850</b> | <b>44,097</b> |
|--------------------------------------|---------------|---------------|

|                                    |               |               |
|------------------------------------|---------------|---------------|
| <b>Total external restrictions</b> | <b>60,316</b> | <b>46,153</b> |
|------------------------------------|---------------|---------------|

**Internal restrictions**

|   |       |       |
|---|-------|-------|
| Employees leave entitlement             | 3,890 | 4,278 |
| Capital carry over works                | –     | 1,827 |
| Airport building                        | –     | 456   |
| Capital development and investment fund | –     | 268   |
| Crown reserve                           | 772   | 463   |
| Interest on investments                 | –     | 957   |
| Operational carry over works            | –     | 1,022 |
| Road land acquisition / roadworks       | 1,287 | 65    |
| Sandmine                                | –     | 75    |
| Section 94 funds – council              | –     | 1,389 |
| Other (Assets Sales)                    | –     | 5,088 |
| Other (Fleet Sales)                     | –     | 1,992 |
| Other (Waste Operations)                | 7,037 | 7,717 |
| Other - Shell Cove                      | 919   | 7,177 |
| Other                                   | 350   | 2,051 |

|                                    |               |               |
|------------------------------------|---------------|---------------|
| <b>Total internal restrictions</b> | <b>14,255</b> | <b>34,825</b> |
|------------------------------------|---------------|---------------|

|                           |               |               |
|---------------------------|---------------|---------------|
| <b>TOTAL RESTRICTIONS</b> | <b>74,571</b> | <b>80,978</b> |
|---------------------------|---------------|---------------|

On 9 April 2019, Council resolved to remove a number of internal restrictions. The funds in these restrictions were transferred to the "Unrestricted" cash categorisation.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 7. Receivables

| \$ '000   | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| <b>Purpose</b>                                      |                 |                     |                 |                     |
| Rates and annual charges                            | 1,498           | 1,180               | 1,353           | 1,087               |
| Interest and extra charges                          | 227             | 178                 | 246             | 198                 |
| User charges and fees                               | 1,463           | –                   | 1,553           | –                   |
| Accrued revenues                                    |                 |                     |                 |                     |
| – Interest on investments                           | 817             | –                   | 905             | –                   |
| GST receivable                                      | 825             | –                   | 705             | –                   |
| GST receivable – Shell Cove                         | 705             | –                   | 827             | –                   |
| Other debtors                                       | 2,260           | –                   | 303             | –                   |
| <b>Total</b>  | <b>7,795</b>    | <b>1,358</b>        | <b>5,892</b>    | <b>1,285</b>        |
| <b>Less: provision of impairment</b>                |                 |                     |                 |                     |
| User charges and fees                               | (476)           | –                   | (413)           | –                   |
| <b>Total provision for impairment – receivables</b> | <b>(476)</b>    | <b>–</b>            | <b>(413)</b>    | <b>–</b>            |
| <b>TOTAL NET RECEIVABLES</b>                        | <b>7,319</b>    | <b>1,358</b>        | <b>5,479</b>    | <b>1,285</b>        |
| <b>Externally restricted receivables</b>            |                 |                     |                 |                     |
| Domestic waste management                           | 604             | –                   | 573             | –                   |
| Stormwater management                               | 31              | –                   | 30              | –                   |
| <b>Total external restrictions</b>                  | <b>635</b>      | <b>–</b>            | <b>603</b>      | <b>–</b>            |
| <b>Internally restricted receivables</b>            |                 |                     |                 |                     |
| – Shell Cove  | 705             | –                   | 827             | –                   |
| <b>Internally restricted receivables</b>            | <b>705</b>      | <b>–</b>            | <b>827</b>      | <b>–</b>            |
| <b>Unrestricted receivables</b>                     | <b>5,979</b>    | <b>1,358</b>        | <b>4,049</b>    | <b>1,285</b>        |
| <b>TOTAL NET RECEIVABLES</b>                        | <b>7,319</b>    | <b>1,358</b>        | <b>5,479</b>    | <b>1,285</b>        |

#### Accounting policy for receivables

##### Recognition and measurement

Receivables are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

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.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

##### Impairment

##### Accounting policy under AASB 9 applicable from 1 July 2018

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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 7. Receivables (continued)

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.

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.

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.

There has been no significant impact due to the adoption of AASB 9 in the current year.

**Accounting policy under AASB 139 – applicable for 2018 comparatives only**

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

## Note 8. Inventories and other assets

|                                  | 2019<br>Current | 2019<br>Non-current | 2018<br>Current<br>Restated | 2018<br>Non-current |
|----------------------------------|-----------------|---------------------|-----------------------------|---------------------|
| <b>\$ '000</b>                   |                 |                     |                             |                     |
| <b>(a) Inventories</b>           |                 |                     |                             |                     |
| <b>(i) Inventories at cost</b>   |                 |                     |                             |                     |
| Real estate for resale *         | 16,450          | –                   | 11,688                      | –                   |
| Stores and materials             | 536             | –                   | 465                         | –                   |
| Trading stock                    | 294             | –                   | 280                         | –                   |
| <b>Total inventories at cost</b> | <b>17,280</b>   | <b>–</b>            | <b>12,433</b>               | <b>–</b>            |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 8. Inventories and other assets (continued)

| \$ '000                  | 2019<br>Current | 2019<br>Non-current | 2018<br>Current<br>Restated | 2018<br>Non-current |
|--------------------------|-----------------|---------------------|-----------------------------|---------------------|
| <b>TOTAL INVENTORIES</b> | 17,280          | –                   | 12,433                      | –                   |

(\*) Refer details below

## (b) Other assets

|                           |     |   |     |   |
|---------------------------|-----|---|-----|---|
| Prepayments               | 340 | – | 401 | – |
| <b>TOTAL OTHER ASSETS</b> | 340 | – | 401 | – |

| \$ '000                                   | 2019<br>Current | 2019<br>Non-current | 2018<br>Current<br>Restated | 2018<br>Non-current |
|---|-----------------|---------------------|-----------------------------|---------------------|
| <b>Total externally restricted assets</b> | –               | –                   | –                           | –                   |
| <b>Total internally restricted assets</b> | –               | –                   | –                           | –                   |
| <b>Total unrestricted assets</b>          | 17,620          | –                   | 12,834                      | –                   |
| <b>TOTAL INVENTORIES AND OTHER ASSETS</b> | 17,620          | –                   | 12,834                      | –                   |

## (i) Other disclosures

| \$ '000  | 2019<br>Current | 2019<br>Non-current | 2018<br>Current<br>Restated | 2018<br>Non-current |
|--|-----------------|---------------------|-----------------------------|---------------------|
| <b>(a) Details for real estate development</b> |                 |                     |                             |                     |
| Other properties                               | 2,923           | –                   | –                           | –                   |
| Residential – Shell Cove                       | 13,527          | –                   | 11,688                      | –                   |
| <b>Total real estate for resale</b>            | 16,450          | –                   | 11,688                      | –                   |

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

**Represented by:**

|                                     |        |   |        |   |
|-------------------------------------|--------|---|--------|---|
| Acquisition costs                   | 2,923  | – | –      | – |
| Development costs – Shell Cove      | 13,119 | – | 11,280 | – |
| Shell Cove project land             | 408    | – | 408    | – |
| <b>Total costs</b>                  | 16,450 | – | 11,688 | – |
| <b>Total real estate for resale</b> | 16,450 | – | 11,688 | – |

## (b) Current assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

| \$ '000 | 2019 | 2018<br>Restated |
|---------|------|------------------|
|---------|------|------------------|

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 8. Inventories and other assets (continued)

| \$ '000                  | 2019          | 2018<br>Restated |
|--------------------------|---------------|------------------|
| Residential – Shell Cove | 11,110        | 9,600            |
|                          | <u>11,110</u> | <u>9,600</u>     |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 8. Inventories and other assets (continued)

**Accounting policy for inventories and other assets****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.

**Inventory held for distribution**

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

**Land held for resale/capitalisation of borrowing costs**

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.

## Note 9. Non-current assets classified as held for sale

## (i) Non-current assets and disposal group assets

| \$ '000  | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| <b>Non-current assets 'held for sale'</b>                                |                 |                     |                 |                     |
| Land   | –               | –                   | 1,158           | –                   |
| <b>Total non-current assets 'held for sale'</b>                          | –               | –                   | 1,158           | –                   |
| <b><u>TOTAL NON-CURRENT ASSETS<br/>CLASSIFIED AS 'HELD FOR SALE'</u></b> | –               | –                   | 1,158           | –                   |

## (ii) Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations

| \$ '000  | 2019<br>Assets 'held<br>for sale' | 2018<br>Assets 'held<br>for sale' |
|--|-----------------------------------|-----------------------------------|
| <b>Opening balance</b>   | 1,158                             | 1,158                             |
| <b>Balance still unsold after 12 months:</b>                                 | 1,158                             | 1,158                             |
| Less: assets no longer classified as 'held for sale' (transferred to Note 8) | (1,158)                           | –                                 |
| <b>Closing balance of 'held for sale' non-current assets and operations</b>  | –                                 | 1,158                             |

**Accounting policy for non-current assets classified as held for sale**

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. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as assets arising from employee benefits; financial assets; and investment properties that are carried at fair value.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 9. Non-current assets classified as held for sale (continued)

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An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

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.

## Notes to the Financial Statements for the year ended 30 June 2019

### Note 10. Infrastructure, property, plant and equipment

|  | as at 30/6/2018                   |                                      |                                 | Asset movements during the reporting period |                      |                             |                      |               |                           |  | as at 30/6/2019       |                          |                     |
|--|-----------------------------------|--------------------------------------|---------------------------------|---|----------------------|-----------------------------|----------------------|---------------|---------------------------|--|-----------------------|--------------------------|---------------------|
|  | Gross carrying amount<br>Restated | Accumulated depreciation<br>Restated | Net carrying amount<br>Restated | Additions renewals <sup>1</sup>             | Additions new assets | Carrying value of disposals | Depreciation expense | WIP transfers | Adjustments and transfers | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation | Net carrying amount |
| <b>\$ '000</b>   |                                   |                                      |                                 |   |                      |                             |                      |               |                           |  |                       |                          |                     |
| Capital work in progress   | 14,129                            | –                                    | 14,129                          | –   | –                    | –                           | –                    | 4,275         | –                         | –                                      | 18,404                | –                        | 18,404              |
| Capital work in progress – Shell Cove  | 82,318                            | –                                    | 82,318                          | –   | –                    | –                           | –                    | –             | 21,991                    | –                                      | 97,725                | –                        | 97,725              |
| Plant and equipment  | 14,135                            | (9,294)                              | 4,841                           | 2,370                                       | 81                   | (40)                        | (1,253)              | –             | 33                        | –                                      | 13,935                | (7,904)                  | 6,031               |
| Office equipment   | 2,831                             | (404)                                | 2,427                           | 56  | –                    | –                           | (355)                | –             | –                         | –                                      | 2,680                 | (552)                    | 2,128               |
| Furniture and fittings   | 5,092                             | (679)                                | 4,413                           | 32  | 5                    | –                           | (202)                | –             | 12                        | –                                      | 4,771                 | (511)                    | 4,260               |
| <b>Land:</b>   |                                   |                                      |                                 |   |                      |                             |                      |               |                           |  |                       |                          |                     |
| – Operational land   | 72,356                            | –                                    | 72,356                          | –   | –                    | –                           | –                    | –             | (613)                     | –                                      | 71,743                | –                        | 71,743              |
| – Community land   | 135,299                           | –                                    | 135,299                         | 840   | –                    | (1,892)                     | –                    | –             | –                         | –                                      | 134,247               | –                        | 134,247             |
| – Land under roads (post 30/6/08)  | 18,354                            | –                                    | 18,354                          | –   | 11,578               | –                           | –                    | –             | –                         | 6,264                                  | 36,196                | –                        | 36,196              |
| Land improvements – depreciable  | 15,159                            | (4,051)                              | 11,108                          | –   | –                    | –                           | (315)                | –             | –                         | –                                      | 15,159                | (4,366)                  | 10,793              |
| <b>Infrastructure:</b>   |                                   |                                      |                                 |   |                      |                             |                      |               |                           |  |                       |                          |                     |
| – Buildings – non-specialised  | 105,100                           | (24,521)                             | 80,579                          | 81  | –                    | (112)                       | (2,650)              | –             | –                         | –                                      | 104,989               | (27,090)                 | 77,899              |
| – Buildings – specialised  | 76,973                            | (30,332)                             | 46,641                          | 1,218                                       | –                    | (181)                       | (1,908)              | –             | –                         | –                                      | 77,587                | (31,817)                 | 45,770              |
| – Other structures   | 3,253                             | (985)                                | 2,268                           | 278   | –                    | –                           | (110)                | –             | –                         | –                                      | 3,531                 | (1,095)                  | 2,436               |
| – Roads  | 191,273                           | (41,174)                             | 150,099                         | 2,458                                       | 4,309                | (152)                       | (3,177)              | –             | –                         | –                                      | 197,427               | (43,890)                 | 153,537             |
| – Bridges  | 16,639                            | (3,206)                              | 13,433                          | 210   | –                    | (3)                         | (188)                | –             | –                         | –                                      | 16,813                | (3,360)                  | 13,453              |
| – Footpaths  | 51,038                            | (13,568)                             | 37,470                          | 344   | 2,693                | (121)                       | (651)                | –             | –                         | –                                      | 53,800                | (14,066)                 | 39,734              |
| – Stormwater drainage  | 253,941                           | (77,424)                             | 176,517                         | 1,401                                       | 12,861               | (141)                       | (2,239)              | –             | –                         | –                                      | 267,981               | (79,582)                 | 188,399             |
| – Swimming pools   | 8,265                             | (5,287)                              | 2,978                           | –   | –                    | –                           | (207)                | –             | –                         | –                                      | 8,265                 | (5,494)                  | 2,771               |
| – Other open space/recreational assets                                       | 32,540                            | (12,500)                             | 20,040                          | 1,238                                       | 533                  | (5)                         | (1,237)              | –             | –                         | 58                                     | 28,597                | (8,282)                  | 20,315              |
| – Other infrastructure   | 9,038                             | (1,038)                              | 8,000                           | –   | 129                  | (840)                       | (149)                | –             | –                         | –                                      | 8,092                 | (952)                    | 7,140               |
| <b>Other assets:</b>   |                                   |                                      |                                 |   |                      |                             |                      |               |                           |  |                       |                          |                     |
| – Library books  | 1,866                             | (643)                                | 1,223                           | –   | 528                  | –                           | (331)                | –             | –                         | –                                      | 2,183                 | (763)                    | 1,420               |
| – Other  | 6,492                             | (1,917)                              | 4,575                           | 145   | 36                   | (1)                         | (595)                | –             | 52                        | –                                      | 6,741                 | (2,529)                  | 4,212               |
| <b>Reinstatement, rehabilitation and restoration assets (refer Note 14):</b> |                                   |                                      |                                 |   |                      |                             |                      |               |                           |  |                       |                          |                     |
| – Waste depot/sandmine asset   | 11,662                            | (3,852)                              | 7,810                           | –   | –                    | –                           | (459)                | –             | –                         | –                                      | 11,662                | (4,312)                  | 7,350               |
| <b>Total Infrastructure, property, plant and equipment</b>                   | <b>1,127,753</b>                  | <b>(230,875)</b>                     | <b>896,878</b>                  | <b>10,671</b>                               | <b>32,753</b>        | <b>(3,488)</b>              | <b>(16,026)</b>      | <b>4,275</b>  | <b>21,475</b>             | <b>6,322</b>                           | <b>1,182,528</b>      | <b>(236,565)</b>         | <b>945,963</b>      |

