



ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2023

Willoughby City Council - Executive Summary

2022/23 Annual Financial Statements

Overview

Due to challenging economic conditions where high inflation saw costs growing at a faster rate than revenue, Willoughby City Council recorded an operating deficit of \$2.8 million in the 2022/23 Financial Year. This result is in line with forecasts.

Despite this deficit, the 2022/23 Financial Statements found Council in a sustainable financial position for that year. However, Council will need to address the gap between expenditure and revenue. To address this gap Council is undertaking community consultation on the potential for a Special Rate Variation (SRV), presenting the public with several options to either increase revenue, reduce expenditure, or both.

Cash holdings grew from the previous year and Council's reserves and ongoing revenue streams will enable us to continue to deliver planned projects and capital works.

Introduction

This commentary provides the highlights of Council's 2022/23 Financial Statements. The Financial Statements provide information in relation to Council's financial performance and financial position. The Statements are prepared in accordance with the Australian Accounting Standards, the *Local Government Act 1993, Local Government (General) Regulation 2021* and the *NSW Local Government Code of Accounting Practice and Financial Reporting 2022-23*.

The Financial Statements Comprise:

- General Purpose Financial Statements
- Special Purpose Financial Statements (Profit and Loss and Statement of Financial Position for Council's declared businesses of The Concourse, Willoughby Leisure Centre, Devonshire Child Care, Before/After School Care and Food Services).
- Special Schedules (Permissible Income schedule and Report on Infrastructure Assets)

The Financial Statements are independently audited by the Auditor General, reported to Council, placed on public exhibition and lodged with the Office of Local Government.

Financial Performance – Summary Results

The following table highlights a comparison of financial performance between 30 June 2022 and 30 June 2023.

Income Statement	2022/23 \$'000	2021/22 \$'000
Total Income from Continuing Operations	139,247	124,517
Total Expenses from Continuing Operations	(124,225)*	(112,591)
Surplus Operating Result from Continuing Operations (including Capital Grants and Contributions)	15,022	11,926
Grants and Contributions provided for Capital Purposes	(17,865)	(10,970)
Net Operating Result before Capital Grants and Contributions	(2,843)	956

* Numbers in brackets are minus numbers.

Operating Result

Council incurred a consolidated operating deficit of \$2.8 million before capital grants and contributions. The primary reason for this is that revenue was lower than costs. Rates income was constrained by a low regulated rate increase and non-rate income streams, such as paid parking, property rentals, planning and building regulation etc. are still not fully recovered from the impact of the COVID pandemic. Conversely, cost inflation on goods and services used by Council grew at rates significantly higher than revenues. Revenues (excluding capital revenue) grew by \$7.7 million whereas total expenses grew by \$11.5 million during the 2022/23 financial year.

Due to high receipts of Capital Grants and Developer contributions during the financial year, Council achieved a surplus of \$15.0 million when grants and contributions provided for capital purposes are accounted for¹.

¹ Council's results are shown both including and excluding capital grants and contributions. By definition, capital grants and contributions are one off grants for specific assets and including them in the operating result may distort the actual underlying operating performance of Council. This is why Council also reports the result excluding capital grants and contributions, which is considered a more realistic measure of underlying operational performance.

Statement of Financial Position

The following table shows a summary of Council's financial position at 30 June 2023 compared to 30 June 2022.

Statement of Financial Position (Balance Sheet)	30 June 2023 \$'millions	30 June 2022 \$'millions *(Restated)
Total Assets	2,036.4	2,017.1
Total Liabilities	(86.1)	(84.7)
Net Assets	1,950.3	1,932.4

* The 2021/22 Comparative numbers have been restated to account for the prior year error explained later in this summary.

The net value of assets² owned by the Willoughby community at 30 June 2023 is \$1.95 billion (\$1.93 billion at 30 June 2022). The majority of this equity is ownership of land, buildings and infrastructure assets such as roads, stormwater drainage, footpaths, parks and open space. The increase in equity this year relates predominately to the upward revaluation of community land, buildings and stormwater assets, offset by downward revaluations of operational land and roads.

The following table shows a summary of Council's cash position at 30 June 2023 compared to 30 June 2022

Cash and Investments	30 June 2023 \$'millions	30 June 2022 \$'millions
Externally Restricted Cash	120.4	107.3
Internally Restricted Cash	64.8	61.1
Unrestricted Cash	15.4	17.1
Total Cash and Investments	200.6	185.5

At 30 June 2023 Council's total cash and investment balance is \$200.6 million. It is important to note that \$185.2 million (92%) of this cash is restricted for use on specific purposes, leaving \$15.4 million (8%) as adequate unrestricted cash to fund day to day operations.

² Net Assets (Net Value of Assets) refers to Total Assets owned by Council, less all Liabilities owed by Council. This is also referred to as "Equity".







Key Financial Performance Indicators

Council's 2022/23 financial performance has exceeded five of the six Office of Local Government (OLG) benchmarks for financial performance (refer Note F5-1 in the General Purpose Financial Statements).

Council did not meet the benchmark for the Operating Performance Ratio due to the deficit result. This ratio also excludes some revenue items not considered to be operational³.

Council's achievement of the other five OLG benchmarks for financial performance indicate that Council was able to meet obligations.

The following table shows Council's performance against the Office of Local Government (OLG) key financial performance benchmarks in 2022/23.




Performance Measure	Purpose	Benchmark	2022/23 Result	Achieved	2021/22 Result
Operating Performance Ratio	Measures Council's achievement of containing operating expenditure within operating revenue	>0.00%	-4.08%		-2.42%
Own Source Operating Revenue Ratio	Measures Council's financial independence and capacity to fund operations without reliance on external grant funding.	>60.00%	79.94%		84.29%
Unrestricted Current Ratio	To assess the adequacy of working capital and Council's capacity to satisfy obligations in the short term.	> 1.5 x	2.99 x		2.90 x
Debt Service Cover Ratio	Measures the availability of operating cash to service debt (including interest, principal and lease payments).	> 2.00 x	4.12 x		4.51 x
Rates and Annual charges outstanding percentage	To assess the adequacy of recovery efforts and to measure the impact of uncollected rates and charges on Council's liquidity.	<5.00%	2.50%		2.59%
Cash Expense Cover Ratio	The number of months Council can continue to pay expenses without additional cash inflow (note however this ratio includes restricted cash that cannot be used on day to day expenses).	> 3 months	22.2 months		22 months

Infrastructure Asset Performance Indicators

Council exceeded two of the three Office of Local Government (OLG) benchmarks for Asset Management. Council did not achieve the Buildings and Infrastructure Renewals Ratio in the 2022/23 financial year. This was due to a combination of lower capital spend on renewals and higher depreciation. Capital spend on renewals (the ratio numerator) was lower due to supply issues and slow approvals from other levels of government. Depreciation (the ratio

³ Specific revenue items excluded from the Operating Performance Ratio are gain on the sale of assets and revaluation increases on investment properties. These items are not considered to be part of Council's day to day operations and performance.

denominator) increased by \$1.9 million due to higher asset values. The following table shows Council's performance against the Office of Local Government (OLG) infrastructure asset performance benchmarks in 2022/23.

Performance Measure	Purpose	Benchmark	2022/23 Result	Achieved
Building and Infrastructure Renewals Ratio	Measures the rate at which assets are being renewed relative to the rate at which they are depreciating.	>100.00%	64.99%	
Infrastructure Backlog Ratio	Shows what proportion the asset backlog is against the total value of Council's infrastructure.	<2.00%	1.20%	
Asset Maintenance Ratio	Compares actual versus required annual asset maintenance.	>100.00%	103.39%	
Cost to bring assets to agreed service levels	Provides a snapshot of the proportion of outstanding renewal works compared to the total value of Council's assets.	N/A	0.89%	N/A

Prior Year Adjustment

Incorrect Revaluation of Community Land assets in the 2020/21 Financial Statements

Newly available data has confirmed that the value assigned to Willoughby City Council's Community Land assets during a revaluation in the 2020/21 Financial Statements was incorrect, resulting in the need to re-state prior period balances and disclose a prior period correction of error.

A revaluation of the Community Land assets was undertaken in 2021 resulting in a \$68.8m revaluation increment being accounted for in the 2020/21 Financial Statements for Willoughby City Council. The 2021 revaluation was performed using land values obtained from the Valuer General of NSW (VG) based on their 2019 valuation of land in the Local Government Area.

During this 2021 revaluation, 2019 Valuer General land values were not available or readily accessible for 209 parcels of Community Land. To value these parcels, an average rate per square metre was calculated (being the Total Land values for those parcels that had VG valuations divided by the total square metres of those parcels).

Now that evidence is available on actual 2019 VG valuations, calculations confirm that the use of average rates per square metre resulted in an overstatement of the Community Land assets by \$77.7 million in the 2020/21 Financial Statements.

The prior period error has been corrected by restating the balances at the beginning of the earliest period presented (1 July 2021) and making the adjustment against the asset revaluation reserve for community land. Community land opening balances will be re-stated from \$332.1 million to \$254.4 million.

Comparatives will be changed to reflect the correction of errors and specific disclosures appear in “Note F3-1 Correction of Errors” in the 2022/23 Financial Statements.

Conclusion

The 2022/23 Financial Statements found Council in a sustainable financial position for that year. Council recorded a deficit due predominately to a combination of high inflation on goods and services and slow revenue growth. Council will need to address the gap between expenditure and revenue into the future and action is underway to resolve this.

Council has a very strong Net Asset base and a strong capacity to meet obligations as they fall due. Council achieved five of six OLG benchmarks for Financial Performance, and two of three benchmarks for Infrastructure Asset Management.

Council’s reserves and ongoing revenue streams will enable us to continue to deliver planned projects and capital works.

Chief Financial Officer

17 October 2023

Willoughby City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

Willoughby City Council

General Purpose Financial Statements

for the year ended 30 June 2023

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Overview

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

31 Victor Street
Chatswood NSW 2067

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

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

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

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

Willoughby City Council

General Purpose Financial Statements

for the year ended 30 June 2023

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 25 September 2023.



Tanya Taylor

Mayor

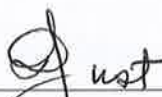
30 October 2023



Brendon Zhu

Deputy Mayor

30 October 2023



Debra Just

Chief Executive Officer

30 October 2023



Stephen Naven

Chief Financial Officer

30 October 2023

Willoughby City Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
Income from continuing operations				
69,596	Rates and annual charges	B2-1	69,675	70,960
15,344	User charges and fees	B2-2	14,953	12,481
5,552	Other revenues	B2-3	7,625	4,791
7,877	Grants and contributions provided for operating purposes	B2-4	9,579	7,963
9,077	Grants and contributions provided for capital purposes	B2-4	17,865	10,970
1,625	Interest and investment income	B2-5	4,254	1,590
14,378	Other income	B2-6	15,296	15,637
131	Net gain from the disposal of assets	B4-1	–	125
123,580	Total income from continuing operations		139,247	124,517
Expenses from continuing operations				
45,278	Employee benefits and on-costs	B3-1	44,885	42,314
48,464	Materials and services	B3-2	53,698	47,057
2,255	Borrowing costs	B3-3	2,254	2,083
17,437	Depreciation, amortisation and impairment of non-financial assets	B3-4	19,916	18,072
2,815	Other expenses	B3-5	3,122	3,065
–	Net loss from the disposal of assets	B4-1	350	–
116,249	Total expenses from continuing operations		124,225	112,591
7,331	Operating result from continuing operations		15,022	11,926
7,331	Net operating result for the year attributable to Council		15,022	11,926
(1,745)	Net operating result for the year before grants and contributions provided for capital purposes ¹		(2,843)	956

(1) The above Income Statement should be read in conjunction with the accompanying notes

Willoughby City Council

Statement of Comprehensive Income

for the year ended 30 June 2023

\$ '000	Notes	2023	2022
Net operating result for the year – from Income Statement		15,022	11,926
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	6,113	132,246
Impairment (loss) reversal / (revaluation decrement) relating to Non-Current Assets Held for Sale	C1-5	(3,220)	–
Total items which will not be reclassified subsequently to the operating result		2,893	132,246
Total other comprehensive income for the year		2,893	132,246
Total comprehensive income for the year attributable to Council		17,915	144,172

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

Willoughby City Council

Statement of Financial Position

as at 30 June 2023

\$ '000	Notes	2023	Restated 2022	Restated 1 July 2021
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	12,576	8,481	9,661
Investments	C1-2	167,000	95,000	125,051
Receivables	C1-4	8,738	6,725	6,031
Non-Current assets classified as held for sale and disposal	C1-5	1,389	4,667	–
Other	C1-8	591	1,544	1,985
Total current assets		190,294	116,417	142,728
Non-current assets				
Investments	C1-2	21,000	82,000	46,000
Receivables	C1-4	51	51	51
Infrastructure, property, plant and equipment (IPPE) ¹	C1-6	1,724,907	1,720,917	1,587,343
Investment property	C1-7	98,620	96,206	92,300
Right of use assets	C2-1	1,031	796	621
Other	C1-8	500	700	831
Total non-current assets ¹		1,846,109	1,900,670	1,727,146
Total assets ¹		2,036,403	2,017,087	1,869,874
LIABILITIES				
Current liabilities				
Payables	C3-1	24,265	26,643	22,762
Contract liabilities	C3-2	12,521	8,074	6,993
Lease liabilities	C2-1	362	307	242
Borrowings	C3-3	1,280	1,488	1,432
Employee benefit provisions	C3-4	10,275	10,301	11,515
Total current liabilities		48,703	46,813	42,944
Non-current liabilities				
Lease liabilities	C2-1	484	335	272
Borrowings	C3-3	36,220	36,867	37,793
Employee benefit provisions	C3-4	655	646	611
Total non-current liabilities		37,359	37,848	38,676
Total liabilities		86,062	84,661	81,620
Net assets		1,950,341	1,932,426	1,788,254
EQUITY				
Accumulated surplus		1,262,907	1,247,885	1,235,959
IPPE revaluation reserve ¹		687,434	684,541	552,295
Council equity interest		1,950,341	1,932,426	1,788,254
Total equity		1,950,341	1,932,426	1,788,254

(1) The opening balances for the Revaluation Reserve and IPPE have been adjusted in line with the correction of error (reduction) of (\$77.676M). The details of this correction can be found at Note F3-1.

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

Willoughby City Council

Statement of Changes in Equity

for the year ended 30 June 2023

	Notes	2023			2022		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
\$ '000							
					Restated	Restated	Restated
Opening balance at 1 July ¹	F3-1	1,247,885	684,541	1,932,426	1,235,959	552,295	1,788,254
Restated opening balance		1,247,885	684,541	1,932,426	1,235,959	552,295	1,788,254
Net operating result for the year for 30 June 2023		15,022	–	15,022	11,926	–	11,926
Net operating result for the period		15,022	–	15,022	11,926	–	11,926
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	6,113	6,113	–	132,246	132,246
Impairment (loss) relating to Non-Current Assets Held for Sale	C1-6	–	(3,220)	(3,220)	–	–	–
Other comprehensive income		–	2,893	2,893	–	132,246	132,246
Total comprehensive income		15,022	2,893	17,915	11,926	132,246	144,172
Closing balance at 30 June ¹		1,262,907	687,434	1,950,341	1,247,885	684,541	1,932,426

(1) The opening balances for the Revaluation Reserve have been adjusted in line with the correction of error (reduction) of (\$77.676M). The details of this correction can be found at Note F3-1.

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

Willoughby City Council

Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
Cash flows from operating activities				
<i>Receipts:</i>				
69,596	Rates and annual charges		69,768	70,626
14,923	User charges and fees		15,040	14,155
1,625	Interest received		1,568	1,879
16,954	Grants and contributions		31,154	17,910
–	Bonds, deposits and retentions received		2,047	2,231
18,931	Other		21,684	21,459
<i>Payments:</i>				
(45,519)	Payments to employees		(44,753)	(43,358)
(34,919)	Payments for materials and services		(58,384)	(52,618)
(1,530)	Borrowing costs		(1,628)	(1,528)
(14,162)	Other		(1,799)	(1,885)
25,899	Net cash flows from operating activities	F1-1	34,697	28,871
Cash flows from investing activities				
<i>Receipts:</i>				
25,485	Sale of investments		–	126,177
443	Proceeds from sale of IPPE		773	238
<i>Payments:</i>				
–	Purchase of investments		–	(132,126)
–	Acquisition of term deposits		(11,000)	–
(49,709)	Payments for IPPE		(18,420)	(22,542)
(23,781)	Net cash flows from investing activities		(28,647)	(28,253)
Cash flows from financing activities				
<i>Payments:</i>				
(1,465)	Repayment of borrowings		(1,486)	(1,431)
–	Principal component of lease payments		(469)	(367)
(1,465)	Net cash flows from financing activities		(1,955)	(1,798)
653	Net change in cash and cash equivalents		4,095	(1,180)
16,159	Cash and cash equivalents at beginning of year		8,481	9,661
16,812	Cash and cash equivalents at end of year	C1-1	12,576	8,481
127,903	plus: Investments on hand at end of year	C1-2	188,000	177,000
144,715	Total cash, cash equivalents and investments		200,576	185,481

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

Willoughby City Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 25th September 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

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

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

and are clearly marked.

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements.

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) fair values of investment properties – refer Note C1-7
- (ii) fair values of infrastructure, property, plant and equipment – refer Note C1-6
- (iii) employee benefit provisions – refer Note C3-4

Significant judgements in applying the Council's accounting policies

(i) Impairment of receivables - Council has made a significant judgement about the impairment of a number of its receivables – refer Note C1-4.

(ii) Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* - refer to notes B2-2 - B2-4.

A1-1 Basis of preparation (continued)

(iii) Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease - refer to Note C2-1.

Monies and other assets received by Council

The Consolidated Fund

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

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

- General purpose operations

The Trust Fund

Council does not maintain a separate and distinct Trust Fund in accordance with the provisions of Section 411 of the Local Government Act 1993 (NSW). This is because no monies are held in legal trust structures. Separate and distinct cash funded liability accounts are maintained to account for all externally restricted money and property received by Council which must be applied only for the purposes of or in accordance with the restrictions relating to those monies.

All externally restricted monies and property held by Council but not subject to the control of council have been excluded from these accounts.

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council does not have material dependence on volunteer services. Volunteers are utilised in Library Services, the Dougherty Centre, Bushcare and Cultural Events. Council does not recognise these services as revenue under AASB1058 due to their nature, the difficulty in reliably measuring the fair value of these services and the likely immaterial fair value.

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2023 reporting period.

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

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current

AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date

This Standard amends AASB 101 Presentation of Financial Statements to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.

For example the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.

Council does not expect any material impact from the above amendments and to its classification of liabilities as current or non-current.

A1-1 Basis of preparation (continued)

These standard changes have an effective date for the 30 June 2024 reporting period.

New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were effective for the 30 June 2023 reporting period:

AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018 -2020 and Other Amendments

This pronouncement amends a number of standards as follows:

- AASB 1 to simplify the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences,
- AASB 3 to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations,
- AASB 9 to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability,
- AASB 116 to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset,
- AASB 137 to specify the costs that an entity includes when assessing whether a contract will be loss-making and
- AASB 141 to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.

Council does not expect any material impact from the above amendments.

This standard has an effective date for the 30 June 2023 reporting period.

B Financial Performance

B1 Functions or activities

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

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

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022 Restated
\$ '000										
Functions or activities										
A City that is green	23,215	22,813	29,701	24,145	(6,486)	(1,332)	9	293	145,167	147,827
A City that is connected and inclusive	13,760	10,746	15,374	17,223	(1,614)	(6,477)	5,772	4,794	545,057	572,279
A City that is liveable	11,902	10,482	30,249	33,334	(18,347)	(22,852)	2,918	1,648	699,411	753,309
A City that is prosperous and vibrant	12,819	12,051	21,223	14,954	(8,404)	(2,903)	1,342	1,512	84,146	171,048
A City that is effective and accountable	77,551	68,425	27,678	22,935	49,873	45,490	17,403	10,686	562,622	372,624
Total functions and activities	139,247	124,517	124,225	112,591	15,022	11,926	27,444	18,933	2,036,403	2,017,087

B1-2 Components of functions or activities

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

A City that is green

- Create and enhance green spaces urban tree canopy cover and greening.
- Promote sustainable lifestyles and practices.
- Enhance, protect and respect waterways, bushland, nature, wildlife and ecological systems.
- Reduce use of energy, water and natural resourced and maximise reuse of waste.
- Reduce carbon and greenhouse gas emissions.

A City that is connected and inclusive

- Enhance transport choices and connections throughout the City.
- Respect and celebrate our indigenous and non-indigenous history and heritage.
- Celebrate and encourage our diversity.
- Manage parking and reduce traffic congestion.
- Create neighbourhoods that connect people from all types of households and families.
- Foster a digitally enabled community.
- Promote accessible services and facilities for the community.
- Increase community resilience to shocks and stresses.

A City that is liveable

- Foster feelings of inclusion, safety and cleanliness.
- Create recreation spaces for all.
- Promote an active and healthy lifestyle.
- Create desirable places to be and enjoy.
- Balance population growth and development with quality of life.
- Activate local spaces in creative ways.
- Promote housing choice and affordability.

A City that is prosperous and vibrant

- Facilitate the development of all businesses.
- Build and support a night-time economy.
- Create memorable food destinations.
- Attract visitors and promote local, destination-based tourism.
- Diversify our economy including creative and innovative industries.
- Facilitate the viability and vibrancy of our CBD village centres.

A City that is effective and accountable

- Be honest, transparent and accountable in all that we do.
- Demonstrate leadership and advocacy for local priorities.
- Balance the creation of new public assets with the upgrade of existing public assets.
- Anticipate and respond to changing community and customer needs.
- Make it easy for citizens to participate in decision making.
- Ensure value for money and financial sustainability
- Deliver excellent customer service.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2023	2022
Ordinary rates		
Residential	30,797	31,800
Business	21,441	22,237
Less: pensioner rebates (mandatory)	(163)	(172)
Less: pensioner rebates (Council policy)	(133)	(141)
Rates levied to ratepayers	51,942	53,724
Pensioner rate subsidies received	156	184
Total ordinary rates	52,098	53,908
Special rates		
Stormwater management levy	647	696
Rates levied to ratepayers	647	696
Total special rates	647	696
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)		
Domestic waste management services	17,267	16,694
Less: pensioner rebates (mandatory)	(65)	(66)
Less: pensioner rebates (Council policy)	(337)	(338)
Annual charges levied	16,865	16,290
Pensioner annual charges subsidies received:		
– Domestic waste management	65	66
Total annual charges	16,930	16,356
Total rates and annual charges	69,675	70,960

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

Accounting policy

Rates and annual charges are recognised as revenue when 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.

B2-2 User charges and fees

\$ '000	Timing	2023	2022
Specific user charges (per s502 - specific 'actual use' charges)			
Waste management services (non-domestic)	2	248	242
Total specific user charges		248	242
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s608)			
Planning and building regulation	2	1,805	1,869
Section 10.7 certificates (EP&A Act)	2	248	238
Section 603 certificates	2	120	126
Section 611 charges	2	59	66
Total fees and charges – statutory/regulatory		2,232	2,299
(ii) Fees and charges – other (incl. general user charges (per s608))			
Child care	2	1,543	1,172
Leaseback fees – Council vehicles	2	193	212
Leisure centre	2	944	1,641
Parking fees	2	4,985	3,736
Restoration charges	2	810	578
Building related	2	1,467	1,048
Community services	2	2,043	1,185
Other	2	488	368
Total fees and charges – other		12,473	9,940
Total other user charges and fees		14,705	12,239
Total user charges and fees		14,953	12,481
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		14,953	12,481
Total user charges and fees		14,953	12,481

Accounting policy

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

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

Where an upfront fee is charged such as joining fees for the leisure centre the fee is recognised on a straight-line basis over the expected life of the membership.

Planning, Building regulation and Section 611 charges are treated under AASB15 as a contract with the customer and are recognised at a point in time at the conclusion of service delivery obligations.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than over the term of the licence.

B2-3 Other revenues

\$ '000	Timing	2023	2022
Fines	2	6,281	3,735
Legal fees recovery – rates and charges (extra charges)	2	3	1
Legal fees recovery – other	2	87	59
Commissions and agency fees	2	1	1
Insurance claims recoveries	2	–	69
Sales – general	2	7	10
Melody markets	2	838	598
Other	2	2	1
Merchant fee recovery	2	94	88
Services recovery	2	222	170
Sponsorship	2	90	59
Total other revenue		7,625	4,791

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)		7,625
Total other revenue		7,625

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

\$ '000	Timing	Operating 2023	Operating 2022	Capital 2023	Capital 2022
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	480	886	–	–
Financial assistance – local roads component	2	187	317	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	1,963	1,514	–	–
Financial assistance – local roads component	2	726	334	–	–
Amount recognised as income during current year		3,356	3,051	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Pensioners' rates subsidies:					
Community care	2	1,883	1,711	69	–
Library – per capita	2	227	215	–	–
LIRS subsidy	2	9	19	–	–
Recreation and culture	2	494	–	150	797
Street lighting	2	197	194	–	–
Traffic route subsidy	2	–	29	–	–
Transport (roads to recovery)	2	367	478	–	–
Transport (other roads and bridges funding)	2	275	–	3,284	1,778
Other specific grants	2	90	1,759	9	–
Previously contributions:					
Other councils – joint works/services	2	22	99	–	–
Recreation and culture	2	–	16	–	–
Transport for NSW contributions (regional roads, block grant)	2	2,659	392	–	–
Total special purpose grants and non-developer contributions – cash		6,223	4,912	3,512	2,575
Non-cash contributions					
Housing and community amenities	2	–	–	–	1,318
Total other contributions – non-cash		–	–	–	1,318
Total special purpose grants and non-developer contributions (tied)		6,223	4,912	3,512	3,893
Total grants and non-developer contributions		9,579	7,963	3,512	3,893
Comprising:					
– Commonwealth funding		3,724	5,197	–	851
– State funding		4,789	2,613	–	1,722
– Other funding		1,066	153	3,512	1,320
		9,579	7,963	3,512	3,893

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Timing	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Developer contributions: (s7.4, s7.11 & s7.12 of the EP&A Act):	F4					
Cash contributions						
S 7.4 – contributions using planning agreements		2	–	–	7,272	4,031
S 7.11 – contributions towards amenities/services		2	–	–	5,438	1,717
S 7.12 – fixed development consent levies		2	–	–	1,643	1,329
Total developer contributions – cash			–	–	14,353	7,077
Total developer contributions			–	–	14,353	7,077
Total contributions			–	–	14,353	7,077
Total grants and contributions			9,579	7,963	17,865	10,970
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			–	–	–	–
Grants and contributions recognised at a point in time (2)			9,579	7,963	17,865	10,970
Total grants and contributions			9,579	7,963	17,865	10,970

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Unspent grants and contributions				
Unspent funds at 1 July	2,434	1,880	6,478	2,577
Add: operating grants recognised as income in the current period but not yet spent	2,226	863	–	–
Add: Funds received and not recognised as revenue in the current year	388	–	7,422	6,400
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(1,722)	(309)	(4,137)	(2,499)
Unspent funds at 30 June	3,326	2,434	9,763	6,478

The majority of the unexpended Operating Grants as at 30th June 2022 is the Financial Assistance Grant.

Contributions

Unspent funds at 1 July	–	–	64,900	62,864
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	15,977	6,034
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	(7,044)	(3,998)
Unspent contributions at 30 June	–	–	73,833	64,900

Unexpended contributions as at 30 June 2023 relate to contributions received under s94, s94A, s7.11, s7.12 and voluntary planning agreements.

B2-4 Grants and contributions (continued)

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but include enforceable agreements to deliver specific waste management programs in conjunction with other councils. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Capital grants

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

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2023	2022
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	90	80
– Cash and investments	4,164	1,510
Total interest and investment income (losses)	4,254	1,590
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	90	80
General Council cash and investments	1,902	526
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	657	352
Site 1 – Cy Pres Scheme	18	7
Site 2 – Cy Pres Scheme	24	7
Other externally restricted assets	1,339	545
Restricted investments/funds – internal:		
Internally restricted assets	224	73
Total interest and investment income	4,254	1,590

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2023	2022
Fair value increment on investment properties			
Fair value increment on investment properties		2,414	3,906
Total fair value increment on investment properties	C1-7	2,414	3,906
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		5,383	5,661
Total Investment properties		5,383	5,661
Other lease income			
Room/Facility Hire		7,235	6,070
Other		264	–
Total other lease income		7,499	6,070
Total rental income	C2-2	12,882	11,731
Total other income		15,296	15,637

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2023	2022
Salaries and wages	33,697	32,582
Employee leave entitlements (ELE)	5,576	4,497
Superannuation	4,167	3,905
Workers' compensation insurance	1,969	1,795
Fringe benefit tax (FBT)	251	246
Other	44	31
Total employee costs	45,704	43,056
Less: capitalised costs	(819)	(742)
Total employee costs expensed	44,885	42,314
Number of 'full-time equivalent' employees (FTE) at year end	379	364

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note D3-1 for more information.