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



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 10. Infrastructure, property, plant and equipment (continued)

|  | as at 30/6/2017                   |                                      |                                 | Asset movements during the reporting period |                      |                             |                      |                 |                           |  |  | as at 30/6/2018                   |                                      |                                 |
|--|-----------------------------------|--------------------------------------|---------------------------------|---|----------------------|-----------------------------|----------------------|-----------------|---------------------------|--|--|-----------------------------------|--------------------------------------|---------------------------------|
|  | Gross carrying amount<br>Restated | Accumulated depreciation<br>Restated | Net carrying amount<br>Restated | Additions renewals <sup>1</sup>             | Additions new assets | Carrying value of disposals | Depreciation expense | WIP transfers   | Adjustments and transfers | Revaluation decrements to equity (ARR) | Revaluation increments to equity (ARR) | Gross carrying amount<br>Restated | Accumulated depreciation<br>Restated | Net carrying amount<br>Restated |
| <b>\$ '000</b>   |                                   |                                      |                                 |   |                      |                             |                      |                 |                           |  |  |                                   |                                      |                                 |
| Capital work in progress   | 69,269                            | –                                    | 69,269                          | –   | –                    | –                           | –                    | (55,140)        | –                         | –                                      | –                                      | 14,129                            | –                                    | 14,129                          |
| Capital work in progress – Shell Cove  | 74,173                            | –                                    | 74,173                          | –   | –                    | –                           | –                    | –               | 8,145                     | –                                      | –                                      | 82,318                            | –                                    | 82,318                          |
| Plant and equipment  | 14,533                            | (10,931)                             | 3,602                           | 635   | 1,735                | (51)                        | (1,080)              | –               | –                         | –                                      | –                                      | 14,135                            | (9,294)                              | 4,841                           |
| Office equipment   | 2,987                             | (2,772)                              | 215                             | –   | 2,577                | (179)                       | (186)                | –               | –                         | –                                      | –                                      | 2,831                             | (404)                                | 2,427                           |
| Furniture and fittings   | 946                               | (551)                                | 395                             | 60  | 4,097                | –                           | (139)                | –               | –                         | –                                      | –                                      | 5,092                             | (679)                                | 4,413                           |
| <b>Land:</b>   |                                   |                                      |                                 |   |                      |                             |                      |                 |                           |  |  |                                   |                                      |                                 |
| – Operational land   | 48,802                            | –                                    | 48,802                          | –   | –                    | –                           | –                    | –               | 165                       | –                                      | 23,389                                 | 72,356                            | –                                    | 72,356                          |
| – Community land   | 135,209                           | –                                    | 135,209                         | –   | 90                   | –                           | –                    | –               | –                         | –                                      | –                                      | 135,299                           | –                                    | 135,299                         |
| – Land under roads (post 30/6/08)  | 13,647                            | –                                    | 13,647                          | –   | 4,707                | –                           | –                    | –               | –                         | –                                      | –                                      | 18,354                            | –                                    | 18,354                          |
| Land improvements – depreciable  | 14,681                            | (3,886)                              | 10,795                          | 52  | 570                  | –                           | (309)                | –               | –                         | –                                      | –                                      | 15,159                            | (4,051)                              | 11,108                          |
| <b>Infrastructure:</b>   |                                   |                                      |                                 |   |                      |                             |                      |                 |                           |  |  |                                   |                                      |                                 |
| – Buildings – non-specialised  | 51,135                            | (24,521)                             | 26,614                          | 12,435                                      | 36,474               | (22)                        | (1,992)              | –               | –                         | –                                      | 7,070                                  | 105,100                           | (24,521)                             | 80,579                          |
| – Buildings – specialised  | 48,740                            | (25,032)                             | 23,708                          | 9,099                                       | 9,248                | (18)                        | (1,501)              | –               | –                         | –                                      | 6,105                                  | 76,973                            | (30,332)                             | 46,641                          |
| – Other structures   | 2,420                             | (889)                                | 1,531                           | 6   | 854                  | (15)                        | (108)                | –               | –                         | –                                      | –                                      | 3,253                             | (985)                                | 2,268                           |
| – Roads  | 187,264                           | (39,821)                             | 147,443                         | 3,026                                       | 3,100                | (361)                       | (3,109)              | –               | –                         | –                                      | –                                      | 191,273                           | (41,174)                             | 150,099                         |
| – Bridges  | 11,042                            | (3,066)                              | 7,976                           | –   | 5,597                | –                           | (140)                | –               | –                         | –                                      | –                                      | 16,639                            | (3,206)                              | 13,433                          |
| – Footpaths  | 49,078                            | (13,039)                             | 36,039                          | 1,090                                       | 1,066                | (93)                        | (632)                | –               | –                         | –                                      | –                                      | 51,038                            | (13,568)                             | 37,470                          |
| – Stormwater drainage  | 247,344                           | (75,280)                             | 172,064                         | 832   | 5,805                | (29)                        | (2,155)              | –               | –                         | –                                      | –                                      | 253,941                           | (77,424)                             | 176,517                         |
| – Swimming pools   | 8,009                             | (4,826)                              | 3,183                           | –   | –                    | –                           | (200)                | –               | –                         | (5)                                    | –                                      | 8,265                             | (5,287)                              | 2,978                           |
| – Other open space/recreational assets                                       | 28,733                            | (11,288)                             | 17,445                          | 1,710                                       | 2,123                | –                           | (1,237)              | –               | –                         | –                                      | –                                      | 32,540                            | (12,500)                             | 20,040                          |
| – Other infrastructure   | 7,616                             | (889)                                | 6,727                           | –   | 1,422                | –                           | (149)                | –               | –                         | –                                      | –                                      | 9,038                             | (1,038)                              | 8,000                           |
| <b>Other assets:</b>   |                                   |                                      |                                 |   |                      |                             |                      |                 |                           |  |  |                                   |                                      |                                 |
| – Library books  | 9,200                             | (8,422)                              | 778                             | –   | 682                  | –                           | (237)                | –               | –                         | –                                      | –                                      | 1,866                             | (643)                                | 1,223                           |
| – Other  | 2,975                             | (1,448)                              | 1,527                           | 555   | 2,962                | –                           | (469)                | –               | –                         | –                                      | –                                      | 6,492                             | (1,917)                              | 4,575                           |
| <b>Reinstatement, rehabilitation and restoration assets (refer Note 14):</b> |                                   |                                      |                                 |   |                      |                             |                      |                 |                           |  |  |                                   |                                      |                                 |
| – Other remediation assets   | 10,097                            | (3,436)                              | 6,661                           | –   | –                    | –                           | (416)                | –               | 1,565                     | –                                      | –                                      | 11,662                            | (3,852)                              | 7,810                           |
| <b>Total Infrastructure, property, plant and equipment</b>                   | <b>1,037,900</b>                  | <b>(230,097)</b>                     | <b>807,803</b>                  | <b>29,500</b>                               | <b>83,109</b>        | <b>(768)</b>                | <b>(14,059)</b>      | <b>(55,140)</b> | <b>9,875</b>              | <b>(5)</b>                             | <b>36,564</b>                          | <b>1,127,753</b>                  | <b>(230,875)</b>                     | <b>896,878</b>                  |

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Infrastructure, property, plant and equipment (continued)

**Accounting policy for infrastructure, property, plant and equipment**

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

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

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

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:

|                             | Years     |
|-----------------------------|-----------|
| Office equipment            | 5 to 30   |
| Furniture and Fittings      | 10 to 30  |
| Plant and Equipment - Fleet | 5 to 10   |
| Plant and Equipment - Other | 5 to 30   |
| Land Improvements           | 20 to 50  |
| Buildings                   | 15 to 100 |
| Other Structures            | 20 to 80  |
| Road Components             | 15 to 320 |
| Bridges                     | 50 to 100 |
| Footpaths                   | 10 to 80  |
| Stormwater Drainage         | 40 to 140 |
| Swimming Pools              | 40        |
| Open Space/Recreation       | 10 to 100 |
| Other Infrastructure        | 15 to 320 |
| Library Books               | 5         |
| Other Assets                | 5 to 100  |

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

**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 in accordance with AASB 1051 Land Under Roads.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

**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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Infrastructure, property, plant and equipment (continued)

**Rural Fire Service assets**

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

Council currently recognises local Rural Fire Service (RFS) land and building assets on the asset register. Other RFS assets including plant and equipment are not recognised by Council.

## Note 11. Investment property

| \$ '000                                       | 2019          | 2018          |
|---|---------------|---------------|
| <b>(a) Investment property at fair value</b>  |               |               |
| <b>Investment property on hand</b>            | 23,012        | 23,061        |
| <b>Reconciliation of annual movement:</b>     |               |               |
| <b>Opening balance</b>                        | 23,061        | 19,475        |
| – Capitalised expenditure – this year         | –             | 151           |
| – Disposals during year                       | (49)          | (135)         |
| – Net gain/(loss) from fair value adjustments | –             | 3,570         |
| <b>CLOSING BALANCE – INVESTMENT PROPERTY</b>  | <b>23,012</b> | <b>23,061</b> |

**(b) Valuation basis**

The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2018 revaluations were based on independent assessments made by:  
Scott Fullarton Valuations Pty Ltd. Registered Valuer No.2144

**(c) Contractual obligations at reporting date**

Refer to Note 18 for disclosures relating to any capital and service obligations that have been contracted.

**(d) Leasing arrangements – Council as lessor**

The investment properties are leased to tenants under long-term operating leases with rentals payable monthly.

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:

|  |              |              |
|--|--------------|--------------|
| Within 1 year                                  | 836          | 390          |
| Later than 1 year but less than 5 years        | 2,199        | 1,364        |
| Later than 5 years                             | 688          | 2,377        |
| <b>Total minimum lease payments receivable</b> | <b>3,723</b> | <b>4,131</b> |

**(e) Investment property income and expenditure – summary**

|  |       |       |
|--|-------|-------|
| <b>Rental income from investment property:</b>           |       |       |
| – Minimum lease payments                                 | 468   | 396   |
| <b>Direct operating expenses on investment property:</b> |       |       |
| – that generated rental income                           | (417) | (418) |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Investment property (continued)

| \$ '000  | 2019 | 2018  |
|--|------|-------|
| <b>Net revenue contribution from investment property</b> | 51   | (22)  |
| plus:  |      |       |
| <b>Fair value movement for year</b>                      | –    | 3,570 |
| <b>Total income attributable to investment property</b>  | 51   | 3,548 |

**Accounting policy for investment property**

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.

## Note 12. Intangible assets

| \$ '000   | 2019         | 2018         |
|---|--------------|--------------|
| <b>Intangible assets are as follows:</b>        |              |              |
| <b>Opening values at 1 July</b>                 |              |              |
| Gross book value                                | 4,766        | 5,408        |
| Accumulated amortisation                        | (1,821)      | (2,298)      |
| <b>Net book value – opening balance</b>         | <b>2,945</b> | <b>3,110</b> |
| <b>Movements for the year</b>                   |              |              |
| – Purchases                                     | 615          | 690          |
| – Amortisation charges                          | (680)        | (855)        |
| – Gross book value written off                  | (1,120)      | (1,332)      |
| – Accumulated amortisation charges written off  | 1,120        | 1,332        |
| <b>Closing values at 30 June</b>                |              |              |
| Gross book value                                | 4,261        | 4,766        |
| Accumulated amortisation                        | (1,381)      | (1,821)      |
| <b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</b> | <b>2,880</b> | <b>2,945</b> |

**The net book value of intangible assets represents:**

|  |              |              |
|--|--------------|--------------|
| – At cost hotelier's licence at The Links          | 23           | 23           |
| – At cost gaming machine entitlements at The Links | 1,997        | 1,373        |
| – Software   | 860          | 1,549        |
|  | <b>2,880</b> | <b>2,945</b> |

**Accounting policy for intangible assets****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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Intangible assets (continued)

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.

## Note 13. Payables and borrowings

| \$ '000                                    | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| <b>Payables</b>                            |                 |                     |                 |                     |
| Goods and services – operating expenditure | 3,125           | –                   | 3,134           | –                   |
| Accrued expenses:                          |                 |                     |                 |                     |
| – Other expenditure accruals               | 5,492           | –                   | 3,500           | –                   |
| – Other expenditure accruals – Shell Cove  | 1,027           | –                   | 1,988           | –                   |
| Security bonds, deposits                   | 2,104           | –                   | 1,379           | –                   |
| ATO – GST payable                          | 1,789           | –                   | 170             | –                   |
| Claim & management fees – Shell Cove       | 1,392           | –                   | 5,112           | –                   |
| Other – Retentions                         | 251             | –                   | 363             | –                   |
| Other                                      | 486             | –                   | 56              | –                   |
| <b>Total payables</b>                      | <b>15,666</b>   | <b>–</b>            | <b>15,702</b>   | <b>–</b>            |
| <b>Income received in advance</b>          |                 |                     |                 |                     |
| Payments received in advance               | 1,799           | –                   | 1,477           | –                   |
| <b>Total income received in advance</b>    | <b>1,799</b>    | <b>–</b>            | <b>1,477</b>    | <b>–</b>            |
| <b>Borrowings</b>                          |                 |                     |                 |                     |
| Loans – secured <sup>1</sup>               | 1,347           | 14,051              | 7,299           | 15,398              |
| Loans - secured Shell Cove                 | 797             | –                   | –               | –                   |
| <b>Total borrowings</b>                    | <b>2,144</b>    | <b>14,051</b>       | <b>7,299</b>    | <b>15,398</b>       |
| <b>TOTAL PAYABLES AND BORROWINGS</b>       | <b>19,609</b>   | <b>14,051</b>       | <b>24,478</b>   | <b>15,398</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 20.

| \$ '000   | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| <b>(a) Payables and borrowings relating to restricted assets</b>        |                 |                     |                 |                     |
| <b>Externally restricted assets</b>                                     |                 |                     |                 |                     |
| Domestic waste management   | 710             | –                   | 401             | –                   |
| <b>Payables and borrowings relating to externally restricted assets</b> | <b>710</b>      | <b>–</b>            | <b>401</b>      | <b>–</b>            |
| <b>Internally restricted assets</b>                                     |                 |                     |                 |                     |
| Crown land  | 100             | 540                 | 100             | 640                 |
| Shell Cove  | 3,217           | –                   | 7,100           | –                   |
| <b>Payables and borrowings relating to internally restricted assets</b> | <b>3,317</b>    | <b>540</b>          | <b>7,200</b>    | <b>640</b>          |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. Payables and borrowings (continued)

| \$ '000  | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| <b>Total payables and borrowings relating to restricted assets</b>   | 4,027           | 540                 | 7,601           | 640                 |
| <b>Total payables and borrowings relating to unrestricted assets</b> | <b>15,582</b>   | <b>13,511</b>       | <b>16,877</b>   | <b>14,758</b>       |
| <b><u>TOTAL PAYABLES AND BORROWINGS</u></b>                          | <b>19,609</b>   | <b>14,051</b>       | <b>24,478</b>   | <b>15,398</b>       |

| \$ '000 | 2019 | 2018 |
|---------|------|------|
|---------|------|------|

**(b) Current payables and borrowings not anticipated to be settled within the next twelve months**

The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.

|  |              |              |
|--|--------------|--------------|
| Payables – security bonds, deposits and retentions | 1,578        | 1,034        |
| <b>Total payables and borrowings</b>               | <b>1,578</b> | <b>1,034</b> |

**(c) Changes in liabilities arising from financing activities**

| \$ '000         | as at<br>30/6/2018 |                |                          |                                   |                                | as at<br>30/6/2019 |
|-----------------|--------------------|----------------|--------------------------|-----------------------------------|--------------------------------|--------------------|
|                 | Opening<br>Balance | Cash flows     | Non-cash<br>acquisitions | Non-cash<br>fair value<br>changes | Other<br>non-cash<br>movements | Closing<br>balance |
| Loans – secured | 22,697             | (6,502)        | –                        | –                                 | –                              | 16,195             |
| <b>TOTAL</b>    | <b>22,697</b>      | <b>(6,502)</b> | <b>–</b>                 | <b>–</b>                          | <b>–</b>                       | <b>16,195</b>      |

| \$ '000         | as at<br>30/6/2017 |                |                          |                                   |                                | as at<br>30/6/2018 |
|-----------------|--------------------|----------------|--------------------------|-----------------------------------|--------------------------------|--------------------|
|                 | Opening<br>Balance | Cash flows     | Non-cash<br>acquisitions | Non-cash<br>fair value<br>changes | Other<br>non-cash<br>movements | Closing<br>balance |
| Loans – secured | 17,948             | (1,251)        | 6,000                    | –                                 | –                              | 22,697             |
| <b>TOTAL</b>    | <b>17,948</b>      | <b>(1,251)</b> | <b>6,000</b>             | <b>–</b>                          | <b>–</b>                       | <b>22,697</b>      |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. Payables and borrowings (continued)

| \$ '000  | 2019         | 2018         |
|--|--------------|--------------|
| <b>(d) Financing arrangements</b>  |              |              |
| <b>(i) Unrestricted access was available at balance date to the following lines of credit:</b> |              |              |
| Bank overdraft facilities <sup>1</sup>   | 1,000        | 1,000        |
| Credit cards/purchase cards  | 300          | 300          |
| <b>Total financing arrangements</b>  | <b>1,300</b> | <b>1,300</b> |
| <b>Undrawn facilities as at balance date:</b>  |              |              |
| – Bank overdraft facilities  | 1,000        | 1,000        |
| – Credit cards/purchase cards  | 300          | 300          |
| <b>Total undrawn financing arrangements</b>  | <b>1,300</b> | <b>1,300</b> |

**Breaches and defaults**

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

(1) The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

**Accounting policy for payables and borrowings**

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.

The financial liabilities of the Council comprise trade payables, bank and other loans and finance lease liabilities.

**Payables**

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

**Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest 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. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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 finance cost.

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

## Note 14. Provisions

| \$ '000                  | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>Non-current |
|--------------------------|-----------------|---------------------|-----------------|---------------------|
| <b>Provisions</b>        |                 |                     |                 |                     |
| <b>Employee benefits</b> |                 |                     |                 |                     |
| Annual leave             | 2,317           | –                   | 2,422           | –                   |
| Sick leave               | 3,511           | –                   | 3,748           | –                   |
| Long service leave       | 5,214           | 494                 | 5,286           | 432                 |

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Provisions (continued)

| \$ '000  | 2019                 |                      | 2018                 |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | Current              | Non-current          | Current              | Non-current          |
| Other leave                                      | 611                  | –                    | 603                  | –                    |
| ELE on-costs                                     | 865                  | 37                   | 883                  | 32                   |
| <b>Sub-total – aggregate employee benefits</b>   | <b>12,518</b>        | <b>531</b>           | <b>12,942</b>        | <b>464</b>           |
| <b>Asset remediation/restoration:</b>            |                      |                      |                      |                      |
| Asset remediation/restoration (future works)     | 1,100                | 17,353               | –                    | 17,013               |
| <b>Sub-total – asset remediation/restoration</b> | <b>1,100</b>         | <b>17,353</b>        | <b>–</b>             | <b>17,013</b>        |
| <b><u>TOTAL PROVISIONS</u></b>                   | <b><u>13,618</u></b> | <b><u>17,884</u></b> | <b><u>12,942</u></b> | <b><u>17,477</u></b> |

## (a) Provisions relating to restricted assets

## Internally restricted assets

|   |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|
| Employee Benefit Provisions                             | 3,890                | –                    | 4,278                | –                    |
| Waste Operations  | 2,351                | –                    | 2,578                | –                    |
| Provisions relating to internally restricted assets     | 6,241                | –                    | 6,856                | –                    |
| <b>Total provisions relating to restricted assets</b>   | <b>6,241</b>         | <b>–</b>             | <b>6,856</b>         | <b>–</b>             |
| <b>Total provisions relating to unrestricted assets</b> | <b>7,377</b>         | <b>17,884</b>        | <b>6,086</b>         | <b>17,477</b>        |
| <b><u>TOTAL PROVISIONS</u></b>                          | <b><u>13,618</u></b> | <b><u>17,884</u></b> | <b><u>12,942</u></b> | <b><u>17,477</u></b> |

| \$ '000 | 2019 | 2018 |
|---------|------|------|
|---------|------|------|

## (b) Current provisions not anticipated to be settled within the next twelve months

The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Provisions – employees benefits | 7,049        | 8,636        |
|                                 | <b>7,049</b> | <b>8,636</b> |

## (c) Description of and movements in provisions

| \$ '000  | Other provisions  |               |
|--|-------------------|---------------|
|  | Asset remediation | Total         |
| <b>2019</b>                                    |                   |               |
| At beginning of year                           | 17,013            | 17,013        |
| Unwinding of discount                          | 340               | 340           |
| Other  | 1,100             | 1,100         |
| <b>Total other provisions at end of period</b> | <b>18,453</b>     | <b>18,453</b> |
| <b>2018</b>                                    |                   |               |
| At beginning of year                           | 15,145            | 15,145        |
| Unwinding of discount                          | 303               | 303           |
| Other  | 1,565             | 1,565         |
| <b>Total other provisions at end of period</b> | <b>17,013</b>     | <b>17,013</b> |



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 14. Provisions (continued)

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#### Nature and purpose of non-employee benefit provisions

##### Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the waste depot/sandmine site at Buckleys Road Dunmore.