B3-2 Materials and services

\$ '000	Notes	2023	2022
Raw materials and consumables		1,801	2,106
Contractor costs		1	–
Contractor and consultancy costs			
– Consultancy costs (assorted)		1,237	1,143
– Cleaning		1,445	1,235
– Waste Collection		8,367	8,070
– Equipment Maintenance		120	141
– Security Services		516	468
– Pay and Display Machine Maintenance		269	212
– Waste Disposal		5,096	5,837
– Management Fees		71	31
– Agency Personnel		2,726	2,197
– Open Space		3,921	3,405
– Infrastructure Works		5,001	2,575
– Street Cleaning		345	335
– Property Services		2,737	2,315
– Engineering Services		1,452	338
– Plant		148	152
– Environmental Services		1,321	816
– Events		1,056	1,493
– Willoughby Leisure Centre		37	48
– Chatswood Mall		36	22
– Other		1,554	868
Audit committee fees		21	20
Audit Fees	E2-1	100	96
Councillor and Mayoral fees and associated expenses	E1-2	518	445
Advertising		724	373
Bank charges		337	307
Election expenses		–	456
Electricity and heating		1,184	1,036
Insurance		1,953	1,916
Printing and stationery		158	138
Street lighting		555	819
Subscriptions and publications		331	310
Telephone and communications		627	527
Valuation fees		133	108
Travel expenses		23	13
Training costs (other than salaries and wages)		334	325
Other expenses		995	1,015
Commissions and agency fees		801	525
Computer operating expenses		2,915	2,636
Orchestra costs		195	130
Planning reform fees		631	231
Vehicle registrations		112	103
Water rates and other services		274	304
Legal expenses:			
– Legal expenses: planning and development		858	563
– Legal expenses: other		251	278
Other		411	576
Total materials and services		53,698	47,057
Total materials and services		53,698	47,057

Accounting policy

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

B3-3 Borrowing costs

\$ '000	2023	2022
(i) Interest bearing liability costs		
Interest on leases	42	14
Interest on loans	1,581	1,508
Fair value adjustment on loans (to Council)	631	561
Total borrowing costs expensed	2,254	2,083

Accounting policy

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

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

\$ '000	Notes	2023	2022
Depreciation and amortisation			
Plant and equipment		1,207	1,223
Office equipment		103	133
Furniture and fittings		162	166
Land improvements (depreciable)		92	96
Infrastructure:	C1-6		
– Buildings (specialised)		5,419	4,894
– Other structures		306	276
– Roads		4,355	3,574
– Bridges		185	171
– Footpaths		1,464	1,313
– Stormwater drainage		1,488	1,362
– Swimming pools		61	55
– Other open space/recreational assets		4,031	3,857
– Other infrastructure		252	231
Right of use assets	C2-1	438	320
Other assets:			
– Library books		353	401
Total gross depreciation and amortisation costs		19,916	18,072
Total depreciation and amortisation costs		19,916	18,072

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives.

Impairment of non-financial assets

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

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

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

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

B3-5 Other expenses

\$ '000	Notes	2023	2022
Impairment of receivables			
Other		59	424
Total impairment of receivables	C1-4	59	424
Other			
Contributions/levies to other levels of government			
– EPA levy		261	256
– NSW fire brigade levy		2,103	1,773
– Parking space levy		254	293
Donations, contributions and assistance to other organisations (Section 356)		445	319
Total other		3,063	2,641
Total other expenses		3,122	3,065

Accounting policy

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

Impairment expenses are recognised when identified.

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

\$ '000	Notes	2023	2022
Gain (or loss) on disposal of plant and equipment	C1-6		
Proceeds from disposal – plant and equipment		313	238
Less: carrying amount of plant and equipment assets sold/written off		(84)	(7)
Gain (or loss) on disposal		229	231
Gain (or loss) on disposal of infrastructure	C1-6		
Less: carrying amount of infrastructure assets sold/written off		(981)	(106)
Gain (or loss) on disposal		(981)	(106)
Gain (or loss) on disposal of investments	C1-2		
Proceeds from disposal/redemptions/maturities – investments		–	126
Less: carrying amount of investments sold/redeemed/matured		–	(126)
Gain (or loss) on disposal		–	–
Gain (or loss) on disposal of non-current assets classified as 'held for sale'	C1-5		
Proceeds from disposal – non-current assets 'held for sale'		460	–
Less: carrying amount of 'held for sale' assets sold/written off		(58)	–
Gain (or loss) on disposal		402	–
Net gain (or loss) from disposal of assets		(350)	125

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 27 June 2022 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
Revenues				
Other revenues	5,552	7,625	2,073	37% F
Safe City/Compliance Revenue up by \$2.6m on previous year due to increased post COVID activity and technological advancements.				
Operating grants and contributions	7,877	9,579	1,702	22% F
Operating Grants and contributions are largely at the discretion of other levels of government after the budget is adopted. Positive variance to budget is due to the decision by the Federal Government to bring forward the payment 2023/24 instalments of the Federal Assistance Grant (FAG) into 2022/23, and due to the receipt of one-off unanticipated grants (such as the "NSW Government Local Government Recovery Grants – NSW Severe Weather and Flooding" grant).				
Capital grants and contributions	9,077	17,865	8,788	97% F
This positive variance is due to a combination of higher than anticipated Developer Contributions (mainly under the Community Infrastructure Contributions Scheme) and the receipt of one-off large grants for specific infrastructure projects (Artarmon Town Centre and Willoughby Leisure Centre)				
Interest and investment revenue	1,625	4,254	2,629	162% F
Positive variance due to higher than anticipated yield of term deposits. budget was set based on RBA forecasts and actual yields were substantially higher.				
Net gains from disposal of assets	131	-	(131)	(100)% U
Gains from sale of fleet assets were offset by net losses on disposal of non-fleet assets (refer Net loss on disposal of assets)				
Other income	14,378	15,296	918	6% F
Lower than anticipated rental income on investment properties (due to vacancies and incentives), offset by higher than budget positive revaluation of investment properties (fair value increment).				
Expenses				
Materials and services	48,464	53,698	(5,234)	(11)% U
Higher than anticipated inflation on a broad range of materials and contracts items coupled with increased activity following three years of lower activity due to COVID restrictions.				
Depreciation, amortisation and impairment of non-financial assets	17,437	19,916	(2,479)	(14)% U
The 2022/23 Budget was adopted prior to the 2021/22 year end revaluation of Property, Plant and Equipment. Due to high inflation on asset replacement costs, assets were revalued upward by \$132 million at the end of 2021/22. This flowed onto higher annual depreciation that was not accounted for in the original 2022/23 budget.				
Other expenses	2,815	3,122	(307)	(11)% U

continued on next page ...

B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
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Negative variance due almost entirely due to higher than anticipated Emergency Services Levy charged by the NSW State Government.

Net losses from disposal of assets	-	350	(350)	∞	U
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This negative variance was due to higher than expected disposals of non-fleet infrastructure assets.

B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
Statement of cash flows				
Cash flows from operating activities	25,899	34,697	8,798	34% F
Higher Grants and Contributions Revenue offset by higher Materials and Services expenditure (inflation and increased activity)				
Cash flows from investing activities	(23,781)	(28,647)	(4,866)	20% U
Higher Operating Cash-Flow and lower Capital Expenditure resulted in Purchase of Investments instead of anticipated sale of investments (funding requirements were lower).				
Cash flows from financing activities	(1,465)	(1,955)	(490)	33% U
Budget did not appropriately capture Principal component on Lease payments (these were captured in cash flows from operating activities).				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2023	2022
Cash assets		
Cash on hand and at bank	1,214	1,308
Cash equivalent assets		
– Deposits at call	11,362	7,173
Total cash and cash equivalents	12,576	8,481

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	12,576	8,481
Balance as per the Statement of Cash Flows	12,576	8,481

Accounting policy

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

C1-2 Financial investments

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Debt securities at amortised cost				
Long term deposits	167,000	21,000	95,000	82,000
Total	167,000	21,000	95,000	82,000
Total financial investments	167,000	21,000	95,000	82,000
Total cash assets, cash equivalents and investments	179,576	21,000	103,481	82,000

Accounting policy

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

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

Investments have been classified as Current Vs Non-current based on whether the maturity is within or outside 12 months.

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 category – those measured at:

- amortised cost

Financial assets are not reclassified subsequent to their initial recognition.

C1-2 Financial investments (continued)

Amortised cost

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

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

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

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

\$ '000	2023	2022
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	200,576	185,481
Less: Externally restricted cash, cash equivalents and investments	<u>(120,378)</u>	<u>(107,260)</u>
Cash, cash equivalents and investments not subject to external restrictions	80,198	78,221
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended loans – general	<u>124</u>	121
External restrictions – included in liabilities	124	121
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	73,834	64,900
Specific purpose unexpended grants (recognised as revenue) – general fund	2,978	2,512
Affordable housing	16,018	15,619
Infrastructure levy reserve	3,829	5,105
Site 1 – CY pres scheme	679	896
Site 2 – CY pres scheme	1,048	1,024
Grants & Contributions Received in Advance	10,110	6,400
Domestic waste management	11,758	10,683
External restrictions – other	120,254	107,139
Total external restrictions	120,378	107,260

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

\$ '000	2023	2022
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	80,198	78,221

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

\$ '000	2023	2022
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Plant and vehicle replacement	3,092	2,771
Employees leave entitlement	2,200	2,200
Asset improvement	1,089	1,121
CBD event activities	137	89
Depot	1,048	415
Election	396	196
Employee overheads	–	1,014
Environmental development plan	6,563	5,803
Flood Investigation	39	39
Information technology	1,670	1,742
Innovation/Digital Hub	–	793
Gore Hill Car Park Reserve	4,777	4,122
Leisure and Recreational Projects	4,185	5,682
Paid parking	1,877	1,802
Property plan	13,948	11,292
Repair to damage-road and footway	511	558
Stormwater management	466	375
The Concourse	9,289	8,425
Victor St Property redevelopment	10,234	8,754
Open space	733	717
Precinct Upgrade	2,552	3,203
Total internal allocations	64,806	61,113

Internal restrictions over cash, cash equivalents and investments are those assets restricted only by Council.

C1-4 Receivables

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
Rates and annual charges	1,755	36	1,842	36
User charges and fees	3,415	–	2,706	–
Accrued revenues				
– Interest on investments	3,313	–	627	–
– Other income accruals	1,657	–	2,830	–
Other debtors	(393)	15	(330)	15
Total	9,747	51	7,675	51
Less: provision for impairment				
User charges and fees	(1,009)	–	(950)	–
Total provision for impairment – receivables	(1,009)	–	(950)	–
Total net receivables	8,738	51	6,725	51

\$ '000	2023	2022
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	950	526
+ new provisions recognised during the year	59	424
Balance at the end of the year	1,009	950

Accounting policy

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

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

When estimating ECL, 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.

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

When considering the ECL for rates and annual charges 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.

Credit losses are measured at 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.

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

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

Where 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.

C1-5 Non-current assets classified as held for sale and disposal

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Non-current assets held for sale				
Land	1,271	-	3,568	-
Buildings	118	-	473	-
Other assets	-	-	626	-
Total non-current assets held for sale	1,389	-	4,667	-
Disposal group assets held for sale				
Land				
Buildings				
Other Assets	-	-	-	-
Total disposal groups held for sale	-	-	-	-
Total non-current assets classified as held for sale	1,389	-	4,667	-

Details of assets and disposal groups

The balance ast at 30 June 2023 comprises 9 Parkes Avenue, Artarmon - Council has approved the sale of this residential property as it sits outside the strategic operations of Council.

During the 2022/23 Financial Year, Council disposed of a small portion of non-useable land at Scott Street (following approval by Council) and also impaired assets related to the Talus Street Reserve (following a successful Native Title claim).

Accounting policy

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

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

C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2022			Asset movements during the reporting period								At 30 June 2023		
	Gross carrying amount Restated	Accumulated depreciation and impairment	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	WIP written off/(to P & L)	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	8,793	–	8,793	8,638	4,444	–	–	(10,239)	(1,918)	–	–	9,717	–	9,717
Plant and equipment	14,803	(8,969)	5,834	90	862	(84)	(1,207)	1,067	–	–	–	15,933	(9,371)	6,562
Office equipment	2,981	(2,627)	354	–	107	–	(103)	18	–	–	–	3,105	(2,729)	376
Furniture and fittings	3,055	(2,099)	956	–	53	–	(162)	404	–	–	–	3,512	(2,261)	1,251
Land:														
– Operational land	540,433	–	540,433	–	–	–	–	–	–	(5,506)	–	534,927	–	534,927
– Community land ²	254,423	–	254,423	–	–	–	–	–	–	–	8,892	263,315	–	263,315
Land improvements – depreciable	5,600	(936)	4,664	–	82	(170)	(92)	81	–	–	–	5,549	(984)	4,565
Infrastructure:														
– Buildings – non-specialised	26,590	–	26,590	–	–	–	–	–	–	(11)	–	26,579	–	26,579
– Buildings – specialised	396,119	(80,526)	315,593	–	259	(96)	(5,419)	527	–	–	18,989	421,948	(92,095)	329,853
– Other structures	10,371	(3,082)	7,289	–	84	–	(306)	–	–	–	522	11,172	(3,583)	7,589
– Roads	340,878	(94,185)	246,693	1,279	1,350	(68)	(4,355)	2,477	–	(29,575)	–	350,390	(132,589)	217,801
– Bridges	11,946	(2,369)	9,577	–	–	–	(185)	–	–	–	366	12,412	(2,654)	9,758
– Footpaths	91,736	(18,394)	73,342	–	–	(34)	(1,464)	3,160	–	–	3,051	98,689	(20,633)	78,056
– Bulk earthworks (non-depreciable)	24,010	–	24,010	–	–	–	–	11	–	–	938	24,959	–	24,959
– Stormwater drainage	167,780	(35,354)	132,426	1,275	209	(261)	(1,488)	1,368	–	–	5,459	175,829	(36,841)	138,988
– Swimming pools	5,461	(1,973)	3,488	–	–	–	(61)	–	–	–	232	5,838	(2,179)	3,659
– Other open space/recreational assets	75,608	(26,541)	49,067	211	1,064	(182)	(4,031)	1,041	–	–	1,824	80,475	(31,481)	48,994
– Other infrastructure	21,012	(4,544)	16,468	73	32	(170)	(252)	85	–	–	932	21,932	(4,764)	17,168
Other assets:														
– Library books	10,438	(9,521)	917	–	226	–	(353)	–	–	–	–	10,664	(9,874)	790
Total infrastructure, property, plant and equipment ²	2,012,037	(291,120)	1,720,917	11,566	8,772	(1,065)	(19,478)	–	(1,918)	(35,092)	41,205	2,076,945	(352,038)	1,724,907

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

(2) The opening balances for Community Land have been adjusted in line with the correction of error (reduction) of (\$77.676M). The details of this correction can be found at Note F3-1.

C1-6 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period									At 30 June 2022		
	Gross carrying amount Restated	Accumulated depreciation and impairment	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjust- ments and transfers	Tfrs from/(to) 'held for sale' category	Reval- uation decrements to equity (ARR)	Reval- uation increments to equity (ARR)	Gross carrying amount Restated	Accumulated depreciation and impairment	Net carrying amount Restated
\$ '000															
Capital work in progress	6,186	–	6,186	1,655	4,533	–	–	(3,580)	(1)	–	–	–	8,793	–	8,793
Plant and equipment	14,099	(8,808)	5,291	–	1,772	(7)	(1,223)	–	1	–	–	–	14,803	(8,969)	5,834
Office equipment	2,981	(2,494)	487	–	–	–	(133)	–	–	–	–	–	2,981	(2,627)	354
Furniture and fittings	3,016	(1,933)	1,083	–	39	–	(166)	–	–	–	–	–	3,055	(2,099)	956
Land:															
– Operational land	508,634	–	508,634	–	–	–	–	–	–	(1,348)	–	33,147	540,433	–	540,433
– Community land ²	256,642	–	256,642	–	–	–	–	–	1	(2,220)	–	–	254,423	–	254,423
Land improvements – depreciable	5,665	(841)	4,824	38	–	–	(96)	–	–	–	(102)	–	5,600	(936)	4,664
Infrastructure:															
– Buildings – non-specialised	26,710	–	26,710	–	–	–	–	–	–	(120)	–	–	26,590	–	26,590
– Buildings – specialised	356,775	(72,512)	284,263	6,779	1,087	–	(4,894)	2,869	–	(352)	–	25,841	396,119	(80,526)	315,593
– Other structures	9,719	(2,616)	7,103	–	–	–	(276)	–	–	–	–	462	10,371	(3,082)	7,289
– Roads	291,827	(90,671)	201,156	2,836	1,154	–	(3,574)	–	2	(113)	–	45,232	340,878	(94,185)	246,693
– Bridges	11,070	(2,198)	8,872	–	–	–	(171)	–	–	–	–	876	11,946	(2,369)	9,577
– Footpaths	82,131	(17,094)	65,037	153	117	–	(1,313)	558	1	(8)	–	8,797	91,736	(18,394)	73,342
– Bulk earthworks (non-depreciable)	22,287	–	22,287	–	–	–	–	–	–	(6)	–	1,729	24,010	–	24,010
– Stormwater drainage	155,006	(34,006)	121,000	605	1,040	(28)	(1,362)	149	1	(10)	–	11,031	167,780	(35,354)	132,426
– Swimming pools	4,940	(1,324)	3,616	–	–	–	(55)	–	–	–	(73)	–	5,461	(1,973)	3,488
– Other open space/recreational assets	71,533	(23,504)	48,029	1,124	557	(61)	(3,857)	–	–	(490)	–	3,765	75,608	(26,541)	49,067
– Other infrastructure	19,342	(4,320)	15,022	47	106	(17)	(231)	–	–	–	–	1,541	21,012	(4,544)	16,468
Other assets:															
– Library books	10,220	(9,119)	1,101	–	214	–	(401)	4	(1)	–	–	–	10,438	(9,521)	917
Total infrastructure, property, plant and equipment ²	1,858,783	(271,440)	1,587,343	13,237	10,619	(113)	(17,752)	–	4	(4,667)	(175)	132,421	2,012,037	(291,120)	1,720,917

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

(2) The opening balances for Community Land have been adjusted in line with the correction of error (reduction) of (\$77.676M). The details of this correction can be found at Note F3-1.

C1-6 Infrastructure, property, plant and equipment (continued)

Accounting policy

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

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

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

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

Useful lives of IPPE

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

Plant and equipment	Years	Transportation assets (cont)	Years
Office equipment	5 to 10	Footpaths bitumen	30
Office furniture	10 to 20	Carparks: pavement	40 to 100
Computer equipment	5		
Vehicles	5	Buildings	
Heavy plant/road making equipment	5	Envelope	40 to 150
Other plant and equipment	5 to 20	Roof	40 to 90
		Floors	60 to 150
Open Space/Recreational Assets		Floor Coverings	15 to 80
Playground equipment	8 to 25	Internal fit-out	20 to 45
Park Furniture & equipment	5 to 40	Mechanical	25 to 35
Playing surfaces	5 to 100	Transportation	25
Reticulation pipes: other	5 to 75	Fire protection	40
Natural assets(garden beds/turf)	5 to 100		
		Other infrastructure assets	
Transportation assets		Other infrastructure	60 to 100
Sealed roads: surface	20 to 40	Land improvements	5 to 50
Sealed roads: pavement	100	Other structures	10 to 100
Major bridges	15 to 100		
Major culverts	20 to 50	Stormwater assets	
Minor structures	60 to 100	Drains	40 to 150
Kerb & gutter concrete	100	Culverts	100 to 150
Footpaths concrete	80	Swimming Pools	100 to 150
		Library Books	5

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

Revaluation model

Infrastructure, property, plant and equipment are held at fair value. Independent comprehensive 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.

C1-6 Infrastructure, property, plant and equipment (continued)

Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008.

Management has assessed that land under roads acquired after 1 July 2008 is immaterial and has elected not to recognise it on this basis.

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

C1-7 Investment properties

\$ '000	2023	2022
Owned investment property		
Investment property on hand at fair value	98,620	96,206
Total owned investment property	98,620	96,206

Owned investment property

At fair value

Opening balance at 1 July	96,206	92,300
Net gain/(loss) from fair value adjustments	2,414	3,906
Closing balance at 30 June	98,620	96,206

Accounting policy

Investment property, principally comprising commercial buildings and units located at the Concourse and works depot sites are held for long-term rental yields and are not occupied by the Council. Changes in fair values are recorded in the Income Statement as part of other income.

C1-8 Other

Other assets

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Prepayments	591	500	1,544	700
Total other assets	591	500	1,544	700

Current other 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	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Total unrestricted assets	591	500	1,544	700
Total other assets	591	500	1,544	700

C2 Leasing activities

C2-1 Council as a lessee

Council leases a number of Personal Computers as well as Photocopiers and Printers. Information relating to the leases in place and associated balances and transactions is provided below.

Buildings

Council does not lease any buildings.

Vehicles

Council does not lease any vehicles.

Office and IT equipment

Council has a number of leases for Computer Equipment as well as Photocopiers and Printers.

Extension options

The extension option of the leases has not been specified, therefore extension options are unable to be calculated.

(a) Right of use assets

\$ '000	Computers & Photocopiers	Total
2023		
Opening balance at 1 July	796	796
Additions to right-of-use assets	673	673
Depreciation charge	(438)	(438)
Balance at 30 June	1,031	1,031
2022		
Opening balance at 1 July	621	621
Additions to right-of-use assets	495	495
Depreciation charge	(320)	(320)
Balance at 30 June	796	796

(b) Lease liabilities

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Lease liabilities	362	484	307	335
Total lease liabilities	362	484	307	335

C2-1 Council as a lessee (continued)

(c) (i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2023					
Cash flows	413	575	–	988	846
2022					
Cash flows	330	381	–	711	642

(d) Income Statement

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

\$ '000	2023	2022
Interest on lease liabilities	42	14
Depreciation of right of use assets	438	320
	480	334

(e) Statement of Cash Flows

Total cash outflow for leases	510	382
	510	382

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

Council has a number of leases at significantly below market for land and buildings which are used for:

- Zenith Theatre
- Joe Ciantar Rehearsal Studio
- Castle Cove Library
- Willoughby Girls High Playing Fields
- Frank Channon Walkway
- West Chatswood Library
- Various waterways
- Vehicle bridge 15 Herbert St - St Leonards
- Land adjoining Artarmon Railway station
- Upper Lane Cove River jetty

The leases have varying terms and require payments of less than \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

None of the leases in place are individually material from a statement of financial position or performance perspective.

C2-1 Council as a lessee (continued)

Accounting policy

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties to community and commercial groups. These leases have been classified as operating leases for financial reporting purposes and the assets are included in the Statement of Financial Position as:

– investment property – where the asset is held predominantly for rental or capital growth purposes (refer note C1-7)

– property, plant and equipment – where the rental is incidental, or the asset is held to meet Councils service delivery objective (refer note C1-6).

\$ '000	2023	2022
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(i) Assets held as investment property

Investment property operating leases relate to units and retail premises at The Concourse, units at Councils Depot complex and the Regency Leisure Centre.

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

Lease income (excluding variable lease payments not dependent on an index or rate)	5,383	5,661
Total income relating to operating leases for investment property assets	5,383	5,661

Operating lease expenses

Direct operating expenses that generated rental income	613	759
Total expenses relating to operating leases	613	759

continued on next page ...

C2-2 Council as a lessor (continued)

\$ '000	2023	2022
(ii) Assets held as property, plant and equipment		
Council provides operating leases on Council buildings for the purpose of community or commercial activities. The table below relates to operating leases on assets disclosed in C1-6.		
Lease income (excluding variable lease payments not dependent on an index or rate)	7,499	6,070
Total income relating to operating leases for Council assets	7,499	6,070

(iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:

Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

< 1 year	9,723	9,232
1–2 years	9,182	8,308
2–3 years	8,999	7,626
3–4 years	8,241	7,133
4–5 years	6,251	6,693
> 5 years	161,281	154,649
Total undiscounted lease payments to be received	203,677	193,641

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
Goods and services – operating expenditure	3,308	–	7,994	–
Prepaid rates	46	–	40	–
Accrued expenses:				
– Borrowings	77	–	82	–
– Salaries and wages	726	–	577	–
– Other expenditure accruals	3,146	–	3,047	–
Security bonds, deposits and retentions	16,549	–	14,502	–
Other	413	–	401	–
Total payables	24,265	–	26,643	–

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

\$ '000	2023	2022
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	12,571	11,193
Total payables	12,571	11,193

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (received prior to performance obligations being satisfied)	(i)	10,110	-	6,400	-
Total grants received in advance		10,110	-	6,400	-
User fees and charges received in advance:					
Other	(iii)	2,411	-	1,674	-
Total user fees and charges received in advance		2,411	-	1,674	-
Total contract liabilities		12,521	-	8,074	-

Notes

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

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

(iii) Upfront membership or swim school fees for the leisure centre do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue over the expected average membership life.

Upfront fees for DA fees are recognised as revenue under AASB15 when the DA determination is complete. Undetermined DAs are recognised as a contract liability.

Upfront fees for Hoarding permits and restorations are recognised under AASB15 when the performance obligations are completed. Obligations not satisfied are recognised as contract liabilities.

Accounting policy

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

C3-3 Borrowings

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
Loans – secured ¹	1,205	35,878	1,413	36,452
Deferred payment liabilities	75	342	75	415
Total borrowings	1,280	36,220	1,488	36,867

(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 D1-1.

(a) Changes in liabilities arising from financing activities

\$ '000	2022		Non-cash movements				2023
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	37,865	(1,413)	–	–	–	631	37,083
Lease liability (Note C2-1b)	642	204	–	–	–	–	846
Deferred payment liabilities	490	(73)	–	–	–	–	417
Total liabilities from financing activities	38,997	(1,282)	–	–	–	631	38,346

\$ '000	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	38,661	(1,356)	–	–	–	560	37,865
Lease liability (Note C2-1b)	514	128	–	–	–	–	642
Deferred payment liabilities	564	(74)	–	–	–	–	490
Total liabilities from financing activities	39,739	(1,302)	–	–	–	560	38,997

(b) Financing arrangements

\$ '000	2023	2022
Total facilities		
Bank overdraft facilities ¹	1,200	1,200
Credit cards/purchase cards	100	91
Total financing arrangements	1,300	1,291
Drawn facilities		
– Credit cards/purchase cards	20	11
Total drawn financing arrangements	20	11
Undrawn facilities		
– Bank overdraft facilities	1,200	1,200
– Credit cards/purchase cards	80	80
Total undrawn financing arrangements	1,280	1,280

Additional financing arrangements information

Breaches and defaults

During the current and prior 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.

C3-3 Borrowings (continued)

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Annual leave	3,408	–	3,578	–
Long service leave	5,833	436	5,728	429
Gratuities	–	178	–	179
ELE on-costs	1,034	41	995	38
Total employee benefit provisions	10,275	655	10,301	646

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

\$ '000	2023	2022
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	6,269	6,220
	6,269	6,220

Description of and movements in provisions

\$ '000	ELE provisions				Total
	Annual leave	Long service leave	ELE on-costs	Other employee benefits	
2023					
At beginning of year	3,578	6,157	1,033	179	10,947
Additional provisions	2,825	1,319	–	(5)	4,139
Amounts used (payments)	(3,068)	(1,339)	(36)	–	(4,443)
Remeasurement effects	73	132	78	4	287
Total ELE provisions at end of year	3,408	6,269	1,075	178	10,930
2022					
At beginning of year	3,535	7,474	934	183	12,126
Additional provisions	2,879	1,022	–	17	3,918
Amounts used (payments)	(2,795)	(1,640)	(74)	–	(4,509)
Remeasurement effects	(41)	(699)	173	(21)	(588)
Total ELE provisions at end of year	3,578	6,157	1,033	179	10,947

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

C3-4 Employee benefit provisions (continued)

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.

D Risks and accounting uncertainties

D1-1 Risks relating to financial instruments held

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

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

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

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

\$ '000	Carrying value 2023	Carrying value 2022	Fair value 2023	Fair value 2022
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	12,576	8,481	12,576	8,481
Receivables	8,789	6,776	8,789	6,776
– Debt securities at amortised cost	188,000	177,000	188,000	177,000
Total financial assets	209,365	192,257	209,365	192,257
Payables	24,265	26,643	24,265	26,641
Borrowings	37,500	38,355	37,500	38,355
Total financial liabilities	61,765	64,998	61,765	64,996

Fair value is determined as follows:

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

The risks associated with the financial instruments held are:

- interest rate risk – the risk that movements in interest rates could affect returns
- 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 a contracting entity will not complete its obligations under a financial instrument, resulting in a financial loss to the Council.

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

D1-1 Risks relating to financial instruments held (continued)

(a) Market risk – interest rate and price risk

\$ '000	2023	2022
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	1,880	1,770

(b) Credit risk

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

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

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

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	overdue rates and annual charges		Total
		< 5 years	≥ 5 years	
2023				
Gross carrying amount	36	1,652	103	1,791
2022				
Gross carrying amount	–	1,791	87	1,878

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
2023						
Gross carrying amount	4,970	735	109	600	1,593	8,007
ECL provision	–	–	–	–	–	–
2022						
Gross carrying amount	5,551	86	375	(545)	381	5,848

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D1-1 Risks relating to financial instruments held (continued)

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
ECL provision	–	–	–	–	–	–

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
2023							
Payables	0.00%	16,549	7,716	–	–	24,265	24,265
Borrowings	0.00%	–	1,280	5,890	30,330	37,500	37,500
Total financial liabilities		16,549	8,996	5,890	30,330	61,765	61,765
2022							
Payables	0.00%	14,502	12,139	–	–	26,641	26,643
Borrowings	5.20%	–	1,482	6,887	29,986	38,355	38,355
Total financial liabilities		14,502	13,621	6,887	29,986	64,996	64,998

Loan agreement breaches

There have not been any breaches to loan agreements during the reporting year.

D2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Investment property

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).

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022 Restated	2023	2022 Restated	2023	2022 Restated
Recurring fair value measurements							
Investment property C1-7							
Retail & Commercial Premises		98,620	96,206	–	–	98,620	96,206
Total investment property		98,620	96,206	–	–	98,620	96,206
Infrastructure, property, plant and equipment C1-6							
Operational Land		534,927	540,433	–	–	534,927	540,433
Community Land		–	–	263,315	254,423	263,315	254,423
Land Improvements Depreciable		–	–	4,565	4,664	4,565	4,664
Buildings-Non Specialised		–	–	26,579	26,590	26,579	26,590
Buildings-Specialised		–	–	329,853	315,593	329,853	315,593
Other Structures		–	–	7,589	7,289	7,589	7,289
Roads		–	–	217,801	246,693	217,801	246,693
Bridges		–	–	9,758	9,577	9,758	9,577
Footpaths		–	–	78,056	73,342	78,056	73,342
Bulk Earthworks		–	–	24,959	24,010	24,959	24,010
Stormwater Drainage		–	–	138,988	132,426	138,988	132,426
Swimming Pools		–	–	3,659	3,488	3,659	3,488
Other Open Space/Recreational		–	–	48,994	49,067	48,994	49,067
Other Infrastructure Assets		–	–	17,168	16,468	17,168	16,468
Total infrastructure, property, plant and equipment		534,927	540,433	1,171,284	1,163,630	1,706,211	1,704,063

Valuation techniques

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

During the revaluation of Community Land in 2022/23, it was noted that the value assigned to Willoughby City Council's Community Land asset class during a revaluation in the 2020/21 Financial Statements was incorrect, resulting in the need to re-tate prior period balances and disclose a prior period correction of error. Refer Note F3-1.