##### Accounting policy for provisions

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 interest expense.

#### Employee benefits

##### Short-term obligations

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

##### Other long-term employee benefit obligations

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

##### On-costs

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

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

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

#### Provisions for close-down and restoration, and environmental clean-up costs – 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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 14. Provisions (continued)

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the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

#### Rehabilitation

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

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

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

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

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

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

### Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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#### (a) Nature and purpose of reserves

##### Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments / decrements of non-current asset values due to their revaluation.

##### 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.

#### (b) Correction of errors relating to a previous reporting period

##### Nature of prior-period error

###### (i) Shell Cove Project

Council has been associated with the Shell Cove project since its inception in the early 1990's. The project which involves Council and its development partner Australand Corporation (NSW) Pty Ltd [a part of Frasers Property Australia Group], has been established to develop residential property, marina and associated infrastructure.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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As part of the preparation of the 2018 Financial Reports last year, a review of the accounting treatment for Shell Cove led to an assessment of "joint control" between Council and its development partner, resulting in the project being classified as a "joint operation".

Based on this assessment, Council's share of the Shell Cove project's asset, liabilities, expenses and revenues were consolidated into its 2018 Financial Reports. These amounts were determined through the use of the project's reported closing balances from 2017. To assist with the seamless integration of the project's financials into Council's operations on an ongoing basis, including quarterly, annual and 10 year forecasting, a decision was made by both parties to carry out a full review of the project's financials from its inception and agree on a consistent cost of goods sold valuation method for land and buildings.

This has resulted in the following restatements:

- Community assets are classified as 'Property, Plant and Equipment' (PPE) on the statement of the financial position until control is transferred to Council. Further, not all costs were appropriately proportioned between community assets and inventory in the Shell Cove's financial reports which resulted in material understatement of community assets as the development costs allocated to Inventories were not all in relation to saleable inventory and also related to community assets. This resulted in a correction of prior period error relating to the classification of inventory and PPE balances. This error has been corrected by restating the balance at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to accumulated surplus at that date. **[Matter A]**
- A "One Margin approach" accounting approach adopted effective FY18. Cost of sales under the "One Margin approach" essentially brings to account a proportion of costs related to inventory at hand and allocation of the overall project costs determined through overall project margin estimate. Previously cost of sales comprised of costs incurred that was not effectively allocated between inventory and community assets. This error has been corrected by restating the comparatives. **[Matter B]**
- During FY18 it was also observed community assets completed, the ownership of which was effectively transferred to the Council was not accounted for as a transfer in the Shell Cove Financial Statements on a timely basis as an equity withdrawal. This error has been corrected by restating the balance at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to accumulated surplus at that date. **[Matter C]**

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

| Shell Cove 30-Jun-2018                           | (Previously stated) | Adjustments impacting opening balance as at 1/7/2017 (refer breakdown below) <sup>1</sup> | Matter A | Matter B | Matter C | (Restated) |
|--|---------------------|---|----------|----------|----------|------------|
|  | \$'000              | \$'000  | \$'000   | \$'000   | \$'000   | \$'000     |
| <b>Income Statement (Extract)</b>                |                     |   |          |          |          |            |
| Other expenses                                   | 29,377              | -   | -        | (7,985)  | -        | 21,392     |
| <b>Statement of Financial Position (Extract)</b> |                     |   |          |          |          |            |
| <b>Current assets</b>                            |                     |   |          |          |          |            |
| Inventories                                      | 27,824              | (18,017)  | (6,520)  | 7,985    | -        | 11,272     |
| <b>Non-current assets</b>                        |                     |   |          |          |          |            |
| Infrastructure, property, plant & equipment      | 24,687              | 60,240  | 5,864    | -        | (8,473)  | 82,318     |
| <b>Equity</b>                                    |                     |   |          |          |          |            |
| Accumulated surplus                              | 53,463              | (42,223)  | 656      | 7,985    | 8,473    | (94,551)   |

| <sup>1</sup> Adjustments impacting opening balance as at 1/7/2017 | Matter A  | Matter C | Total adjustments impacting opening balance as at 1/7/2017 |
|---|-----------|----------|--|
|   | \$'000    | \$'000   | \$'000   |
| <b>Statement of Financial Position (Extract)</b>                  |           |          |  |
| <b>Current assets</b>   |           |          |  |
| Inventories   | (18,017)  | -        | (18,017)   |
| <b>Non-current assets</b>   |           |          |  |
| Infrastructure, property, plant & equipment                       | 121,849   | (61,608) | 60,241   |
| <b>Equity</b>   |           |          |  |
| Accumulated surplus   | (103,832) | 61,608   | (42,224)   |

## (ii) Open space/recreational assets

As part of a comprehensive asset inspection and inventory confirmation process for Council's open space and recreational assets, it has been identified that Council own some assets that have not been recognised. This has resulted in a restatement of the 2018 comparative figures for Depreciation and Amortisation (\$0.596m) and Infrastructure, Property, Plant and Equipment (\$10.238m) classifications. This error has been corrected per the requirements of AASB 108 Prior Period Errors, Change in Accounting Policies and Estimates and the opening financial position for 2018 has also been restated for the Infrastructure, Property, Plant and Equipment classification.

The cumulative impact of the opening balances as at 01/07/2018 changes the impact on the financial position as at 30/06/2018 and Income Statement and the Statement of Comprehensive Income for the FY18 is detailed below.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

## Statement of Financial Position

| \$ '000  | Original<br>Balance<br>1 July, 2017 | Impact<br>Increase/<br>(decrease) | Restated<br>Balance<br>1 July, 2017 |
|--|-------------------------------------|-----------------------------------|-------------------------------------|
| <b>Changes to the opening Statement of Financial Position at 1 July 2017</b> |                                     |                                   |                                     |
| Inventories  | 34,169                              | (18,016)                          | 16,153                              |
| Infrastructure, property, plant and equipment                                | 736,727                             | 71,076                            | 807,803                             |
| <b>Total assets</b>  | <b>898,883</b>                      | <b>53,060</b>                     | <b>951,943</b>                      |
| Accumulated surplus  | 461,746                             | 53,060                            | 514,806                             |
| <b>Total equity</b>  | <b>834,101</b>                      | <b>53,060</b>                     | <b>887,161</b>                      |

## Adjustments to the comparative figures for the year ended 30 June 2018

## Statement of Financial Position

| \$ '000                                     | Original<br>Balance<br>30 June, 2018 | Impact<br>Increase/<br>(decrease) | Restated<br>Balance<br>30 June, 2018 |
|---|--------------------------------------|-----------------------------------|--------------------------------------|
| Inventories                                 | 28,977                               | (16,544)                          | 12,433                               |
| Infrastructure, Property, Plant & Equipment | 829,009                              | 67,869                            | 896,878                              |
| <b>Total assets</b>                         | <b>983,350</b>                       | <b>51,325</b>                     | <b>1,034,675</b>                     |
| Accumulated Surplus                         | 504,140                              | 51,325                            | 555,465                              |
| <b>Total equity</b>                         | <b>913,055</b>                       | <b>51,325</b>                     | <b>964,380</b>                       |

## Income Statement

| \$ '000  | Original<br>Balance<br>30 June, 2018 | Impact<br>Increase/<br>(decrease) | Restated<br>Balance<br>30 June, 2018 |
|--|--------------------------------------|-----------------------------------|--------------------------------------|
| Other Revenues <sup>1</sup>                      | 44,426                               | (650)                             | 43,776                               |
| <b>Total income from continuing operations</b>   | <b>162,045</b>                       | <b>(650)</b>                      | <b>161,395</b>                       |
| Depreciation and amortisation                    | 14,318                               | 596                               | 14,914                               |
| Other Expenses                                   | 48,645                               | (7,985)                           | 40,660                               |
| <b>Total expenses from continuing operations</b> | <b>119,817</b>                       | <b>(7,389)</b>                    | <b>112,428</b>                       |
| <b>Net operating result for the year</b>         | <b>42,228</b>                        | <b>6,739</b>                      | <b>48,967</b>                        |

(1) 650 is a restatement addressing income received by Council from the Shell Cove Joint Arrangement

## Notes to the Financial Statements

for the year ended 30 June 2019

**Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)****Statement of Comprehensive Income**

| \$ '000  | Original<br>Balance<br>30 June, 2018 | Impact<br>Increase/<br>(decrease) | Restated<br>Balance<br>30 June, 2018 |
|--|--------------------------------------|-----------------------------------|--------------------------------------|
| <b>Net operating result for the year</b>       | <b>42,228</b>                        | <b>6,739</b>                      | <b>48,967</b>                        |
| <b>Other comprehensive income</b>              | <b>36,560</b>                        | <b>–</b>                          | <b>36,560</b>                        |
| <b>Total comprehensive income for the year</b> | <b>78,788</b>                        | <b>6,739</b>                      | <b>85,527</b>                        |

**(c) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)**

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2017. As part of the adoption of AASB 9, Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.
- AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

**Classification of financial assets**

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

**Measurement of equity instruments**

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

**Impairment of financial assets**

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

## Statement of Financial Position

| \$ '000  | Original<br>Balance<br>1 July, 2018 | Impact<br>Increase/<br>(decrease) | Restated<br>Balance<br>1 July, 2018 |
|--|-------------------------------------|-----------------------------------|-------------------------------------|
| <b>Adjustments to the current year figures for the year ended 30 June 2019</b> |                                     |                                   |                                     |
| Southern Phone Company investment  | –                                   | 349                               | 349                                 |
| <b>Total assets</b>  | <b>983,350</b>                      | <b>349</b>                        | <b>983,699</b>                      |
| <b>Total liabilities</b>   | <b>70,295</b>                       | <b>–</b>                          | <b>70,295</b>                       |
| Financial assets at FVOCI  | –                                   | 349                               | 349                                 |
| <b>Total equity</b>  | <b>913,055</b>                      | <b>349</b>                        | <b>913,404</b>                      |

## Transition adjustments

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at 1 July 2018.

| \$ '000  | Classific-<br>ation under<br>AASB 139 | Classific-<br>ation under<br>AASB 9 | Carrying<br>amount<br>under<br>AASB 139 | Reclassi-<br>fication | Remeasu-<br>rements | Carrying<br>amount<br>under AASB<br>9 |
|--|---------------------------------------|-------------------------------------|---|-----------------------|---------------------|---------------------------------------|
| <b>Financial assets</b>  |                                       |                                     |   |                       |                     |                                       |
| Cash and cash equivalents  | Loans and<br>receivables              | Amortised<br>cost                   | 14,865                                  | –                     | –                   | 14,865                                |
| Term deposits  | Held to<br>maturity                   | Amortised<br>cost                   | 53,315                                  | –                     | –                   | 53,315                                |
| Debt securities  | FVTPL                                 | FVTPL                               | 22,255                                  | –                     | –                   | 22,255                                |
| Trade and other receivables  | Loans and<br>receivables              | Amortised<br>cost                   | 6,764                                   | –                     | –                   | 6,764                                 |
| <b>Total financial assets<br/>under AASB 9 at 1 July<br/>2018</b>      |                                       |                                     | <b>97,199</b>                           | <b>–</b>              | <b>–</b>            | <b>97,199</b>                         |
| <b>Financial liabilities</b>   |                                       |                                     |   |                       |                     |                                       |
| Secured bank loans   | Other<br>financial<br>liabilities     | Other<br>financial<br>liabilities   | 22,697                                  | –                     | –                   | 22,697                                |
| Trade payables   | Other<br>financial<br>liabilities     | Other<br>financial<br>liabilities   | 15,702                                  | –                     | –                   | 15,702                                |
| <b>Total financial liabilities<br/>under AASB 9 at 1 July<br/>2018</b> |                                       |                                     | <b>38,399</b>                           | <b>–</b>              | <b>–</b>            | <b>38,399</b>                         |

## Note 16. Statement of cash flows - additional information

| \$ '000   | Notes | 2019          | 2018          |
|---|-------|---------------|---------------|
| <b>(a) Reconciliation of cash assets</b>          |       |               |               |
| Total cash and cash equivalent assets             | 6(a)  | 13,814        | 14,865        |
| <b>Balance as per the Statement of Cash Flows</b> |       | <b>13,814</b> | <b>14,865</b> |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Statement of cash flows - additional information (continued)

| \$ '000   | 2019          | 2018          |
|---|---------------|---------------|
| <b>(b) Reconciliation of net operating result to cash provided from operating activities</b>  |               |               |
| <b>Net operating result from Income Statement</b>   | 70,895        | 48,967        |
| <b>Adjust for non-cash items:</b>   |               |               |
| Depreciation and amortisation   | 16,706        | 14,914        |
| Net losses/(gains) on disposal of assets  | 2,244         | 600           |
| Non-cash capital grants and contributions   | (29,372)      | (19,585)      |
| Losses/(gains) recognised on fair value re-measurements through the Income Statement:         |               |               |
| – Investments classified as ‘at fair value’ or ‘held for trading’                             | (389)         | (46)          |
| – investment property   | –             | (3,570)       |
| Unwinding of discount rates on reinstatement provisions                                       | 340           | 303           |
| Share of net (profits)/losses of associates/joint ventures using the equity method            | (20)          | (211)         |
| <b>+/- Movement in operating assets and liabilities and other cash items:</b>                 |               |               |
| Decrease/(increase) in receivables  | (1,976)       | 1,327         |
| Increase/(decrease) in provision for impairment of receivables                                | 63            | 413           |
| Decrease/(increase) in inventories  | (85)          | (3,518)       |
| Decrease/(increase) in other current assets   | 61            | (189)         |
| Increase/(decrease) in payables   | (9)           | (614)         |
| Increase/(decrease) in other accrued expenses payable   | 1,992         | (622)         |
| Increase/(decrease) in other liabilities  | (1,697)       | 144           |
| Increase/(decrease) in provision for employee benefits  | (357)         | (12)          |
| Increase/(decrease) in other provisions   | 1,100         | 1,565         |
| <b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b> | <b>59,496</b> | <b>39,866</b> |

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

|  |               |               |
|--|---------------|---------------|
| Developer contributions ‘in kind’                        | 20            | 65            |
| Roadworks  | 6,190         | 2,257         |
| Drainage   | 10,971        | 5,768         |
| Land under roads   | 11,104        | 4,707         |
| Other non-cash items                                     | 1,087         | 1,191         |
| Bridges  | –             | 5,597         |
| <b>Total non-cash investing and financing activities</b> | <b>29,372</b> | <b>19,585</b> |

**(d) Net cash flows attributable to discontinued operations**

Please refer to Note 22 for details of cash flows that relate to discontinued operations

## Note 17. Interests in other entities

| \$ '000        | Council's share of net income |            | Council's share of net assets |            |
|----------------|-------------------------------|------------|-------------------------------|------------|
|                | 2019                          | 2018       | 2019                          | 2018       |
| Joint ventures | 20                            | 211        | 620                           | 600        |
| <b>Total</b>   | <b>20</b>                     | <b>211</b> | <b>620</b>                    | <b>600</b> |



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Interests in other entities (continued)

## (a) Joint arrangements

## (i) Joint ventures

The following information is provided for joint ventures that are individually material to the Council. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

## (a) Net carrying amounts – Council's share

| \$ '000   | Nature of relationship | Measurement method | 2019       | 2018       |
|---|------------------------|--------------------|------------|------------|
| CivicRisk West  | Joint venture          | Equity accounting  | 390        | 266        |
| CivicRisk Mutual  | Joint venture          | Equity accounting  | 230        | 334        |
| <b>Total carrying amounts – material joint ventures</b> |                        |                    | <b>620</b> | <b>600</b> |

## (b) Details

|                  | Principal activity                          |
|------------------|---|
| CivicRisk West   | Public liability and professional indemnity |
| CivicRisk Mutual | Property, motor vehicle etc                 |

## (c) Relevant interests and fair values

| \$ '000          | Interest in outputs |      | Interest in ownership |      | Proportion of voting power |       |
|------------------|---------------------|------|-----------------------|------|----------------------------|-------|
|                  | 2019                | 2018 | 2019                  | 2018 | 2019                       | 2018  |
| CivicRisk West   | 0.8%                | 1.0% | 0.8%                  | 1.0% | 9.1%                       | 10.0% |
| CivicRisk Mutual | 3.3%                | 4.0% | 3.3%                  | 4.0% | 5.9%                       | 6.0%  |

## (d) Summarised financial information for joint ventures

| \$ '000   | CivicRisk West |               | CivicRisk Mutual |              |
|---|----------------|---------------|------------------|--------------|
|   | 2019           | 2018          | 2019             | 2018         |
| <b>Statement of financial position</b>  |                |               |                  |              |
| <b>Current assets</b>   |                |               |                  |              |
| Cash and cash equivalents   | 2,961          | 3,022         | 1,813            | 1,158        |
| Other current assets  | 27,370         | 19,442        | 7,215            | 5,759        |
| <b>Non-current assets</b>   | <b>36,522</b>  | <b>41,740</b> | <b>5,368</b>     | <b>5,989</b> |
| <b>Current liabilities</b>  |                |               |                  |              |
| Current financial liabilities (excluding trade and other payables and provisions)     | 6,657          | 6,111         | 4,827            | 2,690        |
| Other current liabilities   | 740            | 720           | 346              | 299          |
| <b>Non-current liabilities</b>  |                |               |                  |              |
| Non-current financial liabilities (excluding trade and other payables and provisions) | 12,116         | 15,612        | 2,278            | 1,448        |
| <b>Net assets</b>   | <b>47,340</b>  | <b>41,761</b> | <b>6,945</b>     | <b>8,469</b> |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Interests in other entities (continued)

| \$ '000  | CivicRisk West |               | CivicRisk Mutual |              |
|--|----------------|---------------|------------------|--------------|
|  | 2019           | 2018          | 2019             | 2018         |
| <b>Reconciliation of the carrying amount</b>     |                |               |                  |              |
| Opening net assets (1 July)                      | 41,761         | 37,977        | 8,469            | 6,490        |
| Profit/(loss) for the period                     | 5,579          | 5,913         | (1,524)          | 1,979        |
| Other adjustments to equity                      | –              | (2,129)       | –                | –            |
| <b>Closing net assets</b>                        | <b>47,340</b>  | <b>41,761</b> | <b>6,945</b>     | <b>8,469</b> |
| <b>Council's share of net assets (%)</b>         | 0.8%           | 0.6%          | 3.3%             | 3.9%         |
| <b>Council's share of net assets (\$)</b>        | 390            | 267           | 230              | 334          |
| <b>Statement of comprehensive income</b>         |                |               |                  |              |
| Income   | 6,275          | 6,076         | 11,320           | 9,425        |
| Interest income                                  | 3,623          | 3,261         | 448              | 439          |
| Interest expense                                 | (18)           | (17)          | –                | –            |
| Other expenses                                   | (4,301)        | (3,407)       | (13,292)         | (7,885)      |
| <b>Profit/(loss) from continuing operations</b>  | <b>5,579</b>   | <b>5,913</b>  | <b>(1,524)</b>   | <b>1,979</b> |
| <b>Profit/(loss) for the period</b>              | <b>5,579</b>   | <b>5,913</b>  | <b>(1,524)</b>   | <b>1,979</b> |
| <b>Total comprehensive income</b>                | <b>5,579</b>   | <b>5,913</b>  | <b>(1,524)</b>   | <b>1,979</b> |
| <b>Share of income – Council (%)</b>             | 2.2%           | 2.5%          | 6.6%             | 3.2%         |
| <b>Profit/(loss) – Council (\$)</b>              | 123            | 149           | (103)            | 62           |
| <b>Total comprehensive income – Council (\$)</b> | 123            | 149           | (103)            | 62           |

**(ii) Joint operations****Shell Cove Project**

Council has been associated with the Shell Cove Project since its inception in the early 1990's. The project which involves Council and its development partner Australand Corporation (NSW) Pty Ltd [a part of Frasers Property Australia Group], has been established to develop residential property, marina and associated infrastructure.