D2-1 Fair value measurement (continued)

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

Investment property

Council obtains independent valuations of its investment property on an annual basis to ensure to financial statements reflect the most up to date valuation.

Daniel Atherton - Registered Valuer NSW : VAL 015214 - APV Valuers and Asset Management undertook the valuation for the year ended 30 June 2023. The following method was used to determine the fair value measurements.

Land - Level 2 valuation inputs were used to value land held in freehold title (investment and non investment) as well as land used for special purposes which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as characteristics of the land, such as size, zoning, topography, configuration. The most significant inputs into this valuation is price per square metre.

Buildings - Level 2 valuation inputs were used to determine the fair value of a range of properties. These have been generally derived using a combination of a sales direct comparison approach and a capitalisation of income approach. Fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are rental yields and price per square metre. There has been no change in the valuation process during the reporting period.

Infrastructure, property, plant and equipment (IPPE)

Operational Land

This asset class incorporates all of Council's land classified as "Operational" under the NSW Local Government Act 1993. The key unobservable input to the valuation is price per square metre. The last full valuation was undertaken on 30 June 2022 by APV Valuers and Asset Management. An external desktop valuation was undertaken by APV Valuers and Aset Management at 30 June 2023.

Land - Level 2 valuation inputs were used to value land held in freehold title (investment and non-investment) as well as land used for special purposes which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size.

The most significant inputs into this valuation is price per square metre. There has been no change in the valuation process during the reporting period.

Community Land

Council's Community Land valuations have been performed internally based on Valuer General's valuations for rating purposes. Community Land was revalued at 30th June 2023 using the Valuer General's most current valuation data from 30th June 2022.

A revaluation of the Community Land asset class was undertaken in 2021 resulting in a \$68.8 million revaluation increment being accountd for in the 2020/21 Financial Statements for Willoughby City Council. During the valuation for 2022/23, it was noted the value assigned to Willoughby City Council's Community Land asset class during the revaluation in the 2020/21 Financial Statements was incorrect, resulting in the need to re-state prior period balances and disclose a prior period correction of error of \$77.7 million. Refer Note F3-1 for further details.

Land Improvements - Depreciable

This asset class comprises land improvements such as walking tracks. This fair valuation is undertaken annually by Council staff. The valuation is based on estimations of gross replacement cost, rates per square metre, asset condition, useful life and the pattern of consumption and has been valued using level 3 inputs.

Buildings - Non Specialised

Buildings were valued by APV Valuers and Asset Management in June 2022 using the market approach. An external desktop valuation was undertaken by APV Valuers and Aset Management at 30 June 2023.

The residential properties fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

These assets are classified as having been valued using level 2 valuation inputs. There have been no changes in the valuation process during the reporting period.

D2-1 Fair value measurement (continued)

Buildings - Specialised

Buildings were valued by APV Valuers and Asset Management in June 2022 using the cost approach. An external desktop valuation was undertaken by APV Valuers and Asset Management at 30 June 2023.

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 the unit rates based on square metres could be supported from market evidence (Level 2), other inputs (such as estimates of useful lives, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value.

These assets are classified as having been valued using level 3 valuation inputs. There have been no changes in the valuation process during the reporting period.

Other Structures

This asset class includes assets such as The Chatswood Solar Farm, Public Art structures and The Water Treatment Tank at The Concourse were valued by APV Valuers and Asset Management in June 2022 using the cost approach. Under this approach the cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. The valuer disaggregated the assets into different components and for each component determined a value based on such factors as asset condition, legal and commercial obsolescence. An external desktop valuation was undertaken by APV Valuers and Asset Management at 30 June 2023.

These assets are classified as having been valued using level 3 valuation inputs. There have been no changes in the valuation process during the reporting period.

Roads

This class of asset includes road pavement, surface and formation, kerb and guttering, car parks and road side assets. A full revaluation of road assets has been undertaken at 30 June 2023. Council engaged an external provider "Pavement Management Services" in 2022 to undertake a pavement condition survey of its sealed road network which captured defects such as fatigue cracking, environmental cracking, pothole patching, ravelling roughness and rutting. With these defects, a condition score was established and subsequent fair value was calculated using a straight line calculation. Gross replacement costs are based on tendered South Sydney Regional Organisation of Councils (SSROC) tendered unit rates. Council uses these tendered rates from day to day for road construction.

These assets are classified as having been valued using Level 2 valuation inputs (as opposed to level 3 valuation inputs in prior years). This is due to the full revaluation this year, the external pavement condition survey, and use of the tender rates that are currently used for asset replacement.

Bridges

We have undertaken a desktop analysis for Bridges assets this year, unit rates are reviewed and indexed based on PPI (Producer Price Index) this year. This asset class is fair valued internally by Council staff. Whilst the unit and linear metre rates could be supported from market evidence (Level 2), other inputs (such as useful lives, patterns of consumption and asset condition) required extensive professional judgement which impacted significantly on the final determination of fair value.

These assets are classified as having been valued using Level 3 valuation inputs. There has been no change in the valuation process during the reporting period.

Footpaths

This class of asset includes footpaths and pedestrian fencing. We have undertaken a desktop analysis for Footpath assets this year, unit rates are reviewed and indexed based on Tender panel rates PPI (Producer Price Index) from date of last tender in 2018. This asset class is fair valued internally by Council staff. Whilst the unit rates based on square metres could be supported from market evidence (Level 2), other inputs (such as useful lives, pattern of consumption and asset condition) required extensive professional judgement which impacted significantly on the final determination of fair value.

These assets are classified as having been valued using Level 3 valuation inputs. There has been no change in the valuation process during the reporting period.

Bulk Earthworks

We have undertaken a desktop analysis for Bulk Earthwork assets this year, unit rates are reviewed and indexed based on PPI (Producer Price Index) this year. This asset class is fair valued internally by Council staff. Whilst the unit rate is based on a per square metre rate could be supported from market evidence (Level 2), other inputs (such as useful lives, pattern of consumption and asset condition) required extensive professional judgement which impacted significantly on the final determination of fair value.

These assets are classified as having been valued using level 3 valuation inputs. There has been no change in the valuation process during the reporting period.

D2-1 Fair value measurement (continued)

Stormwater Drainage

This class of asset includes Stormwater Conduits, Pits and Gross Pollutant Traps. We have undertaken a desktop analysis for Stormwater Drainage assets this year, unit rates are reviewed and indexed based on PPI (Producer Price Index) this year. This asset class is fair valued internally by Council staff. Whilst the unit rates based on linear metres could be supported from market evidence (Level 2), other inputs (such as useful lives, gross replacement cost, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. These assets are classified as having been valued using Level 3 inputs. There has been no change in the valuation process during the reporting period.

Swimming Pools

This class of asset includes the pool at the Willoughby Leisure Centre together with the Ocean pool at Northbridge Baths. Swimming Pools are valued by APV Valuers and Asset management in June 2022 using the cost approach. The valuation required inputs such as gross replacement cost, assessment of useful life, residual value and pattern of consumption and as a result has been valued using Level 3 inputs.

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

Other Open Space/Recreational

This class of asset includes Playgrounds, Parks, Sporting Fields, Open Space Footpaths and Bushland Assets. This class of asset is fair valued annually by Council staff. We have undertaken a desktop analysis for Open Space assets this year, unit rates are reviewed and indexed based on PPI (Producer Price Index) this year. This asset class is fair valued internally by Council staff. The valuation has been materially impacted by estimations of gross replacement cost, rates per square metre, asset condition, useful lives and pattern of consumption and has been valued using Level 3 inputs. There has been no change in the valuation process during the reporting period.

Other Infrastructure Assets

This class of asset includes Retaining wall assets. We have undertaken a desktop analysis for Other Infrastructure assets this year, unit rates are reviewed and indexed based on PPI (Producer Price Index) this year. This asset class is fair valued internally by Council staff. Whilst the unit rates based on square metres could be supported from market evidence (Level 2), other inputs such as (useful lives, pattern of consumption and asset condition) required extensive professional judgement which impacted significantly on the final determination of fair value. These assets are classified as having been valued using Level 3 valuation inputs. There has been no change in the valuation process during the reporting period.

Fair value measurements using significant unobservable inputs (level 3)

The valuation process for level 3 fair value measurements

AASB 13 Fair Value Measurement requires disclosure of fair value measurement by level of input, using the following hierarchy;

- Level 1 - Quoted prices (unadjusted) 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 - Unobservable inputs for asset or liability

Fair Value - Valuation Techniques

The valuation techniques prescribed by AASB 13 can be summarised as:

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

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

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

(1) Valuation techniques used to derive Level 2 and Level 3 inputs are as follows:

D2-1 Fair value measurement (continued)

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:

Level 2 Valuation:

- Quoted prices for similar asset in active markets
- Current replacement cost concept
- Purchase Price
- Useful Lives

Level 3 Valuation:

- Pattern of consumption
- Asset condition
- Unit rates
- Useful lives

(2) Transfers between hierarchy

Council's policy for determining when transfers into different levels of the hierarchy have occurred is at the end of the reporting period. During the reporting period the Road asset class has been transferred from Level 2 to Level 3 following a full revaluation, an external pavement survey and the use of actual tender rates

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

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

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Community Land	Cost Approach	Unimproved Capital Value provided by NSW Valuer General.
Land improvements depreciable	Cost Approach	Replacement Cost - Unit rates vary from asset to asset. Asset condition 1-5 Excellent to very poor. Useful life 5 to 50 years.
Building specialised	Cost Approach	Replacement Cost - Unit Rates vary from asset to asset. Asset Condition rating 1-5 Excellent to very poor. Useful life 15 to 150 years. Components: Envelope, Roof, Floors, Floor Coverings, Internal fit-out, Mechanical, Transportation and Fire Protection
Other structures	Cost Approach	Replacement Cost vary from asset to asset. Asset Condition rating 1 to 5 Excellent to very poor. Useful life 10 to 100 years.
Bridges	Cost Approach	Replacement Cost vary from asset to asset. Asset condition rating 1 to 5 Excellent to very poor. Useful life 20 to 100 years.
Footpaths	Cost Approach	Replacement cost - Unit rates vary from asset to asset. Asset condition rating 1 to 5 Excellent to very poor. Useful life 30 to 80 years.
Bulk earthworks (non-depreciable)	Cost Approach	Replacement cost- Unit rate \$13.24. Asset Condition rating 1 to 5 Excellent to very poor. Useful life 500 years to indefinite.

D2-1 Fair value measurement (continued)

	Valuation technique/s	Unobservable inputs
Stormwater drainage	Cost Approach	Replacement cost vary from asset to asset. Asset Condition rating 1 to 5 Excellent to very poor. Useful life 40 to 150 years.
Swimming pools	Cost Approach	Replacement Costs vary from asset to asset. Asset Condition rating 1 to 5 Excellent to very poor. Useful life 100 to 150 years.
Other open space recreational	Cost Approach	Replacement costs vary from asset to asset. Asset Condition rating 1 to 5 Excellent to Very poor. Useful life 10 to 100 years.
Other infrastructure assets	Cost Approach	Replacement costs vary from asset to asset. Asset Condition rating 1 to 5 Excellent to very poor. Useful life 60 to 100 years.

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

\$ '000	Community Land		Land improv- ements depreciable		Building specialised		Other structures	
	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance	332,099	334,318	4,664	4,824	315,593	284,263	7,289	7,103
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	(65,088)	–	–	(102)	19,107	25,841	522	462
Other movements								
Transfers from/(to) another asset class	–	(2,220)	–	–	–	(352)	–	–
Transfers to & from Other Category	(2)	1	–	–	–	2,869	–	–
Purchases (GBV)	2,156	–	162	38	785	7,866	84	–
Depreciation and impairment	–	–	(261)	(96)	(5,632)	(4,894)	(306)	(276)
Closing balance	269,165	332,099	4,565	4,664	329,853	315,593	7,589	7,289

\$ '000	Roads		Bridges		Footpaths		Bulk earthworks (non- depreciable)	
	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance	246,692	201,156	9,577	8,872	73,342	65,037	24,010	22,287
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	(29,576)	45,232	366	876	3,050	8,797	937	1,729
Other movements								
Transfers from/(to) another asset class	–	(112)	–	–	–	(7)	–	(6)
Transfers to & from Other Category	–	–	–	–	–	558	–	–
Purchases (GBV)	5,107	3,990	–	–	3,160	270	12	–
Depreciation and impairment	(4,422)	(3,574)	(185)	(171)	(1,496)	(1,313)	–	–
Closing balance	217,801	246,692	9,758	9,577	78,056	73,342	24,959	24,010

D2-1 Fair value measurement (continued)

\$ '000	Stormwater drainage		Swimming pools		Other open space recreational		Other infrastructure assets	
	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance	132,426	121,000	3,488	3,616	49,067	48,029	16,468	15,022
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	5,458	11,031	231	(73)	1,824	3,765	814	1,541
Other movements								
Transfers from/(to) another asset class	–	(37)	–	–	–	(551)	–	(17)
Transfers to & from Other Category	–	149	–	–	–	–	–	–
Purchases (GBV)	2,852	1,645	–	–	2,316	1,681	197	153
Depreciation and impairment	(1,748)	(1,362)	(60)	(55)	(4,213)	(3,857)	(311)	(231)
Closing balance	138,988	132,426	3,659	3,488	48,994	49,067	17,168	16,468

\$ '000	Total	
	2023	2022
Opening balance	1,214,715	1,115,527
Recognised in other comprehensive income – revaluation surplus	(62,355)	99,099
Transfers from/(to) another asset class	–	(3,302)
Transfers to & from Other Category	(2)	3,577
Purchases (GBV)	16,831	15,643
Depreciation and impairment	(18,634)	(15,829)
Closing balance	1,150,555	1,214,715

Information relating to the transfers into and out of the level 3 fair valuation hierarchy includes:

During the year, Roads were transferred from Level 3 to Level hierarchy due to the comprehensive revaluation

Highest and best use

All of Council's non-financial assets are considered as being utilised for their highest and best use following due consideration to: physical possibility, legal permissibility, financial feasibility and maximum profitability.

Implied within these criteria is the recognition of the contribution of that specific use to the community's environment and development goals.

D3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

* For 180 Point Members, Employers are required to contribute 7.5% of salaries for the year ending 30 June 2022 (increasing to 8.0% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$20.0 million per annum for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2022. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

D3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 20232 was **\$282,099.28**. The last valuation of the Scheme was performed by Richard Boyfield, Fellow of the Institute of Actuaries of Australia on **30 June 2022** and covers the period ended **30 June 2023**.

The amount of additional contributions included in the total employer contribution advised above is **\$151,066.56**. Council's expected contribution to the plan for the next annual reporting period is **\$285,721.32**.

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

Defined Benefit reserves only *	\$millions	Asset Coverage
Assets	2,290.9	
Past Service Liabilities	2,236.1	102.4%
Vested Benefits	2,253.6	101.7%

* excluding member accounts and reserves in both assets and liabilities.

The share of this deficit that is broadly attributed to Council is estimated to be in the order of **\$172,933.44** as at 30 June 2023.

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

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

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	6.0% for FY 2022/23 2.5% per annum thereafter

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

(iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

(iv) Other guarantees

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

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

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

2. Other liabilities

D3-1 Contingencies (continued)

(i) Third party claims

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

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

(ii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or for similar public purposes.

As a result, if notified by the owners of those parcels, Council may be required to acquire the land where the owner can demonstrate that he or she will suffer hardship if acquisition of the land is delayed.

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.

ASSETS NOT RECOGNISED

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. Council does not consider the value of outstanding income to be material.

E People and relationships

E1 Related party disclosures

E1-1 Key management personnel (KMP)

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

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

\$ '000	2023	2022
Compensation:		
Short-term benefits	1,344	1,410
Total	1,344	1,410

Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed. There are no other disclosures to be made by KMP.

E1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2023	2022
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	71	70
Councillors' fees	349	314
Other Councillors' expenses (including Mayor)	98	61
Total ¹	518	445

(1) Total Councillor and Mayoral Fees and associated expenses have increased between 2021/22 and 2022/23 due to indexation and due to the inclusion of Superannuation on Councillor and Mayor Fees in 2022/23

E2 Other relationships

E2-1 Audit fees

\$ '000	2023	2022
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	100	96
Remuneration for audit and other assurance services	100	96
Total Auditor-General remuneration	100	96
Non NSW Auditor-General audit firms		
Total audit fees	100	96

F Other matters

F1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2023	2022
Net operating result from Income Statement	15,022	11,926
Add / (less) non-cash items:		
Depreciation and amortisation	19,916	18,072
(Gain) / loss on disposal of assets	350	(125)
Non-cash capital grants and contributions	–	(1,318)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investment property	(2,414)	(3,906)
– Fair valuation adjustment (re-measurement) of existing loans to Council	631	561
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(2,072)	(1,118)
Increase / (decrease) in provision for impairment of receivables	59	424
(Increase) / decrease of other current assets	1,153	572
Increase / (decrease) in payables	(4,686)	1,321
Increase / (decrease) in accrued interest payable	(5)	(6)
Increase / (decrease) in other accrued expenses payable	248	322
Increase / (decrease) in other liabilities	2,065	2,244
Increase / (decrease) in contract liabilities	4,447	1,081
Increase / (decrease) in employee benefit provision	(17)	(1,179)
Net cash flows from operating activities	34,697	28,871

F2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2023	2022
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Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Buildings	3,260	822
Plant and equipment	719	251
Footpaths	7,125	1,136
Roads	128	2,289
Drainage	294	270
Open Space	195	564
Other	325	35
Swimming Pool	30,764	509
Total commitments	42,810	5,876

These expenditures are payable as follows:

Within the next year	37,810	5,876
Later than one year and not later than 5 years	5,000	–
Total payable	42,810	5,876

Sources for funding of capital commitments:

Unrestricted general funds	856	261
Sect 64 and 94 funds/reserves	9,612	1,733
Other reserves	32,342	3,882
Total sources of funding	42,810	5,876

Details of capital commitments

Council has committed to large projects such as The Willoughby Leisure Centre upgrade (Swimming Pool) and Artarmon Centre Streetscapes.

F3 Changes from prior year statements

F3-1 Correction of errors

Nature of prior period error

Incorrect Revaluation of Community Land asset class in the 2020/21 Financial Statements

A revaluation of the Community Land asset class was undertaken in 2021 resulting in a \$68.8 million revaluation increment being accounted for in the 2020/21 Financial Statements for Willoughby City Council. During the valuation for 2022/23, it was noted the value assigned to Willoughby City Council's Community Land asset class during the revaluation in the 2020/21 Financial Statements was incorrect, resulting in the need to re-state prior period balances and disclose a prior period correction of error.

In 2021, to value certain parcels of lands, an average rate per square metre was calculated (being the Total Land values for those parcels that had VG valuations divided by the total square metres of those parcels).

A subsequent revaluation of the Community Land asset class was performed in 2022/23 due to the availability of new (2022) Valuer General data for properties in the local government area (VG provides updated valuation on a tri-annual basis).

The 2022 Valuer General Data included both 2019 and 2022 VG land values for a number of properties previously valued using a calculated average.

This valuation confirmed that the use of average rates per square metre resulted in an overstatement of the Community Land asset class by \$77.676 million in the 2020/21 Financial Statements.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2021) and taking the adjustment through to the Infrastructure Property Plant and Equipment (IPPE) Revaluation Reserve at that date. Community Land had \$79.1 million in the asset revaluation reserve for that class, sufficient to absorb the write-down of asset values.

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

Changes to the opening Statement of Financial Position at 1 July 2021 and 30 June 2022

Statement of Financial Position as at 1 July 2021

\$ '000	Original Balance 1 July, 2021	Impact Increase/ (decrease)	Restated Balance 1 July, 2021
Infrastructure, property, plant and equipment (IPPE)	1,665,019	(77,676)	1,587,343
Total assets	1,947,550	(77,676)	1,869,874
Total liabilities	81,620	–	81,620
Net assets	1,865,930	(77,676)	1,788,254
Accumulated surplus	1,235,959	–	1,235,959
Revaluation Reserve	629,971	(77,676)	552,295
Total equity	1,865,930	(77,676)	1,788,254

F3-1 Correction of errors (continued)

Adjustments to the comparative figures for the year ended 30 June 2022

\$ '000	Original Balance 30 June, 2022	Impact Increase/ (decrease)	Restated Balance 30 June, 2022
Adjustment for Prior Year Error:			
Infrastructure, property, plant and equipment (IPPE)	1,798,593	(77,676)	1,720,917
Total assets	2,094,763	(77,676)	2,017,087
Total liabilities	84,661	–	84,661
Net assets	2,010,102	(77,676)	1,932,426
Accumulated surplus	1,247,885	–	1,247,885
Revaluation reserves	762,217	(77,676)	684,541
Total equity	2,010,102	(77,676)	1,932,426

F4 Statement of developer contributions as at 30 June 2023

F4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
Traffic facilities	1,611	–	–	–	28	(800)	–	839	–
Parking	326	–	–	–	7	–	–	333	–
Child Care	3,432	–	–	–	80	(110)	–	3,402	–
S94 - Non CBD	13,353	499	–	–	271	(4,294)	–	9,829	–
S94 CBD	3,071	3	–	–	64	(754)	–	2,384	–
S7.11 Recoupment - Open Space Recreation	1	39	–	–	1	–	–	41	–
S7.11 Recoupment - Community Facilities	203	740	–	–	14	–	–	957	–
S7.11 Open Space and Recreation Facilities	1,012	3,848	–	–	70	–	–	4,930	–
Active Transport and Public Domain Facilities	66	210	–	–	4	–	–	280	–
S7.11 Plan Administration	–	72	–	–	–	(72)	–	–	–
S7.12 CBD	509	27	–	–	12	–	–	548	–
S7.12 Non - CBD	3,593	1,643	–	–	105	–	–	5,341	–
S7.11 contributions – under a plan	27,177	7,081	–	–	656	(6,030)	–	28,884	–
Total S7.11 and S7.12 revenue under plans	27,177	7,081	–	–	656	(6,030)	–	28,884	–
S7.4 planning agreements	37,723	7,272	–	–	968	(1,014)	–	44,949	–
Total contributions	64,900	14,353	–	–	1,624	(7,044)	–	73,833	–

F4-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2022	Contributions received during the year				Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other						
CONTRIBUTION PLAN NUMBER 1 – WILLOUGHBY CITY COUNCIL										
Traffic facilities	1,611	–	–	–	28	(800)	–	839	–	
Parking	326	–	–	–	7	–	–	333	–	
Child Care	3,432	–	–	–	80	(110)	–	3,402	–	
S94A - Non CBD	13,353	499	–	–	271	(4,294)	–	9,829	–	
S94 A - CBD	3,071	3	–	–	64	(754)	–	2,384	–	
S7.11 Recoupment - Open Space Recreation	1	39	–	–	1	–	–	41	–	
S7.11 Recoupment - Community Facilities	203	740	–	–	14	–	–	957	–	
S7.11 Open Space and Recreation Facilities	1,012	3,848	–	–	70	–	–	4,930	–	
Active Transport and Public Domain Facilities	66	210	–	–	4	–	–	280	–	
S7.11 Plan Administration	–	72	–	–	–	(72)	–	–	–	
S7.12 CBD	509	27	–	–	12	–	–	548	–	
S7.12 Non - CBD	3,593	1,643	–	–	105	–	–	5,341	–	
Total	27,177	7,081	–	–	656	(6,030)	–	28,884	–	

F4-3 S7.4 planning agreements

S7.4 planning agreements

Gore Hill Development	30,032	–	–	–	710	(183)	–	30,559	–
Thomas Street	2,402	–	–	–	47	(831)	–	1,618	–
Frederick Street	243	–	–	–	6	–	–	249	–
Walter Street	2,572	–	–	–	61	–	–	2,633	–
Anderson & Help Street VPAs	2,474	–	–	–	58	–	–	2,532	–
44-52 Anderson Street, Chatswood	–	2,405	–	–	28	–	–	2,433	–
753 Pacific Highway, 15 Ellis Street	–	682	–	–	8	–	–	690	–
613 to 627 Pacific Highway, Chatswood	–	532	–	–	6	–	–	538	–
3 Ellis Street, Chatswood	–	300	–	–	4	–	–	304	–
815 Pacific Highway and 15 Help Street	–	75	–	–	1	–	–	76	–
54-56 Anderson Street, Chatswood	–	1,058	–	–	13	–	–	1,071	–
753 Pacific Highway, 15 Ellis Street VPA 2	–	1,421	–	–	17	–	–	1,438	–
5-9 Gordon Avenue	–	546	–	–	6	–	–	552	–
9-11 Nelson Street	–	253	–	–	3	–	–	256	–
Total	37,723	7,272	–	–	968	(1,014)	–	44,949	–

F5 Statement of performance measures

F5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022 2021		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(4,848)	(4.08)%	(2.42)%	(1.26)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	118,968				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	109,389	79.94%	84.29%	86.45%	> 60.00%
Total continuing operating revenue ¹	136,833				
3. Unrestricted current ratio					
Current assets less all external restrictions ³	89,316	2.99x	2.90x	4.93x	> 1.50x
Current liabilities less specific purpose liabilities	29,863				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	17,322	4.12x	4.51x	4.59x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	4,209				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	1,791	2.50%	2.59%	2.17%	< 5.00%
Rates and annual charges collectable	71,646				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	200,576	22.18	22.00	21.57	> 3.00
Monthly payments from cash flow of operating and financing activities	9,043	months	months	months	months

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

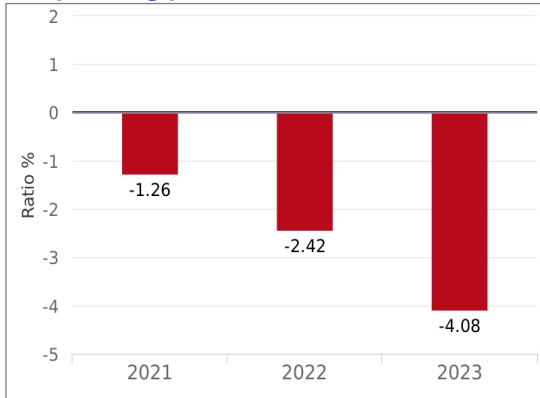
(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

End of the audited financial statements

G Additional Council disclosures (unaudited)

G1-1 Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2022/23 result

2022/23 ratio (4.08)%

Council did not achieve the Operating Performance Ratio benchmark of 0% in 2022/23 due to recording an operating deficit.

The 2022/23 deficit is primarily due to high inflation and costs growing faster than revenue.

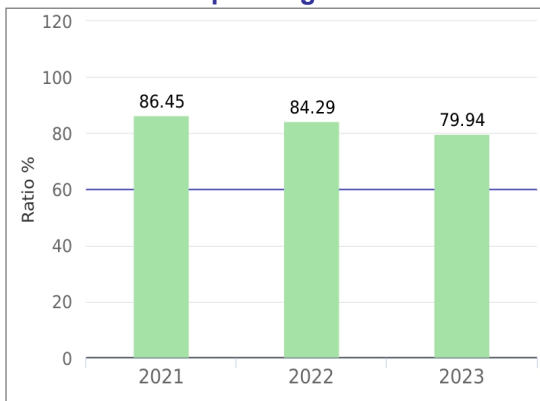
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2022/23 result

2022/23 ratio 79.94%

Council's Own Source Operating ratio decreased slightly in 2022/23 due to higher operational grants and a decrease in rates income (due to the cessation of a 7 year infrastructure levy).

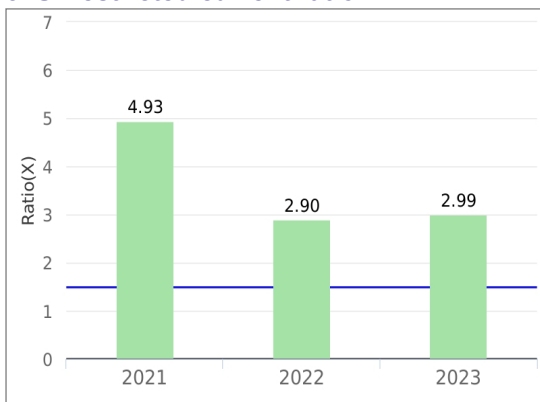
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2022/23 result

2022/23 ratio 2.99x

Council's Unrestricted Current Ratio increased slightly this year and at 30 June 2023 is more than double the 1.5% benchmark. This confirms Council is in a solvent financial position.

Benchmark: — > 1.50x

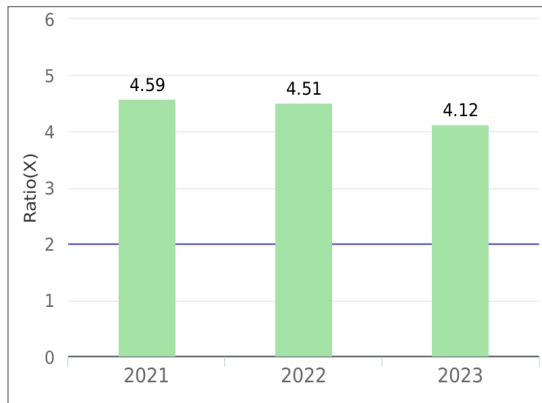
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

G1-1 Statement of performance measures – consolidated results (graphs) (continued)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2022/23 result

2022/23 ratio 4.12x

Council's debt service ratio is slightly lower than the previous year due to a lower operating result but remains well above benchmark. This indicates that Council has ample capacity to service its debt.