The principal place of the project's activities is within the Shell Cove region.

Council's interest in Shell Cove's revenue, expenses, assets, liabilities and equity is 50% of the value of these balances.

**Accounting policy for joint arrangements**

The council has determined that it has both joint ventures and joint operations.

**Joint operations:**

In relation to its joint operations, where the Council has the rights to the individual assets and obligations arising from the arrangement, the Council has recognised:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

These figures are incorporated into the relevant line item in the primary statements.

**Joint ventures:**

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Interests in other entities (continued)

Interests in joint ventures are accounted for using the equity method in accordance with *AASB128 Investments in Associates and Joint Ventures*.

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

## (b) Unconsolidated structured entities

Council did not consolidate the following structured entities:

| \$ '000 | 2019 | 2018 |
|---------|------|------|
|---------|------|------|

**Local Government Superannuation Scheme Pool B**

Shellharbour Council participates in an employer sponsored Defined Benefit Superannuation Scheme – Local Government Superannuation Scheme Pool B.

Member Councils make contributions to the scheme as determined by the Superannuation Scheme's Trustees. All member Councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due. Each Councils share of any deficiency however cannot be accurately calculated due to the pooling of all assets and liabilities together amongst all member Councils. For this reason, liabilities for any deficiency are not recognised in these financial reports.

The net assets of the scheme as at 30 June 2018 were not sufficient to meet the scheme's accrued benefits. As a result, member Councils will continue to make additional contributions for at least the next financial year to recover that deficiency.

|  |     |     |
|--|-----|-----|
| Losses (or expenses) incurred by Council relating to the Structured Entity                 | 558 | 604 |
| Liabilities in Council's Statement of Financial Position relating to the Structured Entity | 95  | 92  |

**Illawarra Shoalhaven Joint Organisation**

The Illawarra Shoalhaven Joint Organisation (ISJO), lead, advocate and collaborate to maximise the region's potential and serve the interests of regional communities. The ISJO consists of four members:

Kiama Municipal Council  
Shellharbour City Council  
Shoalhaven City Council  
Wollongong City Council

|  |    |    |
|--|----|----|
| Losses (or expenses) incurred by Council relating to the Structured Entity | 54 | 53 |
|--|----|----|

## Note 18. Commitments

| \$ '000 | 2019 | 2018 |
|---------|------|------|
|---------|------|------|

## (a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 18. Commitments (continued)

| \$ '000  | 2019         | 2018         |
|--|--------------|--------------|
| recognised in the financial statements as liabilities: |              |              |
| <b>Property, plant and equipment</b>                   |              |              |
| Buildings  | 2,857        | 1,846        |
| Other  | 375          | –            |
| <b>Total commitments</b>                               | <b>3,232</b> | <b>1,846</b> |
| <b>These expenditures are payable as follows:</b>      |              |              |
| Within the next year                                   | 3,232        | 1,846        |
| <b>Total payable</b>                                   | <b>3,232</b> | <b>1,846</b> |

#### Details of capital commitments

The two largest commitments which make up 85% of the total commitments at the reporting date, relate to the construction of the new Warilla Library and two amenity buildings at Council sportsfields.

#### (b) Operating lease commitments (non-cancellable)

##### a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

|  |              |              |
|--|--------------|--------------|
| Within the next year                                     | 988          | 2,173        |
| Later than one year and not later than 5 years           | 955          | 1,572        |
| <b>Total non-cancellable operating lease commitments</b> | <b>1,943</b> | <b>3,745</b> |

##### b. Non-cancellable operating leases include the following assets:

Motor vehicles - lease of vehicles for Council's fleet purposes.

Computer hardware/photocopies - for the provision of various computer hardware including desktops, scanners and photocopiers.

##### Conditions relating to finance and operating leases:

– All finance agreements are secured only against the leased asset.

– No lease agreements impose any financial restrictions on Council regarding future debt etc.

### Note 19. Contingencies and other assets/liabilities not recognised

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 participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

While the scheme's most recent actuarial review indicated that the net assets of the scheme were sufficient to meet the accrued benefits of the scheme's defined benefit member category, member councils are required to make contributions in future years where the scheme goes into deficit (as has occurred in previous years).

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Contingencies and other assets/liabilities not recognised (continued)

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefits scheme obligations in accordance with AASB 119.

Future planned contributions being made to the defined benefit scheme to rectify past (and projected) deficit positions will be recognised as an expense when they become payable - similar to the accounting for defined benefit plans.

Member councils are treated as Pooled Employers for the purpose of AASB 119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

The standard 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 standard employer contribution rates are:

|            |                                   |
|------------|-----------------------------------|
| Division B | 1.9 times employee contributions  |
| Division C | 2.5% salaries                     |
| Division D | 1.64 times employee contributions |

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

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

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

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

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

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

The plan is a defined benefit plan. However, 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). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way it would for a single employer sponsored benefit plan.

The amount of Council employer contributions to the defined benefit section of the fund and recognised as an expense and disclosed as part of superannuation expenses of Note 4 (a) for the year ending 30 June 2019 was \$ 557,857. The last valuation of the Fund was performed by the Actuary, Mr Richard Boyfield, FIAA on 31 December 2018, relating to the period ended 30 June 2018.

Council's expected contributions to the Fund for the next annual reporting period is \$545,425.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

| Employer reserves only * | \$millions | Asset Coverage |
|--------------------------|------------|----------------|
| Assets                   | 1,798.7    |                |
| Past Service Liabilities | 1,784.2    | 100.8%         |
| Vested Benefits          | 1,792.0    | 100.4%         |

\* excluding member accounts and reserves in both assets and liabilities.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Contingencies and other assets/liabilities not recognised (continued)

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

|                    |                 |
|--------------------|-----------------|
| Investment return  | 5.75% per annum |
| Salary inflation * | 3.50% per annum |
| Increase in CPI    | 2.50% per annum |

\* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

Council's additional lump sum contribution is around 0.66% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2018 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

**(ii) Other guarantees**

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

**2. Other liabilities****(i) Potential land acquisitions due to planning restrictions imposed by Council**

Council has classified a number of privately owned land parcels as local open space reservation under its Urban Local Environment Plan.

As a result, where notified in writing by the various owners, Council will be required to purchase these nine land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

**(ii) Shell Cove funding arrangement**

Council has joint control of the Shell Cove project, an entity which is engaged in the development of residential property and associated infrastructure.

Due to land release and development cycles, shortfall funding occurs. Council's project manager, Australand Corporation (NSW) Pty Ltd [a part of Frasers Property Australia Group], provides a revolving funding facility to fund any shortfall with a monthly interest at a rate equivalent to the Westpac Banking Corporation business overdraft of \$4m on the last business day preceding the monthly Management Committee meeting. Council is guarantor of the financing if the Projects Management Agreement is terminated.

Council, at its meeting on 25 July 2017, approved an increase to this funding amount up to \$35m, based on the latest cashflow projections. Project deficits are forecast to reach a peak of \$34 million with the timing of this uncertain. The key risk for Council is the potential liability of \$35m (in cash and/or land).

**(iii) Calderwood planning agreement**

On 15 September 2014 Council entered into the Calderwood Voluntary Planning Agreement with Lend Lease Communities (Australia) Limited. This Planning Agreement applies to the Calderwood Urban Development Project site which is approximately 700 hectares of land to the west of Albion Park that was classified a State Significant Site in 2011.

Under this Planning Agreement the developer will provide approximately \$20m in monetary contributions toward both local and citywide infrastructure (in lieu of Section 94 Contributions) and deliver onsite infrastructure including a community centre, parks, sportsfields and road upgrades to the value of approximately \$50m.

The development is expected to occur over the next 20-25 years and will significantly increase both the population of the City's west and Council's asset base.

**(iv) Developer contributions**

Council levies developer contributions upon various development across the Council area through the required plan.

As part of the plan, Council has received funds for which it will be required to expend the monies in accordance with that plan.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Contingencies and other assets/liabilities not recognised (continued)

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As well, the plan indicates proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in this plan.

#### (v) Legal proceedings

Council instigated court proceedings in the Land and Environment Court against the Minister for Local Government on the proposal to merge Shellharbour City Council with Wollongong City Council and the judgement awarded costs against the Council. The NSW Government announced on 14 February 2017 that it was abandoning the merger proposals that had not yet been finalised and no further court action was required. To date the NSW Government has not taken any action to recover the costs awarded against the Council.

#### 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.

### Note 20. Financial risk management

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#### Risk management

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

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

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

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

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

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 team manage the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Financial risk management (continued)

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

Council manages these risks (amongst other measures) by diversifying its portfolio and having policy limits on credit quality.

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

## (a) Market risk – price risk and interest rate risk

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

| \$ '000  | Increase of values/rates |        | Decrease of values/rates |         |
|--|--------------------------|--------|--------------------------|---------|
|  | Profit                   | Equity | Profit                   | Equity  |
| <b>2019</b>  |                          |        |                          |         |
| Possible impact of a 10% movement in market values | 1,990                    | 1,990  | (1,990)                  | (1,990) |
| Possible impact of a 1% movement in interest rates | 1,072                    | 1,072  | (1,072)                  | (1,072) |
| <b>2018</b>  |                          |        |                          |         |
| Possible impact of a 10% movement in market values | 2,226                    | 2,226  | (2,226)                  | (2,226) |
| Possible impact of a 1% movement in interest rates | 904                      | 904    | (904)                    | (904)   |

## (b) Credit risk

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

The major risk associated with these receivables is credit risk - the risk that debts due and payable to Council may not be repaid in full.

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

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.

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.

**Receivables – rates and annual charges**

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – 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 the payment of debt.



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Financial risk management (continued)

**Receivables - non-rates and annual charges**

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

| \$ '000                | Not yet overdue | 0 - 30 days overdue | 31 - 60 days overdue | > 60 days overdue | Total |
|------------------------|-----------------|---------------------|----------------------|-------------------|-------|
| <b>2019</b>            |                 |                     |                      |                   |       |
| Gross carrying amount  | 5,661           | 234                 | 73                   | 507               | 6,475 |
| Expected loss rate (%) | 0.30%           | 1.50%               | 3.50%                | 6.50%             | 0.86% |
| <b>2018</b>            |                 |                     |                      |                   |       |
| Gross carrying amount  | 3,362           | 419                 | 93                   | 863               | 4,737 |

**(c) Liquidity risk**

Payables and borrowings are both subject to liquidity risk – 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 maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. 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 and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

| \$ '000                            | Weighted average interest rate | Subject to no maturity | ≤ 1 Year      | payable in:<br>1 - 5 Years | > 5 Years    | Total cash outflows | Actual carrying values |
|------------------------------------|--------------------------------|------------------------|---------------|----------------------------|--------------|---------------------|------------------------|
| <b>2019</b>                        |                                |                        |               |                            |              |                     |                        |
| Trade/other payables – Shell Cove  | 0.00%                          | –                      | 2,420         | –                          | –            | 2,420               | 2,420                  |
| Loans - Shell Cove                 | 7.39%                          | 797                    | –             | –                          | –            | 797                 | 797                    |
| Trade/other payables               | 0.00%                          | 2,104                  | 8,723         | –                          | –            | 10,827              | 15,045                 |
| Loans and advances                 | 4.20%                          | –                      | 1,347         | 4,349                      | 9,702        | 15,398              | 15,398                 |
| <b>Total financial liabilities</b> |                                | <b>2,901</b>           | <b>12,490</b> | <b>4,349</b>               | <b>9,702</b> | <b>29,442</b>       | <b>33,660</b>          |
| <b>2018</b>                        |                                |                        |               |                            |              |                     |                        |
| Trade/other payables – Shell Cove  | 0.00%                          | –                      | 7,100         | –                          | –            | 7,100               | –                      |
| Loans - Shell Cove                 | 0.00%                          | –                      | –             | –                          | –            | –                   | –                      |
| Trade/other payables               | 0.00%                          | 1,379                  | 7,223         | –                          | –            | 8,602               | 15,702                 |
| Loans and advances                 | 3.89%                          | –                      | 7,299         | 4,946                      | 10,452       | 22,697              | 22,697                 |

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Financial risk management (continued)

| \$ '000                            | Weighted average interest rate | Subject to no maturity | payable in: |             |           | Total cash outflows | Actual carrying values |
|------------------------------------|--------------------------------|------------------------|-------------|-------------|-----------|---------------------|------------------------|
|                                    |                                |                        | ≤ 1 Year    | 1 - 5 Years | > 5 Years |                     |                        |
| <b>Total financial liabilities</b> |                                | 1,379                  | 21,622      | 4,946       | 10,452    | 38,399              | 38,399                 |

## Note 21. Material budget variations

Council's original financial budget for 2018/2019 was adopted by the Council on 12/06/2018 and is unaudited.

While the Income Statement included in this General Purpose Financial Statements must disclose the original budget adopted by Council, the Local Government Act 1993 requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

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

| \$ '000   | 2019   | 2019   | 2019    |                |
|---|--------|--------|---------|----------------|
|   | Budget | Actual | -----   | Variance ----- |
| <b>REVENUES</b>   |        |        |         |                |
| Rates and annual charges  | 59,761 | 61,168 | 1,407   | 2% <b>F</b>    |
| User charges and fees   | 18,495 | 17,104 | (1,391) | (8)% <b>U</b>  |
| Interest and investment revenue   | 3,042  | 3,322  | 280     | 9% <b>F</b>    |
| Other revenues  | 22,803 | 65,757 | 42,954  | 188% <b>F</b>  |
| \$45.6m of the favourable variance relates to Council's share of "Other Revenue" from the Shell Cove Joint Operation. Budget figures for the Joint Operation were not introduced until the March Quarter Budget Review. |        |        |         |                |
| Offsetting the above variance is \$2.1m related to the delay of the sale of some real estate assets held for sale.  |        |        |         |                |
| Operating grants and contributions  | 4,451  | 8,419  | 3,968   | 89% <b>F</b>   |
| \$2.6m of the favourable variance can be attributed to the receipt of part of the 2019/20 Financial Assistance Grant in advance.  |        |        |         |                |
| \$0.8m relates to operating developer contributions which were not budgeted for.  |        |        |         |                |
| Capital grants and contributions  | 44,473 | 42,813 | (1,660) | (4)% <b>U</b>  |
| Fair value increment on investment property   | –      | –      | –       | ∞ <b>F</b>     |
| Joint ventures and associates – net profits   | –      | 20     | 20      | ∞ <b>F</b>     |
| <b>EXPENSES</b>   |        |        |         |                |
| Employee benefits and on-costs  | 35,574 | 35,166 | 408     | 1% <b>F</b>    |
| Borrowing costs   | 1,140  | 1,176  | (36)    | (3)% <b>U</b>  |
| Materials and contracts   | 20,664 | 21,893 | (1,229) | (6)% <b>U</b>  |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Material budget variations (continued)

| \$ '000                              | 2019<br>Budget | 2019<br>Actual | 2019<br>----- Variance ----- |         |
|--------------------------------------|----------------|----------------|------------------------------|---------|
| <b>Depreciation and amortisation</b> | 14,735         | 16,706         | (1,971)                      | (13)% U |
| <b>Other expenses</b>                | 26,181         | 50,523         | (24,342)                     | (93)% U |

\$30.7m of the unfavourable variation relates to "Other Expenses" of the Shell Cove Joint Operation not included in the original budget.

Offsetting this unfavourable variance is a \$4.8m underspend related to the cost of inventories sold for the Links Subdivision.

|   |       |       |         |          |
|---|-------|-------|---------|----------|
| <b>Net losses from disposal of assets</b> | (174) | 2,244 | (2,418) | 1,390% U |
|---|-------|-------|---------|----------|

The variance primarily relates to the disposal of land to the RMS which wasn't included in the original budget.

## Note 22. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets

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

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

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

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

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

## (1) Assets and liabilities that have been measured and recognised at fair values

| 2019   | Notes | Fair value measurement hierarchy              |  |  | Total  |
|--|-------|---|--|--|--------|
|  |       | Level 1<br>Quoted<br>prices in<br>active mkts | Level 2<br>Significant<br>observable<br>inputs | Level 3<br>Significant<br>unobserv-<br>able inputs |        |
| <b>Recurring fair value measurements</b>             |       |   |  |  |        |
| <b>Financial assets</b>                              |       |   |  |  |        |
| Investments  | 6(b)  | –   | 19,900   | –  | 19,900 |
| – 'Held for trading'                                 |       | –   | 19,900   | –  | 19,900 |
| <b>Total financial assets</b>                        |       | –   | 19,900   | –  | 19,900 |
| <b>Investment property</b>                           |       |   |  |  |        |
| Investment properties – land and buildings           | 11    | –   | –  | 23,012   | 23,012 |
| <b>Total investment property</b>                     |       | –   | –  | 23,012   | 23,012 |
| <b>Infrastructure, property, plant and equipment</b> |       |   |  |  |        |
| Capital work in progress                             | 10    | –   | –  | 18,404   | 18,404 |
| Capital work in progress - Shell Cove                |       | –   | –  | 97,725   | 97,725 |
| Plant and equipment                                  |       | –   | –  | 6,031  | 6,031  |

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 22. Fair Value Measurement (continued)

| 2019   | Notes | Fair value measurement hierarchy              |  |  | Total          |
|--|-------|---|--|--|----------------|
|  |       | Level 1<br>Quoted<br>prices in<br>active mkts | Level 2<br>Significant<br>observable<br>inputs | Level 3<br>Significant<br>unobserv-<br>able inputs |                |
| Office equipment   |       | –   | –  | 2,128  | 2,128          |
| Furniture and fittings                                     |       | –   | –  | 4,260  | 4,260          |
| Operational land   |       | –   | –  | 71,743   | 71,743         |
| Community land   |       | –   | –  | 134,247  | 134,247        |
| Land under roads   |       | –   | –  | 36,196   | 36,196         |
| Land improvements  |       | –   | –  | 10,793   | 10,793         |
| Buildings – non-specialised                                |       | –   | –  | 77,899   | 77,899         |
| Buildings – specialised                                    |       | –   | –  | 45,770   | 45,770         |
| Other structures   |       | –   | –  | 2,436  | 2,436          |
| Roads  |       | –   | –  | 153,537  | 153,537        |
| Bridges  |       | –   | –  | 13,453   | 13,453         |
| Footpaths  |       | –   | –  | 39,734   | 39,734         |
| Stormwater drainage  |       | –   | –  | 188,399  | 188,399        |
| Swimming pools   |       | –   | –  | 2,771  | 2,771          |
| Other open space/recreational assets                       |       | –   | –  | 20,315   | 20,315         |
| Other infrastructure                                       |       | –   | –  | 7,140  | 7,140          |
| Library books  |       | –   | –  | 1,420  | 1,420          |
| Other  |       | –   | –  | 4,212  | 4,212          |
| Waste depot/sandmine asset                                 |       | –   | –  | 7,350  | 7,350          |
| <b>Total infrastructure, property, plant and equipment</b> |       | <b>–</b>                                      | <b>–</b>                                       | <b>945,963</b>                                     | <b>945,963</b> |

| 2018   | Notes | Fair value measurement hierarchy              |  |  | Total<br>Restated |
|--|-------|---|--|--|-------------------|
|  |       | Level 1<br>Quoted<br>prices in<br>active mkts | Level 2<br>Significant<br>observable<br>inputs | Level 3<br>Significant<br>unobserv-<br>able inputs<br>Restated |                   |
| <b>Recurring fair value measurements</b>             |       |   |  |  |                   |
| <b>Financial assets</b>                              |       |   |  |  |                   |
| Investments  | 6(b)  |   |  |  |                   |
| – ‘Held for trading’                                 |       | –   | 22,255   | –  | 22,255            |
| <b>Total financial assets</b>                        |       | <b>–</b>                                      | <b>22,255</b>                                  | <b>–</b>   | <b>22,255</b>     |
| <b>Investment property</b>                           |       |   |  |  |                   |
| Investment properties – land and buildings           | 11    | –   | –  | 23,061   | 23,061            |
| <b>Total investment property</b>                     |       | <b>–</b>                                      | <b>–</b>                                       | <b>23,061</b>  | <b>23,061</b>     |
| <b>Infrastructure, property, plant and equipment</b> |       |   |  |  |                   |
| Capital work in progress                             | 10    | –   | –  | 14,129   | 14,129            |
| Capital work in progress - Shell Cove                |       | –   | –  | 82,318   | 82,318            |
| Plant and equipment                                  |       | –   | –  | 4,842  | 4,842             |
| Office equipment                                     |       | –   | –  | 2,427  | 2,427             |
| Furniture and fittings                               |       | –   | –  | 4,413  | 4,413             |
| Operational land                                     |       | –   | –  | 72,356   | 72,356            |
| Community land                                       |       | –   | –  | 135,299  | 135,299           |
| Land under roads                                     |       | –   | –  | 18,354   | 18,354            |
| Land improvements                                    |       | –   | –  | 11,108   | 11,108            |
| Buildings – non-specialised                          |       | –   | –  | 80,579   | 80,579            |
| Buildings – specialised                              |       | –   | –  | 46,641   | 46,641            |
| Other structures                                     |       | –   | –  | 2,268  | 2,268             |
| Roads  |       | –   | –  | 150,099  | 150,099           |
| Bridges  |       | –   | –  | 13,433   | 13,433            |
| Footpaths  |       | –   | –  | 37,470   | 37,470            |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 22. Fair Value Measurement (continued)

| 2018   | Notes | Level 1<br>Quoted<br>prices in<br>active mkts | Level 2<br>Significant<br>observable<br>inputs | Level 3<br>Significant<br>unobserv-<br>able inputs<br>Restated | Total<br>Restated |
|--|-------|---|--|--|-------------------|
| Stormwater drainage  |       | –   | –  | 176,517  | 176,517           |
| Swimming pools   |       | –   | –  | 2,978  | 2,978             |
| Other open space/recreational assets                       |       | –   | –  | 20,040   | 20,040            |
| Other infrastructure                                       |       | –   | –  | 8,000  | 8,000             |
| Library books  |       | –   | –  | 1,223  | 1,223             |
| Other  |       | –   | –  | 4,575  | 4,575             |
| Waste depot/sandmine asset                                 |       | –   | –  | 7,809  | 7,809             |
| <b>Total infrastructure, property, plant and equipment</b> |       | <b>–</b>                                      | <b>–</b>                                       | <b>896,878</b>   | <b>896,878</b>    |

Note that capital WIP is not included above since it is carried at cost.

## (2) Valuation techniques used to derive level 2 and level 3 fair values

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:

**Investment property****Land & Buildings**

All of Council's investment properties are valued at fair value. A full valuation is performed every three years. The 2018 revaluations were based on independent assessments performed by Scott Fullarton Pty Ltd, Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No. 2144.

The key unobservable input to the valuation is the price per square metre.

**Infrastructure, property, plant and equipment (IPP&E)****Plant & Equipment, Office Equipment and Furniture & Fittings**

Plant & Equipment, Office Equipment and Furniture & Fittings are all valued at cost but are disclosed at fair value in the notes due to the nature of the items.

Examples of assets within these classes are:

- Plant & Equipment – Trucks, mowers, earth moving equipment
- Office Equipment – Printers, Scanners, White Boards, Computer Equipment
- Furniture & Fittings - Kitchens, Fitouts, Flooring etc

Council assumes that the carrying value amount reflects the fair value of the assets due to the nature of the items as shown above.

**Operational Land**

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The last valuation was undertaken at 30 June 2018 and was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No. 2144. The key unobservable input to the valuation is the price per square metre.

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 22. Fair Value Measurement (continued)

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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 were based on land values provided by the Valuer-General. The last valuation was undertaken at 30 June 2016.

#### Land Under Roads

Council has elected to recognise Land Under Roads where the road was acquired on or after 1 July 2008.

A decision has been made in consultation with Council's auditors to revise the valuation of the entity's total Land Under Roads at the average unit value of the land contained within the entity's area of control. This method results in a significantly reduced average unit value compared to the original method used. This is believed to be a more appropriate representation of the value of the land due to the restrictions that exist on Land Under Road assets.

The last valuation was undertaken as at 31 March 2019.

#### Land Improvements

This asset class comprises land improvements such as landscaping, streetscaping and foreshore/sportsfields improvements. The cost approach is used to value land improvements. There has been no change to the valuation process during the reporting period.

#### Buildings - Specialised and Non Specialised

Council engaged Scott Fullarton Pty Ltd, Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No. 2144 to value all buildings at 30 June 2018 using the cost approach. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While all buildings were physically inspected inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

#### Other Structures

This assets comprises of: Fencing, memorials, embellishments, boom gates etc. The cost approach is used to value other structures. There has been no change to the valuation process during the reporting period.

#### Roads

Council's Road Asset Class is made up of road components, roadside furniture, bus shelters, traffic signs and traffic facilities such as roundabouts. Valuations were undertaken inhouse using the assistance of Jeff Roorda and Associates (JRA), assets management and consulting organisation on 1 July 2015.

#### Bridges

Bridges include constructed timber pedestrian bridges, timber road bridges and concrete pedestrian bridges. The larger road bridges were valued on information from developers who contracted out the construction of their major bridges. Valuations for this asset class were undertaken inhouse using the assistance of Jeff Roorda and Associates (JRA), assets management and consulting organisation on 1 July 2015.

#### Footpaths

Valuations for this asset class were undertaken inhouse using the assistance of Jeff Roorda and Associates (JRA) consulting organisation on 1 July 2015, using unit rates and Rawlinsons Australian Construction Handbook.

#### Stormwater Drainage

These assets are made up of stormwater pits, pipes, gross pollutant traps (GPT), headwalls and culverts. GPT's and pits. Valuations for this asset class were undertaken inhouse with the assistance of Jeff Roorda and Associates (JRA), asset management and consulting organisation on 1 July 2015.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 22. Fair Value Measurement (continued)

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#### Swimming Pools

This asset class comprises the pool structure itself. The last valuation was undertaken at 30 June 2018 and was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No. 2144.

#### Other Open Space/Recreational Assets

Assets within this class comprise of sporting and skate facilities, playgrounds, tennis courts, hockey fields, grandstands and picnic shelters etc.

Council engaged Rapid Map Services Pty Ltd to do a full inspection and audit of Council's Open Space Recreation Assets including condition assessment. Asset & Facilities Management Consulting Pty Ltd used this information to provide Council with valuations and useful life assessments which Council has applied as at 30 June 2019.

#### Other Infrastructure

Other infrastructure comprises of the airport runway. Valuations for this asset class were undertaken inhouse using the assistance of Jeff Roorda and Associates (JRA), assets management and the last valuation was undertaken at 1 July 2015.

#### Library Books

This asset category comprises of assets such as library books, journals, magazines, Cd's and Dvd's. The library books are reported at Fair value in the notes however, due to the nature of these items they are valued at cost.

There are no major variances between the fair value and carrying amount of these assets. There has been no change to the valuation process during the reporting period.

#### Other

Other assets consist of sundry signs, lighting etc. Council assumes that the carrying value amount reflects the fair value of the assets due to the nature of the items. There has been no change to the valuation process during the reporting period.

#### Waste Depot/Sandmine Asset

The waste depot/sandmine is located at Buckley's Road in Dunmore. It has been recognised that there will be significant costs associated with the closure and post closure management of the landfill site. An Evaluation of Costs for Landfill Closure and Post Closure Management was prepared by Tonkin Consulting, PJ Lightbody, MIEAust Chartered Professional Engineer in June 2018.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 22. Fair Value Measurement (continued)

## (3) Fair value measurements using significant unobservable inputs (level 3)

a. The following tables present the changes in level 3 fair value asset classes.

| \$ '000                                  | Total IPPE <sup>2</sup><br>Restated |
|--|-------------------------------------|
| <b>2018</b>                              |                                     |
| <b>Opening balance</b>                   | 767,037                             |
| Purchases (GBV)                          | 127,735                             |
| Disposals (WDV)                          | (903)                               |
| Depreciation and impairment              | (14,059)                            |
| FV gains – other comprehensive income    | 36,559                              |
| FV gains – Income Statement <sup>1</sup> | 3,570                               |
| <b>Closing balance</b>                   | <b>919,939</b>                      |
| <b>2019</b>                              |                                     |
| <b>Opening balance</b>                   | 919,939                             |
| Transfers from/(to) another asset class  | (613)                               |
| Purchases (GBV)                          | 62,890                              |
| Disposals (WDV)                          | (3,537)                             |
| Depreciation and impairment              | (16,026)                            |
| FV gains – other comprehensive income    | 6,322                               |
| <b>Closing balance</b>                   | <b>968,975</b>                      |

(1) FV gains recognised in the Income Statement relating to assets still on hand at year end total

(2) The opening and closing balances for 2018 have been restated



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 22. Fair Value Measurement (continued)

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#### (4) Highest and best use

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

## Notes to the Financial Statements for the year ended 30 June 2019

### Note 23. Related Party Transactions

#### (a) Key management personnel

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.

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

| \$ '000                  | 2019         | 2018         |
|--------------------------|--------------|--------------|
| <b>Compensation:</b>     |              |              |
| Short-term benefits      | 1,281        | 1,406        |
| Post-employment benefits | 130          | 140          |
| Other long-term benefits | 124          | 128          |
| Termination benefits     | 194          | –            |
| <b>Total</b>             | <b>1,729</b> | <b>1,674</b> |

#### (b) Other transactions with KMP and their related parties

Council maintains a Related Party Transaction register. A review of the register, Bi Annual Declaration of Interest returns and minutes of Council Meetings conducted for the year ending 30 June 2019, identified no related party transactions that would have otherwise be incurred by an ordinary citizen.

### Note 24. Events occurring after the reporting date

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

### Note 25. Statement of developer contributions

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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 25. Statement of developer contributions (continued)

## Summary of contributions and levies

| \$ '000  | as at 30/6/2018 |  |            |                         |                         |                              | as at 30/6/2019          |  |
|--|-----------------|--|------------|-------------------------|-------------------------|------------------------------|--------------------------|--|
|  | Opening Balance | Contributions received during the year |            | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|  |                 | Cash                                   | Non-cash   |                         |                         |                              |                          |  |
| Drainage   | 3,080           | 507                                    | –          | 104                     | –                       | –                            | 3,691                    | –  |
| Roads  | 6,052           | 2,532                                  | –          | 231                     | –                       | –                            | 8,815                    | –  |
| Traffic facilities                               | 2,102           | 26                                     | –          | 63                      | –                       | –                            | 2,191                    | –  |
| Open space                                       | 18,973          | 2,412                                  | 245        | 596                     | (856)                   | –                            | 21,125                   | –  |
| Community facilities                             | 3,647           | 3,616                                  | –          | 307                     | (208)                   | –                            | 7,362                    | –  |
| Other  | 1,445           | 763                                    | –          | 51                      | (265)                   | –                            | 1,994                    | –  |
| <b>S7.11 contributions – under a plan</b>        | <b>35,299</b>   | <b>9,856</b>                           | <b>245</b> | <b>1,352</b>            | <b>(1,329)</b>          | <b>–</b>                     | <b>45,178</b>            | <b>–</b>                                     |
| <b>Total S7.11 and S7.12 revenue under plans</b> | <b>35,299</b>   | <b>9,856</b>                           | <b>245</b> | <b>1,352</b>            | <b>(1,329)</b>          | <b>–</b>                     | <b>45,178</b>            | <b>–</b>                                     |
| S7.4 planning agreements                         | 1,503           | 2,235                                  | 20         | 113                     | (43)                    | –                            | 3,808                    | –  |
| <b>Total contributions</b>                       | <b>36,802</b>   | <b>12,091</b>                          | <b>265</b> | <b>1,465</b>            | <b>(1,372)</b>          | <b>–</b>                     | <b>48,986</b>            | <b>–</b>                                     |

## S7.11 Contributions – under a plan

## CONTRIBUTION PLAN NUMBER 1

|                      |               |              |            |              |                |          |               |          |
|----------------------|---------------|--------------|------------|--------------|----------------|----------|---------------|----------|
| Drainage             | 3,080         | 507          | –          | 104          | –              | –        | 3,691         | –        |
| Roads                | 6,052         | 2,532        | –          | 231          | –              | –        | 8,815         | –        |
| Traffic facilities   | 2,102         | 26           | –          | 63           | –              | –        | 2,191         | –        |
| Open space           | 18,973        | 2,412        | 245        | 596          | (856)          | –        | 21,125        | –        |
| Community facilities | 3,647         | 3,616        | –          | 307          | (208)          | –        | 7,362         | –        |
| Other                | 1,445         | 763          | –          | 51           | (265)          | –        | 1,994         | –        |
| <b>Total</b>         | <b>35,299</b> | <b>9,856</b> | <b>245</b> | <b>1,352</b> | <b>(1,329)</b> | <b>–</b> | <b>45,178</b> | <b>–</b> |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 26(a). Statement of performance measures – consolidated results

|  | Amounts        | Indicator     | Prior periods |        |        | Benchmark |
|--|----------------|---------------|---------------|--------|--------|-----------|
|  | 2019           | 2019          | 2018          | 2017   | 2016   |           |
| \$ '000  |                |               | Restated      |        |        |           |
| <b>1. Operating performance ratio</b>  |                |               |               |        |        |           |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup> | <b>29,917</b>  | <b>19.25%</b> | 14.23%        | 15.65% | 5.56%  | >0.00%    |
| Total continuing operating revenue excluding capital grants and contributions  | <b>155,381</b> |               |               |        |        |           |
| <b>2. Own source operating revenue ratio</b>   |                |               |               |        |        |           |
| Total continuing operating revenue excluding all grants and contributions <sup>1</sup>                               | <b>146,172</b> | <b>73.75%</b> | 76.95%        | 76.26% | 79.91% | >60.00%   |
| Total continuing operating revenue <sup>1</sup>  | <b>198,194</b> |               |               |        |        |           |
| <b>3. Unrestricted current ratio</b>   |                |               |               |        |        |           |
| Current assets less all external restrictions  | <b>44,527</b>  | <b>1.86x</b>  | 1.96x         | 2.25x  | 3.25x  | >1.50x    |
| Current liabilities less specific purpose liabilities  | <b>23,890</b>  |               |               |        |        |           |
| <b>4. Debt service cover ratio</b>   |                |               |               |        |        |           |
| Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>             | <b>47,799</b>  | <b>6.23x</b>  | 16.04x        | 29.07x | 21.28x | >2.00x    |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)                               | <b>7,678</b>   |               |               |        |        |           |
| <b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>                                   |                |               |               |        |        |           |
| Rates, annual and extra charges outstanding  | <b>3,083</b>   | <b>4.86%</b>  | 4.79%         | 4.60%  | 4.61%  | <10.00%   |
| Rates, annual and extra charges collectible  | <b>63,423</b>  |               |               |        |        |           |
| <b>6. Cash expense cover ratio</b>   |                |               |               |        |        |           |
| Current year's cash and cash equivalents plus all term deposits  | <b>87,314</b>  | <b>8.80</b>   | 7.66          | 10.10  | 11.60  | >3.00     |
| Monthly payments from cash flow of operating and financing activities  | <b>9,921</b>   | <b>mths</b>   | mths          | mths   | mths   | mths      |

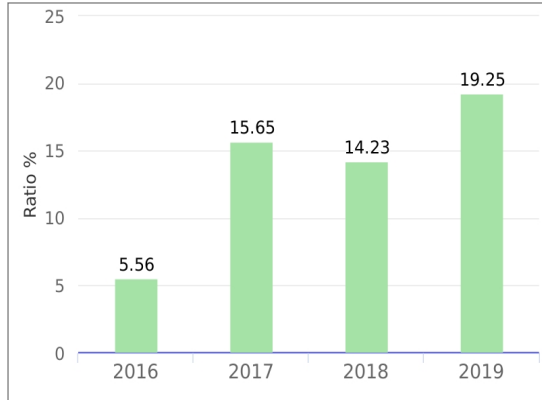
(1) Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets, and net loss of interests in joint ventures and associates.