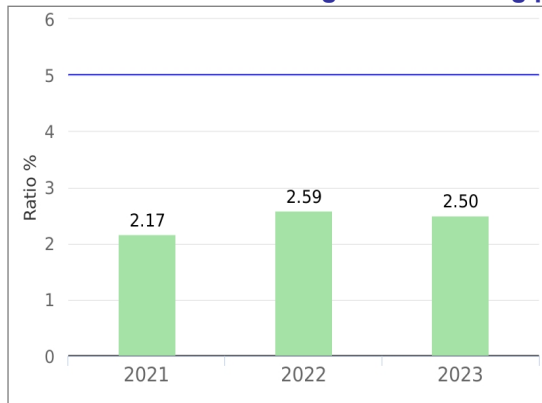
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2022/23 result

2022/23 ratio 2.50%

Council's rates and Annual Charges Outstanding percentage improved this financial year and is well ahead of benchmark.

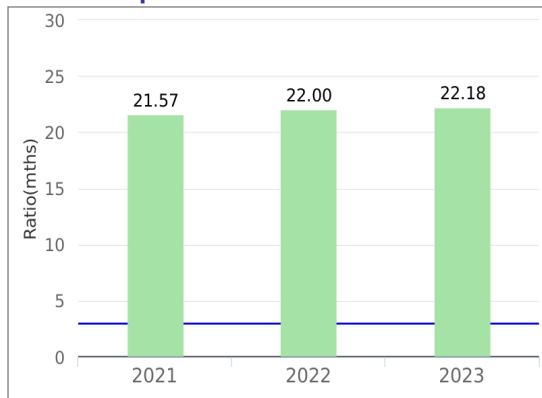
Benchmark: — < 5.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2022/23 result

2022/23 ratio 22.18 months

Council's Cash Expense Cover ratio grew this year due to higher cash balances. This ratio does not distinguish between restricted and unrestricted cash and it should be noted that a significant proportion of Council's cash (over 92%) is subject to external or internal restrictions.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

G1-2 Council information and contact details

Principal place of business:

31 Victor Street
Chatswood NSW 2067

Contact details

Mailing Address:

PO Box 57
Chatswood NSW 2057

Telephone: 02 9777 1000

Facsimile: 02 9411 8309

Opening hours:

8:30am - 5:00pm
Monday to Friday

Internet: www.willoughby.nsw.gov.au

Email: email@willoughby.nsw.gov.au

Officers

Chief Executive Officer

Debra Just

Responsible Accounting Officer

Stephen Naven

Public Officer

Samantha Connor

Auditors

Audit Office of NSW
Level 19, Tower 2 Darling Park,
201 Sussex Street,
Sydney NSW 2000

Elected members

Mayor

Tanya Taylor

Councillors

Angelo Rozos
Anna Greco
Brendon Zhu
Craig Campbell
Georgie Roussac
Hugh Eriksson
Jam Xia
John Moratelli
Nic Wright
Robert Samuel
Roy McCullagh
Sarkis Mouradian

Other information

ABN: 47 974 826 099



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Willoughby City Council

To the Councillors of Willoughby City Council

Opinion

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

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2023 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

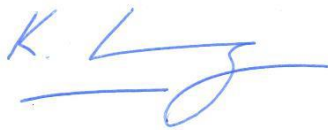
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Kenneth Leung
Delegate of the Auditor-General for New South Wales

31 October 2023
SYDNEY



Cr Tanya Taylor
 Mayor
 Willoughby City Council
 Level 4, 31 Victor Street
 Chatswood NSW 2067

Contact: Kenneth Leung
 Phone no: 02 9275 7257
 Our ref: R008-16585809-47761/1808

31 October 2023

Dear Mayor

**Report on the Conduct of the Audit
 for the year ended 30 June 2023
 Willoughby City Council**

I have audited the general purpose financial statements (GPFS) of Willoughby City Council (the Council) for the year ended 30 June 2023 as required by section 415 of the *Local Government Act 1993* (the Act).

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

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

INCOME STATEMENT

Operating result

	2023	2022	Variance
	\$m	\$m	%
Rates and annual charges revenue	69.7	71.0	↓ 1.8
Grants and contributions revenue	27.4	18.9	↑ 45
Operating result from continuing operations	15.0	11.9	↑ 26
Net operating result before capital grants and contributions	(2.8)	1.0	↓ 380

Rates and annual charges revenue (\$69.7 million) decreased by \$1.3 million (1.8 per cent) in 2022–23 mainly due to:

- Council's approved Rate Variation, which increased general rates revenue by 2.0 per cent in 2021-22
- rate variation is partly offset by the cessation of the 7-year Infrastructure Levy in 2021-22.

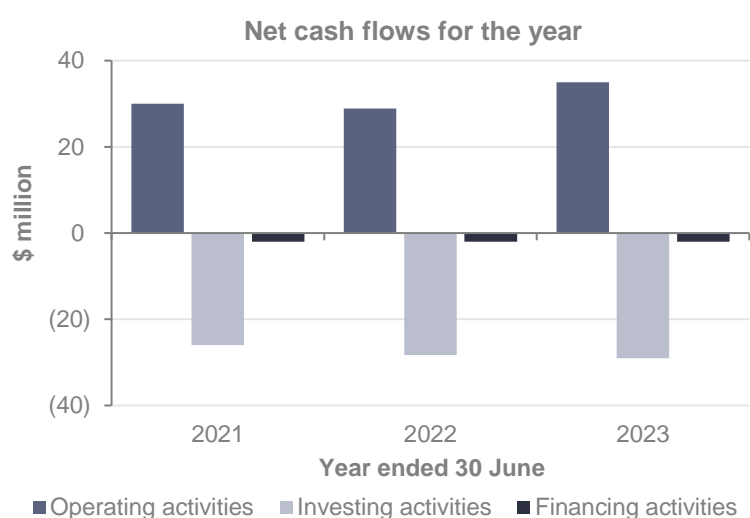
Grants and contributions revenue (\$27.4 million) increased by \$8.5 million (45 per cent) in 2022–23 mainly due to an increase of \$7.3 million of developer contributions recognised during the year.

The Council's operating result from continuing operations (\$15.0 million including depreciation and amortisation expense of \$19.9 million) was \$3.1 million higher than the 2021–22 result.

The net operating result before capital grants and contributions (\$2.8 million loss) was \$3.8 million lower than the 2021–22 result.

STATEMENT OF CASH FLOWS

- Operating cash inflows increased \$5.8 million this year mainly due to \$13.2 million increased receipts from Grants and contributions offset by \$5.8 million increase cash outflow in payments for materials and services.
- Cash outflows in investing activities overall consistent in 2022-23 due to decrease in payments for IPPE mainly offset by increase in payments in acquisition of term deposits.
- Cash flows from financing activities have remained consistent over the last three years and are insignificant.



FINANCIAL POSITION

Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	200.6	185.5	<ul style="list-style-type: none"> • External restricted funds included \$73.8 million in developer contributions. • Internal restricted funds remained largely consistent with prior year.
Restricted cash and investments:			
• External restrictions	120.4	107.3	
• Internal restrictions	64.8	61.1	

Debt

At 30 June 2023, Council had:

- \$37.1 million in secured loans (\$37.9 million in 2021-22)
- \$1.2 million in approved overdraft facility, with nil drawn down.

PERFORMANCE

Performance measures

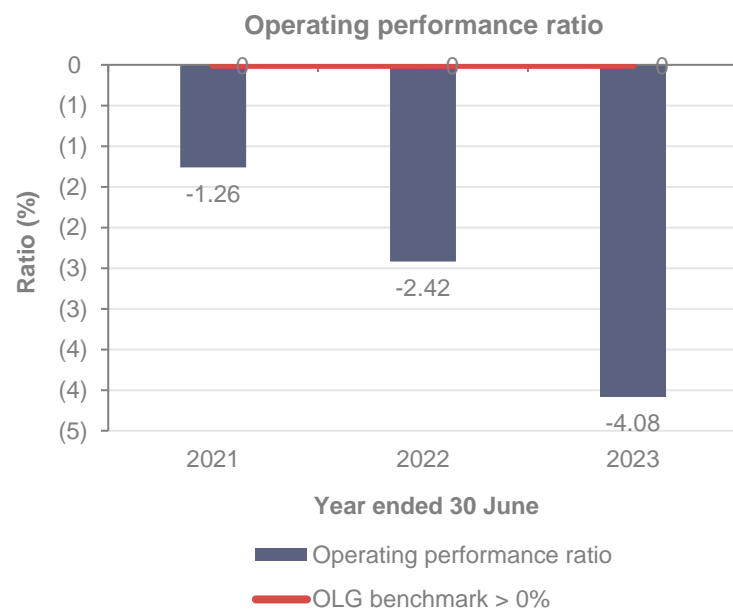
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

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

Council advised the 2022-23 deficit is primarily due to high inflation and costs growing faster than revenue.

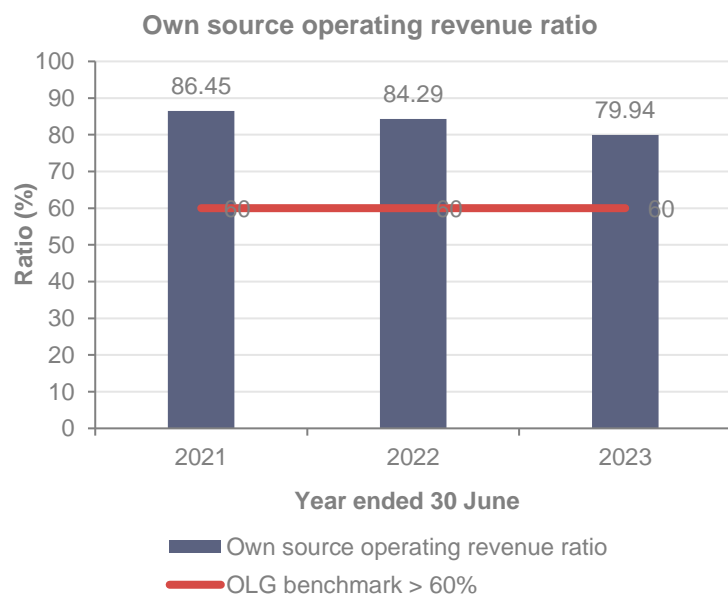
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

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

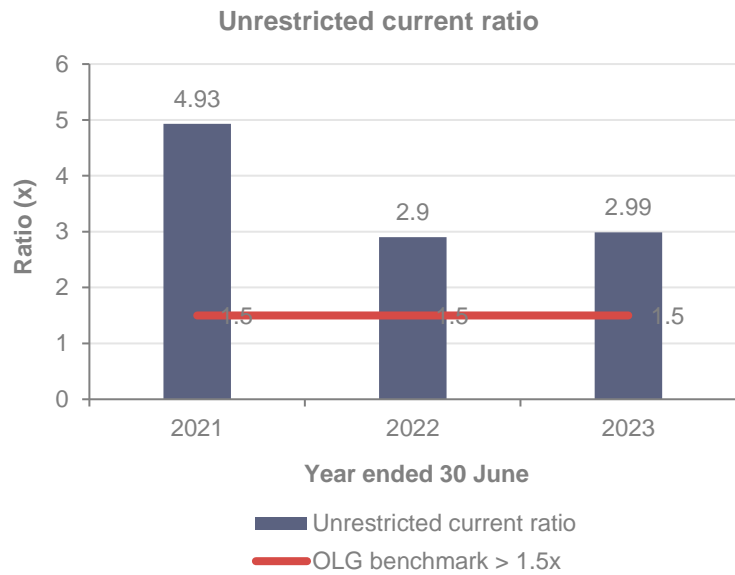
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

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

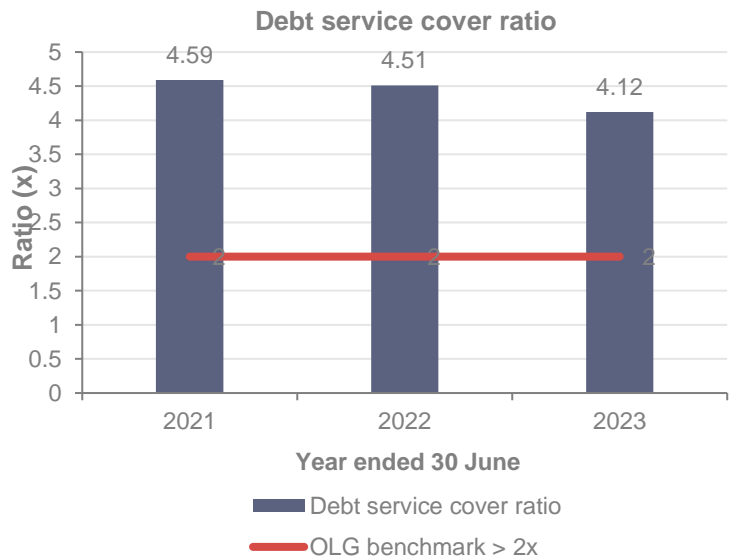
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

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

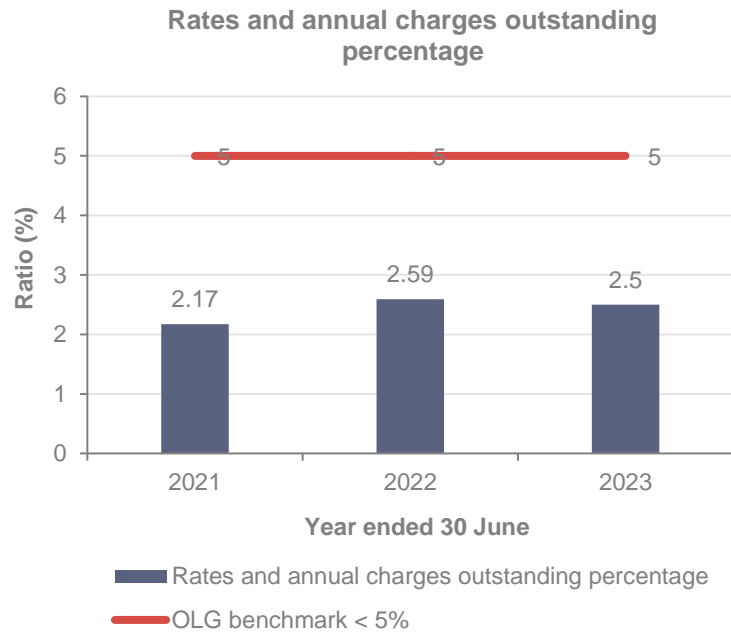
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

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

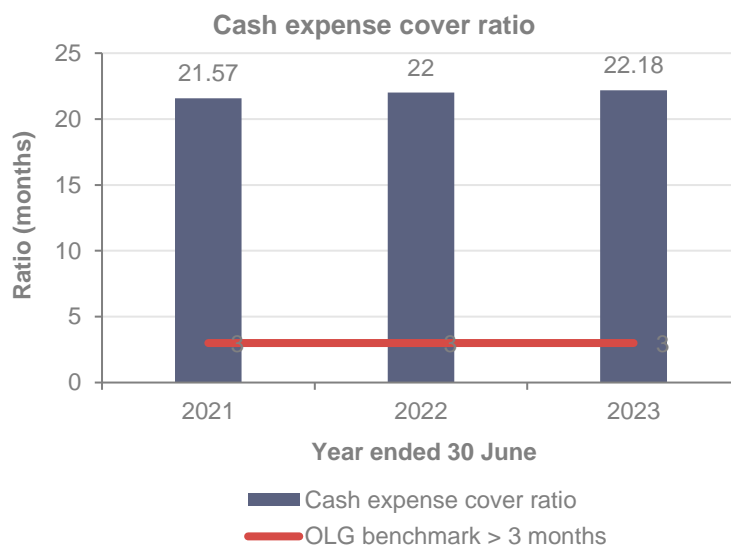
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.