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 26(b). 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 2018/19 result**

**2018/19 ratio 19.25%**

Council continues to remain well above the benchmark for this ratio. The sale of some real estate inventory and the advance payments of two quarterly instalments of the 2019/20 Financial Assistance Grant have contributed to the performance.

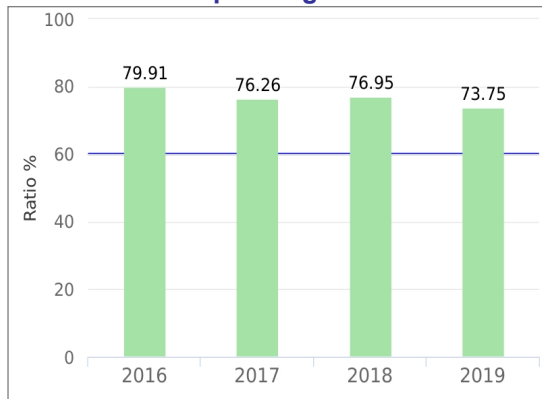
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

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 2018/19 result**

**2018/19 ratio 73.75%**

The result for this ratio sees Council remain well above the benchmark, which indicates Council does not have to rely heavily on external funding sources. This is despite a large amount of capital contributions being received in 2018/19, which has a reducing effect on the ratio.

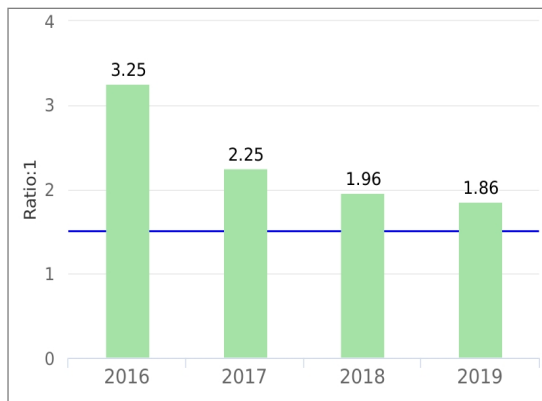
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

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 2018/19 result**

**2018/19 ratio 1.86x**

This ratio measures a Council's ability to meet obligations in the short term. While Council meets the benchmark of 1.5, its result has been reduced due to the decision to place investments over the longer term.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

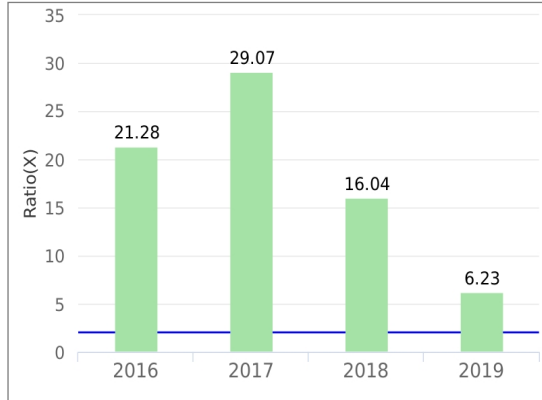
Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 26(b). Statement of performance measures – consolidated results (graphs)

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 2018/19 result

2018/19 ratio 6.23x

Council's availability of operating cash to service debt remains well in excess of the benchmark. This is despite the result being lower in 2018/19 due to the payout of a \$6m short term loan.

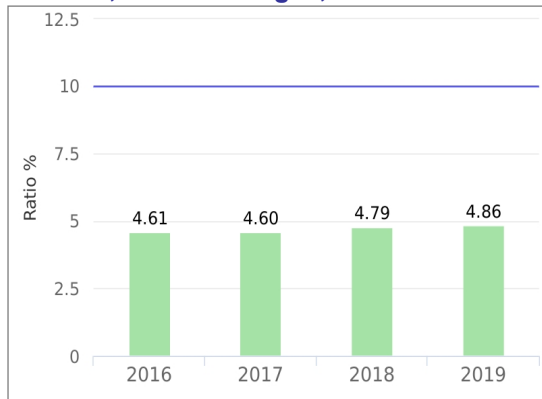
Benchmark: — > 2.00x

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



Purpose of rates, annual charges, interest and extra charges outstanding

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

Commentary on 2018/19 result

2018/19 ratio 4.86%

Council's recovery process continues to be effective with the 2018/19 result remaining below both regional and rural benchmarks.

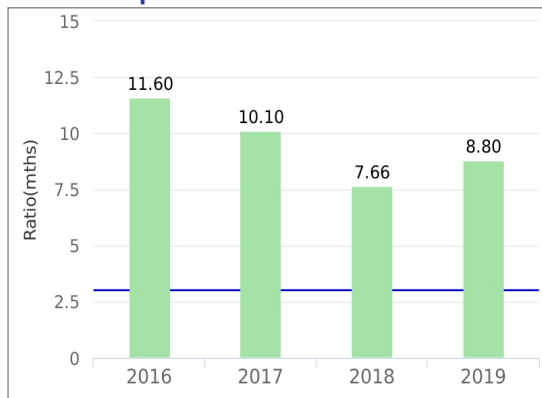
Benchmark: — < 10.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

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 2018/19 result

2018/19 ratio 8.80 mths

Council's liquidity position has strengthened in 2018/19, with the result being nearly three times above the benchmark.

Benchmark: — > 3.00mths

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

# Shellharbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 27. Council information and contact details

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**Principal place of business:**

76 Cygnet Avenue  
Shellharbour City Centre

**Contact details****Mailing Address:**

Locked Bag 155  
SHELLHARBOUR CITY CENTRE NSW 2529

**Opening hours:**

8:30am - 4:30pm  
Monday to Friday

**Telephone:** 02 4221 6111

**Facsimile:** 02 4221 6016

**Internet:** [www.shellharbour.nsw.gov.au](http://www.shellharbour.nsw.gov.au)

**Email:** [council@shellharbour.nsw.gov.au](mailto:council@shellharbour.nsw.gov.au)

**Officers****General Manager**

Carey McIntyre

**Responsible Accounting Officer**

Gary Grantham

**MAYOR**

Marianne Saliba

**Other information**

**ABN:** 78 392 627 134



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Shellharbour City Council

To the Councillors of the Shellharbour City Council

### Opinion

I have audited the accompanying financial statements of Shellharbour City Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

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 presented, 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 2019, 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' (APES 110).

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



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

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

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

## **Other Information**

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

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

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

## **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.

My opinion does not 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 21 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Dominika Ryan  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

31 October 2019  
SYDNEY

Cr Marianne Saliba  
 Mayor  
 Shellharbour City Council  
 Locked Bag 155  
 SHELLHARBOUR CITY CENTRE NSW 2529

Contact: Dominika Ryan  
 Phone no: 02 9275 7336  
 Our ref: D1926043/1784

31 October 2019

Dear Mayor

**Report on the Conduct of the Audit  
 for the year ended 30 June 2019  
 Shellharbour City Council**





I have audited the general purpose financial statements (GPFS) of the Shellharbour City Council (the Council) for the year ended 30 June 2019 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 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

**INCOME STATEMENT**

**Operating result**

|  | <b>2019</b> | <b>2018</b> | <b>Variance</b>  |
|--|-------------|-------------|--|
|  | <b>\$m</b>  | <b>\$m</b>  | <b>%</b>   |
| Rates and annual charges revenue                             | 61.2        | 58.1        |  5.3  |
| Grants and contributions revenue                             | 51.2        | 35.5        |  44.2 |
| Operating result for the year                                | 70.9        | 49.0        |  44.7 |
| Net operating result before capital grants and contributions | 28.1        | 21.8        |  28.9 |

Council’s operating result (\$70.9 million including the effect of depreciation and amortisation expense of \$16.7 million) was \$21.9 million higher than the 2017–18 result. This was because of: an increase in total revenue of \$37.2 million (23.1 per cent), primarily due to higher sales of inventories (\$21.1 million) and non-cash contributions (\$9.6 million)

Rates and annual charges revenue (61.2 million) increased slightly by \$3.1 million (5.3 per cent) in 2018–19 because of the annual rates increase of 2.7 per cent.

Grants and contributions revenue (\$51.2 million) increased by \$15.7 million (44.2 per cent) in 2018–2019 due to increase of \$9.6 million in non-cash contributions and \$4.5 million in developer contributions received by Council from s7.11 and s64.

The increased revenue was offset by an increase in expenses of \$15.3 million (13.6 per cent) largely driven by increase in write down of inventories held for sale or distribution (\$9.1 million).

The net operating result before capital grants and contributions (\$28.1 million) was \$6.3 million higher than the 2017–18 result.

The comparative information for 2017–18 has been restated to correct a significant prior period error relating to the Shell Cove joint venture, as disclosed in Note 15 in the Council’s financial statements.

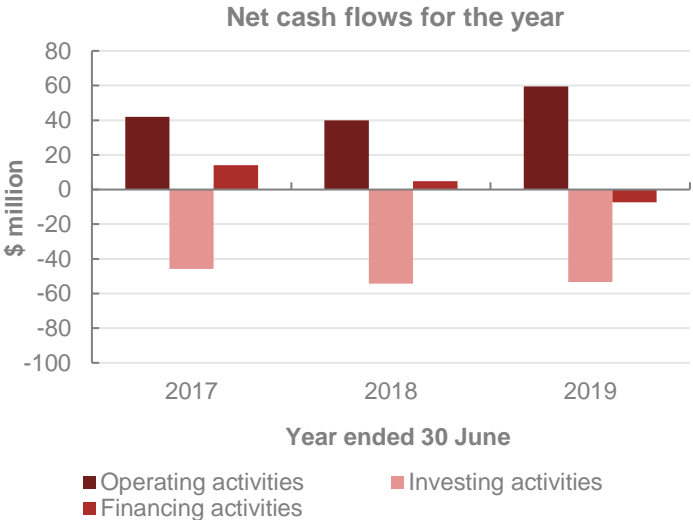
As a share of the Shell Cove joint venture’s asset, liabilities, expenses and revenues are consolidated into the Council’s financial statements each year, a significant error recorded in Shell Cove’s 2017–18 financial statements also resulted in an error in the Council’s financial statements. The comparative information has been adjusted in accordance with AASB 108.

## STATEMENT OF CASH FLOWS

The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year. It can be noted from the graph that cash decrease by \$1.2 million from a balance of \$14.9 to \$13.8 as at 30 June 2019.

Cash inflows from operating activities increased from \$39.9 million last year to \$59.5 million due to higher revenue from grants and contributions and sales of inventories. Decrease in cash outflow from investing activities was due to \$18.9 million decrease in purchase of fixed assets offset by broad increases in purchase and sale of investment securities.

Cash flows from financing activities changed from net inflow of \$4.8 million to net outflow of \$6.5 million. This was because Council obtained a loan of \$6.0 million in prior year which has since been repaid.



## FINANCIAL POSITION

### Cash and investments

| Cash and investments        | 2019         | 2018        | Commentary  |
|-----------------------------|--------------|-------------|---|
|                             | \$m          | \$m         |   |
| External restrictions       | 60.3         | 46.2        | • External restrictions include unspent specific purpose grants, developer contributions, domestic waste management charges, levies and planning agreements.  |
| Internal restrictions       | 14.3         | 34.8        |   |
| Unrestricted                | 32.8         | 9.4         |   |
| <b>Cash and investments</b> | <b>107.4</b> | <b>90.4</b> | <ul style="list-style-type: none"> <li>• Balances are internally restricted due to Council policy or decisions for forward plans including works program.</li> <li>• Unrestricted balances provide liquidity for day-to-day operations.</li> <li>• The balance for cash and investments overall increased by \$17.0 million (18.8 per cent). The movement was a result of unrestricted balance, which rose from \$9.4 million to \$32.8 million.</li> </ul> |

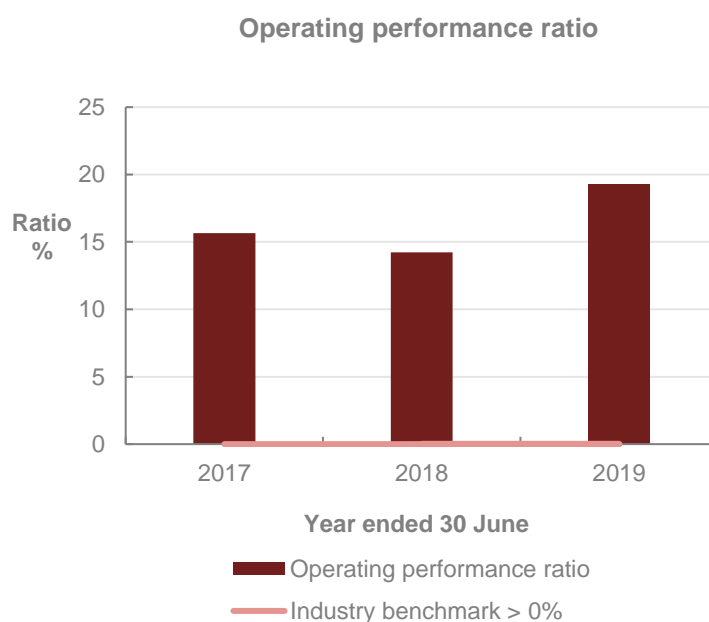
## PERFORMANCE

### Operating performance ratio

Council exceeded the benchmark of zero per cent.

The operating performance ratio improved from prior year due to increased sales of inventories and the advance payments of two quarterly instalments of the 2019-20 financial assistance grants.

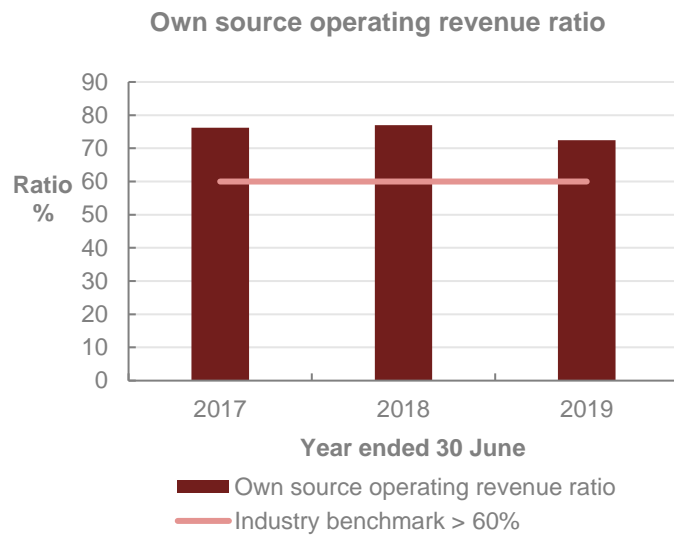
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



## Own source operating revenue ratio

Despite the slight decrease in the ratio compared to prior year due to the large amount of capital contributions received in 2018-19, Council's own source operating revenue ratio of 73.8 per cent exceeded the industry benchmark. This reflects the significance of rates and user charges as funding sources for Council.

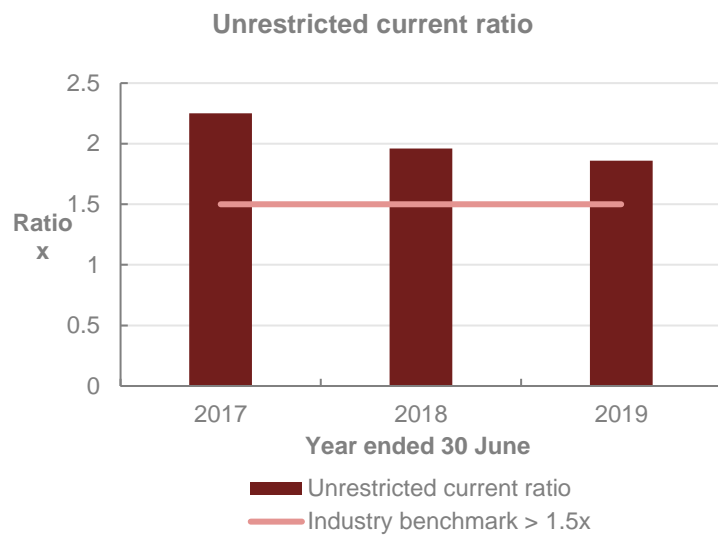
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



## Unrestricted current ratio

Despite the decrease in the ratio due to Council's decision to place investments over the longer term, it continues to exceed the benchmark. The ratio indicated Council currently had 1.9 of unrestricted current assets available to service each dollar of its unrestricted current liabilities.

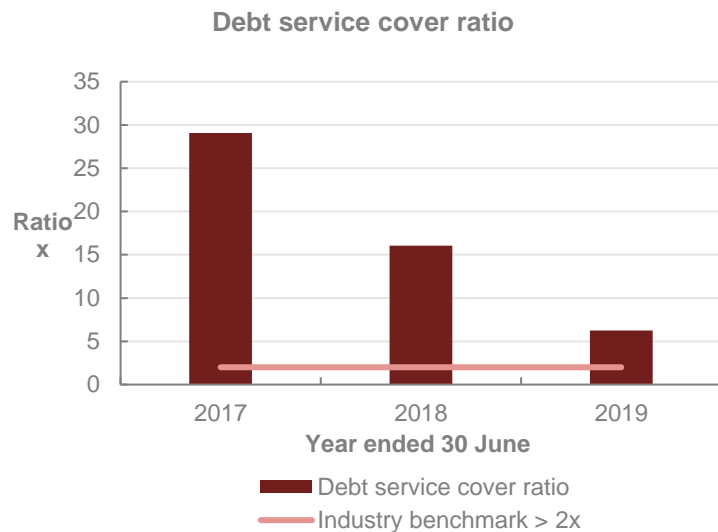
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



## Debt service cover ratio

The debt service cover ratio of 6.2 times exceeds the industry benchmark of 2 times. The current year ratio was affected by the payout of \$6.0 million short term loan.

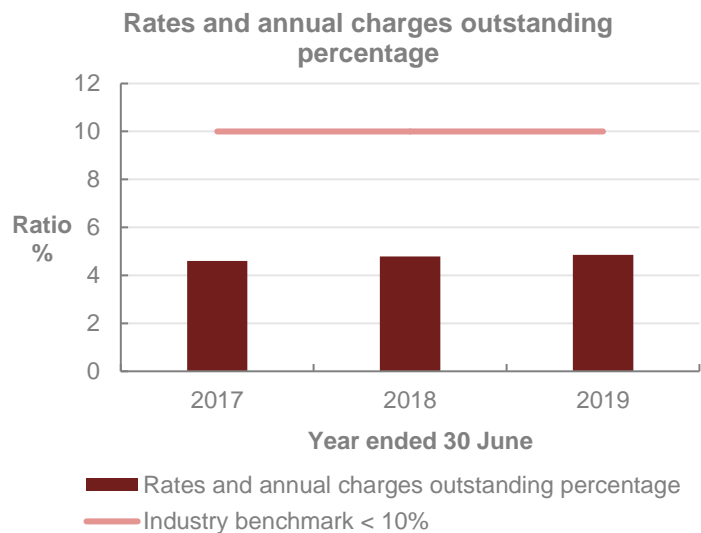
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



## Rates and annual charges outstanding percentage

Council's outstanding rates and charges ratio of 4.9 per cent is within the industry benchmark of less than 10 per cent. Indicating that the Council's credit risk is lower compared to the industry.

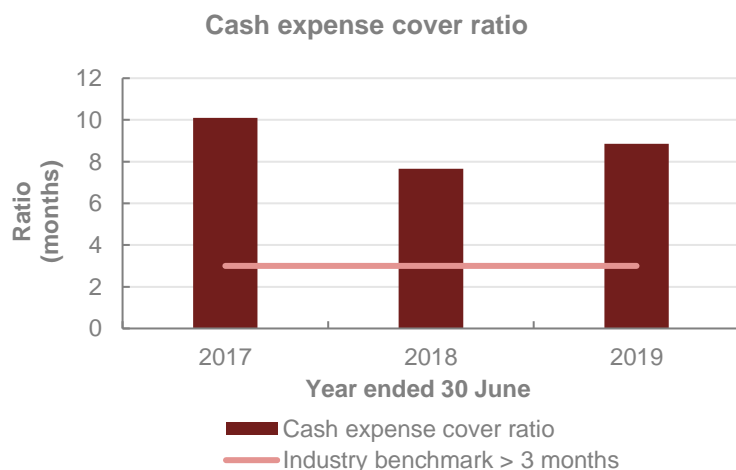
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



## Cash expense cover ratio

Council's cash expense cover ratio of 8.9 months exceeded the industry benchmark of greater than 3 months. The ratio increased slightly by 1.2 months as compared to 2017-18.

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 the former OLG is greater than three months.



## Infrastructure, property, plant and equipment renewals

Infrastructure, property, plant and equipment renewals for 2018-19 amounted to \$10.7 million, a decrease of \$18.8 million from prior year balance of \$29.5 million. The decrease was mainly caused by the following movements:

- plant and equipment renewals increased to \$2.4 million in 2018-19 from \$635,000 in 2017-18
- buildings renewals decreased to \$1.3 million in 2018-19 from \$21.5 million in 2017-18
- roads renewals decreased to \$2.5 million in 2018-19 from \$3.0 million in 2017-18
- footpaths renewals decreased to \$344,000 in 2018-19 from \$1.1 million in 2017-18
- open space assets renewals decreased to \$1.2 million in 2018-19 from \$1.7 million in 2017-18.
- stormwater drainage assets renewals slightly rose from \$832k in 2017-18 to \$1.4 million in 2018-2019.

## OTHER MATTERS

### New accounting standards implemented

| Application period  | Overview   |
|---|--|
| <b>AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'</b> |  |
| For the year ended 30 June 2019   | <p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"><li>• a simplified model for classifying and measuring financial assets</li><li>• a new method for calculating impairment</li><li>• a new type of hedge accounting that more closely aligns with risk management.</li></ul> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Notes 6 and 15.</p> |

### 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.



Dominika Ryan  
Director Financial Services

cc: Mr Carey McIntyre, General Manager  
Ms Julie Walton, Chair of the Audit, Risk and Improvement Committee



# Shellharbour City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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## Special Purpose Financial Statements

for the year ended 30 June 2019

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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).

## Shellharbour City Council

### Special Purpose Financial Statements

for the year ended 30 June 2019

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

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

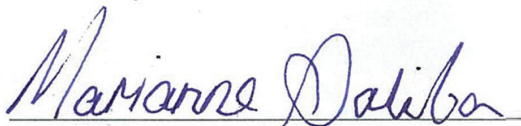
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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

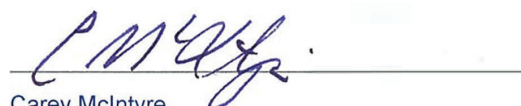
Signed in accordance with a resolution of Council made on 29 October 2019.



Marianne Saliba  
Mayor  
29 October 2019



Nathan Cattell  
Councillor  
29 October 2019



Carey McIntyre  
General Manager  
29 October 2019



Gary Grantham  
Responsible Accounting Officer  
29 October 2019

## Income Statement – Nursery

for the year ended 30 June 2019

| \$ '000  | 2019<br>Category 2 | 2018<br>Category 2 |
|--|--------------------|--------------------|
| <b>Income from continuing operations</b>                                   |                    |                    |
| User charges   | 402                | 426                |
| Other income   | 1                  | 4                  |
| <b>Total income from continuing operations</b>                             | <b>403</b>         | <b>430</b>         |
| <b>Expenses from continuing operations</b>                                 |                    |                    |
| Employee benefits and on-costs   | 198                | 203                |
| Materials and contracts  | 195                | 245                |
| Depreciation, amortisation and impairment                                  | 15                 | 14                 |
| Calculated taxation equivalents  | 6                  | 6                  |
| Other expenses   | 3                  | 2                  |
| <b>Total expenses from continuing operations</b>                           | <b>417</b>         | <b>470</b>         |
| <b>Surplus (deficit) from continuing operations before capital amounts</b> | <b>(14)</b>        | <b>(40)</b>        |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>  | <b>(14)</b>        | <b>(40)</b>        |
| <b>Surplus (deficit) from all operations before tax</b>                    | <b>(14)</b>        | <b>(40)</b>        |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>(14)</b>        | <b>(40)</b>        |
| <b>Plus accumulated surplus</b>  | –                  | 14                 |
| <b>Plus adjustments for amounts unpaid:</b>                                |                    |                    |
| – Taxation equivalent payments   | 6                  | 6                  |
| <b>Add:</b>  |                    |                    |
| – Subsidy paid/contribution to operations                                  | 8                  | 20                 |
| <b>Closing accumulated surplus</b>   | <b>–</b>           | <b>–</b>           |

## Income Statement – The Links

for the year ended 30 June 2019

| \$ '000  | 2019<br>Category 1 | 2018<br>Category 1 |
|--|--------------------|--------------------|
| <b>Income from continuing operations</b>                                   |                    |                    |
| User charges   | 3,169              | 3,027              |
| Grants and contributions provided for non-capital purposes                 | 5                  | 4                  |
| Gain Sale of Assets  | 15                 | –                  |
| Other income   | 512                | 465                |
| <b>Total income from continuing operations</b>                             | <b>3,701</b>       | <b>3,496</b>       |
| <b>Expenses from continuing operations</b>                                 |                    |                    |
| Employee benefits and on-costs   | 1,078              | 1,033              |
| Materials and contracts  | 886                | 830                |
| Depreciation, amortisation and impairment                                  | 591                | 526                |
| Calculated taxation equivalents  | 83                 | 79                 |
| Other expenses   | 1,564              | 1,474              |
| <b>Total expenses from continuing operations</b>                           | <b>4,202</b>       | <b>3,942</b>       |
| <b>Surplus (deficit) from continuing operations before capital amounts</b> | <b>(501)</b>       | <b>(446)</b>       |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>  | <b>(501)</b>       | <b>(446)</b>       |
| <b>Surplus (deficit) from all operations before tax</b>                    | <b>(501)</b>       | <b>(446)</b>       |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>(501)</b>       | <b>(446)</b>       |
| <b>Plus accumulated surplus</b>  | 9,692              | 10,059             |
| <b>Plus adjustments for amounts unpaid:</b>                                |                    |                    |
| – Taxation equivalent payments   | 83                 | 79                 |
| <b>Closing accumulated surplus</b>   | <b>9,274</b>       | <b>9,692</b>       |
| <b>Return on capital %</b>   | <b>(2.0)%</b>      | <b>(1.8)%</b>      |

## Income Statement – Caravan Park

for the year ended 30 June 2019

| \$ '000  | 2019<br>Category 2 | 2018<br>Category 2 |
|--|--------------------|--------------------|
| <b>Income from continuing operations</b>                                     |                    |                    |
| User charges   | 1,675              | 1,688              |
| Other income   | 19                 | 18                 |
| <b>Total income from continuing operations</b>                               | <b>1,694</b>       | <b>1,706</b>       |
| <b>Expenses from continuing operations</b>                                   |                    |                    |
| Employee benefits and on-costs   | 25                 | 27                 |
| Borrowing costs  | 28                 | 31                 |
| Materials and contracts  | 589                | 584                |
| Depreciation, amortisation and impairment                                    | 97                 | 117                |
| Calculated taxation equivalents  | 3                  | 3                  |
| Other expenses   | 178                | 175                |
| <b>Total expenses from continuing operations</b>                             | <b>920</b>         | <b>937</b>         |
| <b>Surplus (deficit) from continuing operations before capital amounts</b>   | <b>774</b>         | <b>769</b>         |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>    | <b>774</b>         | <b>769</b>         |
| <b>Surplus (deficit) from all operations before tax</b>                      | <b>774</b>         | <b>769</b>         |
| Less: corporate taxation equivalent (27.5%) [based on result before capital] | (213)              | (211)              |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>561</b>         | <b>558</b>         |
| <b>Plus accumulated surplus</b>  | 9,488              | 8,716              |
| <b>Plus adjustments for amounts unpaid:</b>                                  |                    |                    |
| – Taxation equivalent payments   | 3                  | 3                  |
| – Corporate taxation equivalent  | 213                | 211                |
| <b>Closing accumulated surplus</b>   | <b>10,265</b>      | <b>9,488</b>       |

## Income Statement – Illawarra Regional Airport

for the year ended 30 June 2019

| \$ '000  | 2019<br>Category 2 | 2018<br>Category 2 |
|--|--------------------|--------------------|
| <b>Income from continuing operations</b>                                     |                    |                    |
| User charges   | 234                | 549                |
| Fair value adjustments – investment properties                               | –                  | 2,497              |
| Other income   | 437                | 387                |
| <b>Total income from continuing operations</b>                               | <b>671</b>         | <b>3,433</b>       |
| <b>Expenses from continuing operations</b>                                   |                    |                    |
| Employee benefits and on-costs   | 438                | 446                |
| Materials and contracts  | 164                | 458                |
| Depreciation, amortisation and impairment                                    | 113                | 162                |
| Loss on sale of assets   | 840                | –                  |
| Calculated taxation equivalents  | 91                 | 89                 |
| Other expenses   | 7                  | 457                |
| <b>Total expenses from continuing operations</b>                             | <b>1,653</b>       | <b>1,612</b>       |
| <b>Surplus (deficit) from continuing operations before capital amounts</b>   | <b>(982)</b>       | <b>1,821</b>       |
| Grants and contributions provided for capital purposes                       | 84                 | –                  |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>    | <b>(898)</b>       | <b>1,821</b>       |
| <b>Surplus (deficit) from all operations before tax</b>                      | <b>(898)</b>       | <b>1,821</b>       |
| Less: corporate taxation equivalent (27.5%) [based on result before capital] | –                  | (501)              |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>(898)</b>       | <b>1,320</b>       |
| <b>Plus accumulated surplus</b>  | <b>18,688</b>      | <b>16,778</b>      |
| <b>Plus adjustments for amounts unpaid:</b>                                  |                    |                    |
| – Taxation equivalent payments   | 91                 | 89                 |
| – Corporate taxation equivalent  | –                  | 501                |
| <b>Closing accumulated surplus</b>   | <b>17,881</b>      | <b>18,688</b>      |

## Statement of Financial Position – Nursery

as at 30 June 2019

| \$ '000                                       | 2019<br>Category 2 | 2018<br>Category 2 |
|---|--------------------|--------------------|
| <b>ASSETS</b>                                 |                    |                    |
| <b>Current assets</b>                         |                    |                    |
| Cash and cash equivalents                     | (191)              | (62)               |
| Receivables                                   | –                  | 7                  |
| Inventories                                   | 44                 | 28                 |
| <b>Total current assets</b>                   | <b>(147)</b>       | <b>(27)</b>        |
| <b>Non-current assets</b>                     |                    |                    |
| Infrastructure, property, plant and equipment | 397                | 307                |
| <b>Total non-current assets</b>               | <b>397</b>         | <b>307</b>         |
| <b>TOTAL ASSETS</b>                           | <b>250</b>         | <b>280</b>         |
| <b>LIABILITIES</b>                            |                    |                    |
| <b>Current liabilities</b>                    |                    |                    |
| Payables                                      | 6                  | 42                 |
| Provisions                                    | 24                 | 18                 |
| <b>Total current liabilities</b>              | <b>30</b>          | <b>60</b>          |
| <b>TOTAL LIABILITIES</b>                      | <b>30</b>          | <b>60</b>          |
| <b>NET ASSETS</b>                             | <b>220</b>         | <b>220</b>         |
| <b>EQUITY</b>                                 |                    |                    |
| Revaluation reserves                          | 220                | 220                |
| <b><u>TOTAL EQUITY</u></b>                    | <b><u>220</u></b>  | <b><u>220</u></b>  |



## Statement of Financial Position – The Links

as at 30 June 2019

| \$ '000                                       | 2019<br>Category 1 | 2018<br>Category 1 |
|---|--------------------|--------------------|
| <b>ASSETS</b>                                 |                    |                    |
| <b>Current assets</b>                         |                    |                    |
| Cash and cash equivalents                     | (8,529)            | (8,019)            |
| Receivables                                   | 13                 | 11                 |
| Inventories                                   | 246                | 230                |
| <b>Total current assets</b>                   | <b>(8,270)</b>     | <b>(7,778)</b>     |
| <b>Non-current assets</b>                     |                    |                    |
| Infrastructure, property, plant and equipment | 24,905             | 25,061             |
| Intangible assets                             | 2,020              | 1,712              |
| <b>Total non-current assets</b>               | <b>26,925</b>      | <b>26,773</b>      |
| <b>TOTAL ASSETS</b>                           | <b>18,655</b>      | <b>18,995</b>      |
| <b>LIABILITIES</b>                            |                    |                    |
| <b>Current liabilities</b>                    |                    |                    |
| Payables                                      | 236                | 203                |
| Provisions                                    | 298                | 261                |
| <b>Total current liabilities</b>              | <b>534</b>         | <b>464</b>         |
| <b>Non-current liabilities</b>                |                    |                    |
| Provisions                                    | 15                 | 6                  |
| <b>Total non-current liabilities</b>          | <b>15</b>          | <b>6</b>           |
| <b>TOTAL LIABILITIES</b>                      | <b>549</b>         | <b>470</b>         |
| <b>NET ASSETS</b>                             | <b>18,106</b>      | <b>18,525</b>      |
| <b>EQUITY</b>                                 |                    |                    |
| Accumulated surplus                           | 9,273              | 9,692              |
| Revaluation reserves                          | 8,833              | 8,833              |
| <b>TOTAL EQUITY</b>                           | <b>18,106</b>      | <b>18,525</b>      |

Statement of Financial Position – Caravan Park  
as at 30 June 2019

| \$ '000                                       | 2019<br>Category 2 | 2018<br>Category 2 |
|---|--------------------|--------------------|
| <b>ASSETS</b>                                 |                    |                    |
| <b>Current assets</b>                         |                    |                    |
| Cash and cash equivalents                     | 7,503              | 6,301              |
| Receivables                                   | 1                  | –                  |
| <b>Total current assets</b>                   | <u>7,504</u>       | <u>6,301</u>       |
| <b>Non-current assets</b>                     |                    |                    |
| Infrastructure, property, plant and equipment | 4,004              | 4,420              |
| <b>Total non-current assets</b>               | <u>4,004</u>       | <u>4,420</u>       |
| <b>TOTAL ASSETS</b>                           | <u>11,508</u>      | <u>10,721</u>      |
| <b>LIABILITIES</b>                            |                    |                    |
| <b>Current liabilities</b>                    |                    |                    |
| Payables                                      | 111                | 101                |
| <b>Total current liabilities</b>              | <u>111</u>         | <u>101</u>         |
| <b>TOTAL LIABILITIES</b>                      | <u>111</u>         | <u>101</u>         |
| <b>NET ASSETS</b>                             | <u>11,397</u>      | <u>10,620</u>      |
| <b>EQUITY</b>                                 |                    |                    |
| Accumulated surplus                           | 10,265             | 9,488              |
| Revaluation reserves                          | 1,132              | 1,132              |
| <b>TOTAL EQUITY</b>                           | <u>11,397</u>      | <u>10,620</u>      |

## Statement of Financial Position – Illawarra Regional Airport

as at 30 June 2019

| \$ '000                                       | 2019<br>Category 2 | 2018<br>Category 2 |
|---|--------------------|--------------------|
| <b>ASSETS</b>                                 |                    |                    |
| <b>Current assets</b>                         |                    |                    |
| Cash and cash equivalents                     | (396)              | (1,697)            |
| Receivables                                   | 168                | 454                |
| <b>Total current assets</b>                   | <b>(228)</b>       | <b>(1,243)</b>     |
| <b>Non-current assets</b>                     |                    |                    |
| Infrastructure, property, plant and equipment | 5,538              | 7,415              |
| Investment property                           | 16,936             | 16,936             |
| <b>Total non-current assets</b>               | <b>22,474</b>      | <b>24,351</b>      |
| <b>TOTAL ASSETS</b>                           | <b>22,246</b>      | <b>23,108</b>      |
| <b>LIABILITIES</b>                            |                    |                    |
| <b>Current liabilities</b>                    |                    |                    |
| Payables                                      | 31                 | 80                 |
| Provisions                                    | 31                 | 35                 |
| <b>Total current liabilities</b>              | <b>62</b>          | <b>115</b>         |
| <b>Non-current liabilities</b>                |                    |                    |
| Provisions                                    | –                  | 2                  |
| <b>Total non-current liabilities</b>          | <b>–</b>           | <b>2</b>           |
| <b>TOTAL LIABILITIES</b>                      | <b>62</b>          | <b>117</b>         |
| <b>NET ASSETS</b>                             | <b>22,184</b>      | <b>22,991</b>      |
| <b>EQUITY</b>                                 |                    |                    |
| Accumulated surplus                           | 17,881             | 18,688             |
| Revaluation reserves                          | 4,303              | 4,303              |
| <b>TOTAL EQUITY</b>                           | <b>22,184</b>      | <b>22,991</b>      |

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

### Note 1. Significant Accounting Policies

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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 (NSW), the *Local Government (General) Regulation 2005*, 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, current values 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, return 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. The Links

Provision of golf and other entertainment facilities

##### Category 2

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

###### a. Nursery

Sale of plants to public

###### b. Caravan Park

Provision of accommodation facilities

###### c. Illawarra Regional Airport

Provision of airport related facilities

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

### Note 1. Significant Accounting Policies (continued)

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#### Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand dollars.

#### (i) 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 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 – 30.0%

#### Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 30.0%.

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 30.0% 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 payable on all category 1 businesses has been applied to all land 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.

#### (ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when 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.

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

### Note 1. Significant Accounting Policies (continued)

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Accordingly, 'subsidiaries disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

#### (iii) 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'.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return is calculated as follows:

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**Operating result before capital income + interest expense**

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial statements**  
**Shellharbour City Council**

To the Councillors of the Shellharbour City Council

## **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Shellharbour City Council's (the Council) declared business activities, which comprise the Income Statement of each declared business activity for the year ended 30 June 2019, the Statement of Financial Position of each declared business activity as at 30 June 2019, Note 1 Significant accounting policies for the business activities declared by Council, and the Statement by Councillors and Management.

The declared business activities of the Council are:

- Nursery
- The Links
- Caravan Park
- Illawarra Regional Airport.

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 2019, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (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' (APES 110).

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I draw attention to Note 1 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 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

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

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 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, unless it is not appropriate to do so.

## **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.



My opinion does not provide assurance:

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

A handwritten signature in cursive script, appearing to read 'D Ryan'.

Dominika Ryan  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

31 October 2019  
SYDNEY

# Shellharbour City Council

SPECIAL SCHEDULES  
for the year ended 30 June 2019

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**Special Schedules**

for the year ended 30 June 2019

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| Contents                                 | Page |
|--|------|
| <b>Special Schedules</b>                 |      |
| Permissible income for general rates     | 3    |
| Report on Infrastructure Assets - Values | 7    |

## Permissible income for general rates

| \$ '000   |                                | Calculation<br>2019/20 | Calculation<br>2018/19 |
|---|--------------------------------|------------------------|------------------------|
| <b>Notional general income calculation <sup>1</sup></b>           |                                |                        |                        |
| Last year notional general income yield                           | a                              | 46,626                 | 44,761                 |
| Plus or minus adjustments <sup>2</sup>                            | b                              | 1,851                  | 898                    |
| <b>Notional general income</b>                                    | <b>c = a + b</b>               | <b>48,477</b>          | <b>45,659</b>          |
| <b>Permissible income calculation</b>                             |                                |                        |                        |
| Or rate peg percentage  | e                              | 2.70%                  | 2.30%                  |
| Or plus rate peg amount   | $i = e \times (c + g)$         | 1,309                  | 1,050                  |
| <b>Sub-total</b>  | <b>k = (c + g + h + i + j)</b> | <b>49,786</b>          | <b>46,709</b>          |
| Plus (or minus) last year's carry forward total                   | l                              | 139                    | 111                    |
| Less valuation objections claimed in the previous year            | m                              | (14)                   | (22)                   |
| <b>Sub-total</b>  | <b>n = (l + m)</b>             | <b>125</b>             | <b>89</b>              |
| <b>Total permissible income</b>                                   | <b>o = k + n</b>               | <b>49,911</b>          | <b>46,798</b>          |
| Less notional general income yield                                | p                              | 49,667                 | 46,626                 |
| <b>Catch-up or (excess) result</b>                                | <b>q = o - p</b>               | <b>244</b>             | <b>172</b>             |
| Plus income lost due to valuation objections claimed <sup>4</sup> | r                              | -                      | 14                     |
| Less unused catch-up <sup>5</sup>                                 | s                              | (41)                   | (47)                   |
| <b>Carry forward to next year <sup>6</sup></b>                    | <b>t = q + r + s</b>           | <b>203</b>             | <b>139</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.
- (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.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule - Permissible income for general rates

#### Shellharbour City Council

To the Councillors of Shellharbour City Council

### Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Shellharbour City Council (the Council) for the year ending 30 June 2020.

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 – update number 27 (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' (APES 110).

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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

## Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

## 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.

My opinion does not 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.



Dominika Ryan  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

31 October 2019  
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

| Asset Class                             | Asset Category                         | Estimated cost   |   | 2018/19<br>Required<br>maintenance <sup>a</sup> | 2018/19<br>Actual<br>maintenance | Net carrying<br>amount | Gross<br>replacement<br>cost (GRC) | Assets in condition as a percentage of<br>gross replacement cost |              |              |             |             |
|---|--|--|---|---|----------------------------------|------------------------|------------------------------------|--|--------------|--------------|-------------|-------------|
|   |  | Estimated cost<br>to bring assets<br>to satisfactory<br>standard | to bring to the<br>agreed level of<br>service set by<br>Council |   |                                  |                        |                                    | 1  | 2            | 3            | 4           | 5           |
| <b>Buildings</b>                        | Buildings                              | 1,940  | 3,880   | 1,819   | 1,975                            | 123,669                | 182,576                            | 51.7%  | 33.1%        | 13.1%        | 1.8%        | 0.4%        |
|   | <b>Sub-total</b>                       | <b>1,940</b>   | <b>3,880</b>  | <b>1,819</b>                                    | <b>1,975</b>                     | <b>123,669</b>         | <b>182,576</b>                     | <b>51.7%</b>   | <b>33.1%</b> | <b>13.1%</b> | <b>1.8%</b> | <b>0.3%</b> |
| <b>Other structures</b>                 | Other structures                       | 84   | 167   | –   | –                                | 2,436                  | 3,531                              | 84.4%  | 6.0%         | 4.9%         | 4.7%        | 0.0%        |
|   | <b>Sub-total</b>                       | <b>84</b>  | <b>167</b>  | <b>–</b>  | <b>–</b>                         | <b>2,436</b>           | <b>3,531</b>                       | <b>84.4%</b>   | <b>6.0%</b>  | <b>4.9%</b>  | <b>4.7%</b> | <b>0.0%</b> |
| <b>Roads</b>                            | Sealed roads                           | 2,364  | 4,727   | 1,819   | 1,930                            | 137,537                | 175,679                            | 27.6%  | 55.9%        | 13.8%        | 2.6%        | 0.1%        |
|   | Unsealed roads                         | –  | –   | 66  | 44                               | 17                     | 17                                 | 100.0%   | 0.0%         | 0.0%         | 0.0%        | 0.0%        |
|   | Bridges                                | 218  | 435   | 7   | 9                                | 13,453                 | 16,813                             | 66.1%  | 12.8%        | 18.5%        | 2.5%        | 0.1%        |
|   | Footpaths                              | 1,144  | 2,288   | 408   | 382                              | 39,734                 | 53,800                             | 48.3%  | 30.6%        | 16.9%        | 3.9%        | 0.4%        |
|   | Other road assets                      | 398  | 796   | 929   | 1,001                            | 15,983                 | 21,731                             | 55.4%  | 23.8%        | 17.1%        | 3.1%        | 0.6%        |
|   | <b>Sub-total</b>                       | <b>4,124</b>   | <b>8,246</b>  | <b>3,229</b>                                    | <b>3,366</b>                     | <b>206,724</b>         | <b>268,040</b>                     | <b>36.5%</b>   | <b>45.5%</b> | <b>15.0%</b> | <b>2.9%</b> | <b>0.1%</b> |
| <b>Stormwater drainage</b>              | Stormwater drainage                    | 3,560  | 7,120   | 492   | 425                              | 188,400                | 267,981                            | 33.8%  | 35.4%        | 28.2%        | 2.0%        | 0.6%        |
|   | <b>Sub-total</b>                       | <b>3,560</b>   | <b>7,120</b>  | <b>492</b>                                      | <b>425</b>                       | <b>188,399</b>         | <b>267,981</b>                     | <b>33.8%</b>   | <b>35.4%</b> | <b>28.2%</b> | <b>2.0%</b> | <b>0.6%</b> |
| <b>Open space / recreational assets</b> | Swimming pools                         | –  | –   | 1,432   | 1,599                            | 2,771                  | 8,265                              | 0.0%   | 50.2%        | 49.8%        | 0.0%        | 0.0%        |
|   | Other open space / recreational assets | 942  | 1,884   | 5,276   | 5,281                            | 20,315                 | 28,597                             | 39.6%  | 27.6%        | 25.2%        | 5.4%        | 2.3%        |
|   | <b>Sub-total</b>                       | <b>942</b>   | <b>1,884</b>  | <b>6,708</b>                                    | <b>6,880</b>                     | <b>23,086</b>          | <b>36,862</b>                      | <b>30.7%</b>   | <b>32.6%</b> | <b>30.7%</b> | <b>4.2%</b> | <b>1.8%</b> |
| <b>Other infrastructure assets</b>      | Other                                  | –  | –   | 198   | 457                              | 7,140                  | 8,092                              | 73.4%  | 21.6%        | 5.0%         | 0.0%        | 0.0%        |
|   | <b>Sub-total</b>                       | <b>–</b>   | <b>–</b>  | <b>198</b>                                      | <b>457</b>                       | <b>7,140</b>           | <b>8,092</b>                       | <b>73.4%</b>   | <b>21.6%</b> | <b>5.0%</b>  | <b>0.0%</b> | <b>0.0%</b> |
| <b>TOTAL - ALL ASSETS</b>               |  | <b>10,650</b>  | <b>21,297</b>   | <b>12,446</b>                                   | <b>13,103</b>                    | <b>551,454</b>         | <b>767,082</b>                     | <b>39.5%</b>   | <b>38.0%</b> | <b>19.8%</b> | <b>2.4%</b> | <b>0.3%</b> |

(a) Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

- 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



## Shellharbour City Council

Report on Infrastructure Assets (continued)  
for the year ended 30 June 2019

|  | Amounts<br>2019 | Indicator<br>2019 | Prior periods |         | Benchmark |
|--|-----------------|-------------------|---------------|---------|-----------|
|  |                 |                   | 2018          | 2017    |           |
| <b>Infrastructure asset performance indicators *<br/>consolidated</b>    |                 |                   |               |         |           |
| <b>1. Buildings and infrastructure renewals ratio <sup>(1)</sup></b>     |                 |                   |               |         |           |
| Asset renewals <sup>(2)</sup>  | <b>7,228</b>    | <b>57.75%</b>     | 251.25%       | 71.47%  | >= 100%   |
| Depreciation, amortisation and impairment                                | <b>12,516</b>   |                   |               |         |           |
| <b>2. Buildings and infrastructure renewals ratio (including WIP)</b>    |                 |                   |               |         |           |
| Asset renewals (including WIP) <sup>(2)</sup>                            | <b>13,654</b>   | <b>109.09%</b>    | 122.36%       | 232.67% | >= 100%   |
| Depreciation, amortisation and impairment                                | <b>12,516</b>   |                   |               |         |           |
| <b>3. Infrastructure backlog ratio <sup>(1)</sup></b>                    |                 |                   |               |         |           |
| Estimated cost to bring assets to a satisfactory standard                | <b>10,650</b>   | <b>1.93%</b>      | 1.94%         | 2.00%   | < 2.00%   |
| Net carrying amount of infrastructure assets                             | <b>551,454</b>  |                   |               |         |           |
| <b>4. Asset maintenance ratio</b>  |                 |                   |               |         |           |
| Actual asset maintenance   | <b>13,103</b>   | <b>105.28%</b>    | 108.67%       | 112.56% | > 100%    |
| Required asset maintenance   | <b>12,446</b>   |                   |               |         |           |
| <b>5. Cost to bring assets to agreed service level</b>                   |                 |                   |               |         |           |
| Estimated cost to bring assets to an agreed service level set by Council | <b>21,297</b>   | <b>2.78%</b>      | 2.85%         | 2.76%   |           |
| Gross replacement cost   | <b>767,082</b>  |                   |               |         |           |

## Notes

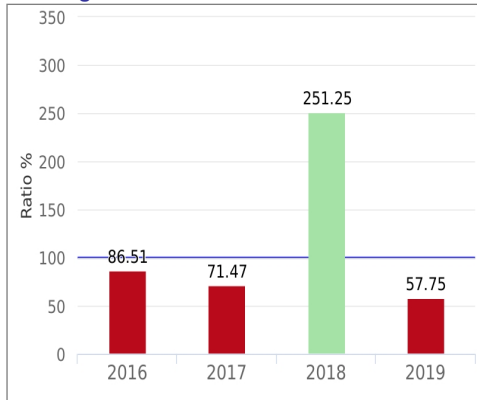
\* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Excludes Work In Progress (WIP). Comparatives figures have been adjusted to reflect this change in calculation which became effective in the 2017/18 year.

(2) 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.

Report on Infrastructure Assets (continued)  
as at 30 June 2019

**Buildings and infrastructure renewals ratio**



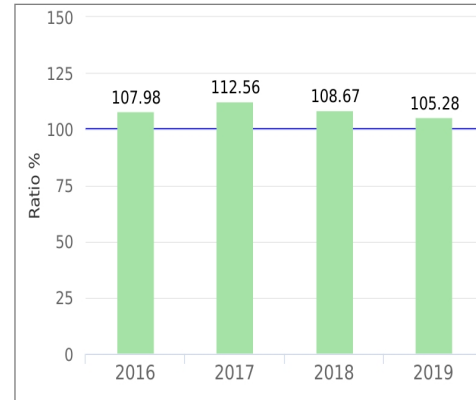
**Buildings and infrastructure renewals ratio**

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

| Commentary on result |        |
|----------------------|--------|
| 18/19 ratio          | 57.75% |

Benchmark: —  $\geq 100.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

**Asset maintenance ratio**



**Asset maintenance ratio**

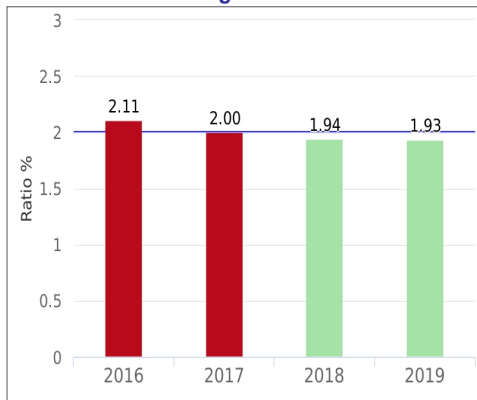
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

| Commentary on result |         |
|----------------------|---------|
| 18/19 ratio          | 105.28% |

Council's result for 2018/19 meets the benchmark as levels of maintenance expenditure remain above required levels.

Benchmark: —  $> 100.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

**Infrastructure backlog ratio**



**Infrastructure backlog ratio**

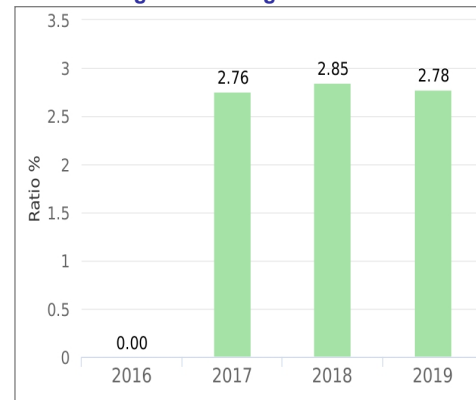
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

| Commentary on result |       |
|----------------------|-------|
| 18/19 ratio          | 1.93% |

Council further decreased its infrastructure backlog in 2018/19, through continual funding of renewal expenditure. This has seen Council again meeting the ratio benchmark.

Benchmark: —  $< 2.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ 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 |       |
|----------------------|-------|
| 18/19 ratio          | 2.78% |

# Ratio only introduced 2016/17 year