Cash expense cover ratio

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

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



Infrastructure, property, plant and equipment renewals

Council renewed \$20.3 million of infrastructure, property, plant and equipment during the 2022-23 financial year. This was mainly spent on roads, stormwater drainage and other open space/recreational assets. It has decreased \$3.6 million from \$23.9 million in 2021-22. Management advised the decrease was due to supply issues.

OTHER MATTERS

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial statements. The Council's:

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



Kenneth Leung
Delegate of the Auditor-General for New South Wales

Willoughby City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023



WILLOUGHBY CITY COUNCIL

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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).

Willoughby City Council

Special Purpose Financial Statements

for the year ended 30 June 2023

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

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

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

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

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

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

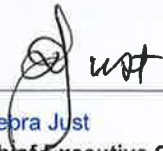
Signed in accordance with a resolution of Council made on 25 September 2023.



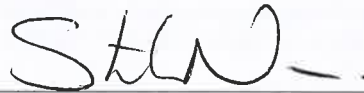
Tanya Taylor
Mayor
30 October 2023



Brendon Zhu
Deputy Mayor
30 October 2023



Depra Just
Chief Executive Officer
30 October 2023



Stephen Naven
Chief Financial Officer
30 October 2023

Willoughby City Council

Income Statement of The Concourse Precinct

for the year ended 30 June 2023

\$ '000	2023 Category 1	2022 Category 1
Income from continuing operations		
Fees	2,876	2,236
Interest and investment income	207	68
Grants and contributions provided for operating purposes	290	266
Other income	4,812	4,862
Total income from continuing operations	8,185	7,432
Expenses from continuing operations		
Employee benefits and on-costs	2,243	2,003
Borrowing costs	2,205	2,049
Materials and services	1,027	842
Depreciation, amortisation and impairment	4,148	3,690
Other expenses	3,756	4,100
Total expenses from continuing operations	13,379	12,684
Surplus (deficit) from continuing operations before capital amounts	(5,194)	(5,252)
Surplus (deficit) from continuing operations after capital amounts	(5,194)	(5,252)
Surplus (deficit)	(5,194)	(5,252)
Plus accumulated surplus	274,482	268,715
Plus adjustments for amounts unpaid:		
Add:		
– Subsidy paid/contribution to operations	6,891	11,019
Closing accumulated surplus	276,179	274,482
Return on capital %	(0.9)%	(1.0)%

Willoughby City Council

Income Statement of Willoughby Leisure Centre

for the year ended 30 June 2023

\$ '000	2023 Category 1	2022 Category 1
Income from continuing operations		
Grants & contributions provided for non capital purposes	–	–
Fees	1,317	2,013
Total income from continuing operations ¹	1,317	2,013
Expenses from continuing operations		
Employee benefits and on-costs	1,538	2,056
Materials and services	197	275
Depreciation, amortisation and impairment	191	179
Other expenses	913	1,111
Total expenses from continuing operations	2,839	3,621
Surplus (deficit) from continuing operations before capital amounts	(1,522)	(1,608)
Surplus (deficit) from continuing operations after capital amounts ¹	(1,522)	(1,608)
Surplus (deficit)	(1,522)	(1,608)
Plus accumulated surplus	(5,952)	(4,345)
Closing accumulated surplus	(7,474)	(5,953)
Return on capital %	(16.0)%	(14.5)%

(1) 2022/23 Total Revenue and overall financial results for the Willoughby Leisure Centre have been adversely impacted by the closure of aquatic operations from November 2022 in order to undertake major renovations

Willoughby City Council

Income Statement of Devonshire Child Care

for the year ended 30 June 2023

\$ '000	2023 Category 2	2022 Category 2
Income from continuing operations		
Fees	1,146	863
Grants and contributions provided for operating purposes	832	811
Total income from continuing operations	1,978	1,674
Expenses from continuing operations		
Employee benefits and on-costs	1,679	1,512
Materials and services	144	149
Depreciation, amortisation and impairment	26	23
Other expenses	389	354
Total expenses from continuing operations	2,238	2,038
Surplus (deficit) from continuing operations before capital amounts	(260)	(364)
Surplus (deficit) from continuing operations after capital amounts	(260)	(364)
Surplus (deficit)	(260)	(364)
Plus accumulated surplus	(3,965)	(3,601)
Closing accumulated surplus	(4,225)	(3,965)

Willoughby City Council

Income Statement of Before/After School Care

for the year ended 30 June 2023

\$ '000	2023 Category 2	2022 Category 2
Income from continuing operations		
Fees	381	303
Grants and contributions provided for operating purposes	241	250
Total income from continuing operations	622	553
Expenses from continuing operations		
Employee benefits and on-costs	490	499
Materials and services	73	66
Other expenses	157	70
Total expenses from continuing operations	720	635
Surplus (deficit) from continuing operations before capital amounts	(98)	(82)
Surplus (deficit) from continuing operations after capital amounts	(98)	(82)
Surplus (deficit)	(98)	(82)
Plus accumulated surplus	2,313	2,395
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	2,215	2,313

Willoughby City Council

Income Statement of Dougherty Food Services

for the year ended 30 June 2023

\$ '000	2023 Category 2	2022 Category 2
Income from continuing operations		
Fees	156	39
Other income	143	57
Total income from continuing operations	299	96
Expenses from continuing operations		
Employee benefits and on-costs	257	188
Materials and services	111	42
Depreciation, amortisation and impairment	21	15
Other expenses	62	41
Total expenses from continuing operations	451	286
Surplus (deficit) from continuing operations before capital amounts	(152)	(190)
Surplus (deficit) from continuing operations after capital amounts	(152)	(190)
Surplus (deficit)	(152)	(190)
Plus accumulated surplus	(2,363)	(2,173)
Closing accumulated surplus	(2,515)	(2,363)

Willoughby City Council

Statement of Financial Position of The Concourse Precinct

as at 30 June 2023

\$ '000	2023 Category 1	2022 Category 1
ASSETS		
Current assets		
Receivables	191	739
Investments	9,289	8,425
Total current assets	9,480	9,164
Non-current assets		
Infrastructure, property, plant and equipment	325,399	316,218
Investment property	58,977	57,238
Total non-current assets	384,376	373,456
Total assets	393,856	382,620
LIABILITIES		
Current liabilities		
Payables	108	106
Borrowings	1,205	1,131
Employee benefit provisions	646	657
Total current liabilities	1,959	1,894
Non-current liabilities		
Borrowings	35,878	36,452
Employee benefit provisions	12	6
Total non-current liabilities	35,890	36,458
Total liabilities	37,849	38,352
Net assets	356,007	344,268
EQUITY		
Accumulated surplus	276,179	274,482
Revaluation reserves	79,828	69,786
Total equity	356,007	344,268

Willoughby City Council

Statement of Financial Position of Willoughby Leisure Centre

as at 30 June 2023

\$ '000	2023 Category 1	2022 Category 1
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	9,509	11,110
Total non-current assets	9,509	11,110
Total assets	9,509	11,110
LIABILITIES		
Current liabilities		
Employee benefit provisions	101	805
Total current liabilities	101	805
Non-current liabilities		
Borrowings	13,586	14,449
Employee benefit provisions	16	17
Total non-current liabilities	13,602	14,466
Total liabilities	13,703	15,271
Net assets	(4,194)	(4,161)
EQUITY		
Asset Revaluation Reserve	3,280	1,792
Accumulated surplus	(7,474)	(5,953)
Total equity	(4,194)	(4,161)

Willoughby City Council

Statement of Financial Position of Devonshire Child Care

as at 30 June 2023

\$ '000	2023 Category 2	2022 Category 2
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	1,126	1,021
Total non-current assets	1,126	1,021
Total assets	1,126	1,021
LIABILITIES		
Current liabilities		
Payables	17	9
Employee benefit provisions	359	290
Total current liabilities	376	299
Non-current liabilities		
Borrowings	5,168	4,588
Employee benefit provisions	18	32
Other Liabilities	–	6
Total non-current liabilities	5,186	4,626
Total liabilities	5,562	4,925
Net assets	(4,436)	(3,904)
EQUITY		
Asset Revaluation Reserve	(211)	61
Accumulated surplus	(4,225)	(3,965)
Total equity	(4,436)	(3,904)

Willoughby City Council

Statement of Financial Position of Before/After School Care

as at 30 June 2023

\$ '000	2023 Category 2	2022 Category 2
ASSETS		
Non-current assets		
Receivables	2,374	2,490
Total non-current assets	2,374	2,490
Total assets	2,374	2,490
LIABILITIES		
Current liabilities		
Payables	9	35
Employee benefit provisions	132	126
Total current liabilities	141	161
Non-current liabilities		
Employee benefit provisions	18	16
Total non-current liabilities	18	16
Total liabilities	159	177
Net assets	2,215	2,313
EQUITY		
Accumulated surplus	2,215	2,313
Total equity	2,215	2,313

Willoughby City Council

Statement of Financial Position of Dougherty Food Services

as at 30 June 2023

\$ '000	2023 Category 2	2022 Category 2
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	4,398	4,201
Total non-current assets	4,398	4,201
Total assets	4,398	4,201
LIABILITIES		
Current liabilities		
Payables	13	42
Employee benefit provisions	42	28
Total current liabilities	55	70
Non-current liabilities		
Provisions	3	1
Borrowings	5,595	4,976
Total non-current liabilities	5,598	4,977
Total liabilities	5,653	5,047
Net assets	(1,255)	(846)
EQUITY		
Accumulated surplus	(2,516)	(2,363)
Revaluation reserves	1,261	1,517
Total equity	(1,255)	(846)

Note – Significant Accounting Policies

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

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

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

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993 (Act)*, the *Local Government (General) Regulation 2021 (Regulation)* and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

a. The Concourse Precinct

Provision of the Chatswood library service and the management of the venue, facilities, car park, retail, urban screen and the art space at the site.

b. Willoughby Leisure Centre

Provision of leisure facilities including a Gymnasium & Pool.

Category 2

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

c. Devonshire Street Child Care Centre

Provision of long day child care services for up to 50 places at its premises situated at 38 Devonshire St, Chatswood, from 7.30am to 6.00pm.

d. Before/After School Care/Vacation Care

Provision of Before & After School care for children at the following centres:

- Artarmon (BSC & ASC)
- Chatswood (ASC)
- Bales Park (ASC)

Before school care hours are from 7.30am to 9.00am and after school care hours are from 3.00pm to 6.00pm.

Note – Significant Accounting Policies (continued)

In addition, Council in conjunction with the State Government operates Vacation Care services at the following centres during school holidays:

- Artarmon Vacation Care Centre
- Bales Park Vacation Care Centre
- Chatswood Vacation Care Centre

e. Dougherty Food Services

Commercial food kitchen that supplies meals on a contract basis to a number of organistations as well as catering for functions and the operation of a coffee shop.

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 – 27.5%

Land tax – the first \$692,000 of combined land values attracts 0%. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$850,000.

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

Note – Significant Accounting Policies (continued)

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 4.02% at 30/6/23.

(iii) Dividends

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Willoughby City Council

To the Councillors of Willoughby City Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Willoughby City Council's (the Council) Declared Business Activities, which comprise the Statement of Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2023, the Statement of Financial Position of each Declared Business Activity as at 30 June 2023 and Significant accounting policies note.

The Declared Business Activities of the Council are:

- The Concourse Precinct
- Willoughby Leisure Centre
- Devonshire Child Care
- Before/After School Care
- Dougherty Food Services.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2023, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2022–23 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2023 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Kenneth Leung
Delegate of the Auditor-General for New South Wales

31 October 2023
SYDNEY

Willoughby City Council

SPECIAL SCHEDULES 2023
for the year ended 30 June 2023



WILLOUGHBY CITY COUNCIL

Willoughby City Council

Special Schedules 2023

for the year ended 30 June 2023

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Willoughby City Council

Permissible income for general rates

\$ '000	Notes	Calculation 2022/23	Calculation 2023/24
Notional general income calculation ¹			
Last year notional general income yield	a	54,183	52,403
Plus or minus adjustments ²	b	107	11
Notional general income	c = a + b	54,290	52,414
Permissible income calculation			
Or rate peg percentage	e	2.10%	3.70%
Less expiring special variation amount	g	(2,958)	-
Or plus rate peg amount	i = e x (c + g)	1,078	1,939
Sub-total	k = (c + g + h + i + j)	52,410	54,353
Plus (or minus) last year's carry forward total	l	-	62
Less valuation objections claimed in the previous year	m	(7)	-
Sub-total	n = (l + m)	(7)	62
Total permissible income	o = k + n	52,403	54,415
Less notional general income yield	p	52,403	54,352
Catch-up or (excess) result	q = o - p	-	1
Carry forward to next year ⁶	t = q + r + s	-	1

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW)*.
- (6) Carry-forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the Act. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Willoughby City Council

To the Councillors of Willoughby City Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Willoughby City Council (the Council) for the year ending 30 June 2024.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2022–23 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2023 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2023'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



Kenneth Leung
Delegate of the Auditor-General for New South Wales

31 October 2023
SYDNEY

Willoughby City Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost		2022/23 Required maintenance ^a	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Buildings	Council offices	–	–	46	51	3,828	4,647	94.0%	6.0%	0.0%	0.0%	0.0%
	Council Works Depot	1	1	310	337	26,658	31,028	80.0%	20.0%	0.0%	0.0%	0.0%
	Council Halls	19	19	21	24	1,213	2,165	19.8%	29.7%	45.4%	5.1%	0.0%
	Libraries	52	52	82	90	5,795	8,092	60.5%	32.4%	3.5%	3.7%	0.0%
	Council Houses	12	12	269	294	26,460	26,464	74.3%	23.5%	1.9%	0.3%	0.0%
	Commercial Buildings	17	17	1,050	1,145	72,980	103,568	9.2%	87.6%	3.1%	0.1%	0.0%
	Childcare Centres	77	77	132	143	8,420	12,898	20.1%	63.0%	13.4%	3.4%	0.0%
	Community Centres	55	55	2,485	2,715	201,065	244,842	89.1%	10.3%	0.5%	0.1%	0.0%
	Amenities/Toilets	48	48	150	164	1,009	14,822	27.4%	45.5%	25.5%	1.5%	0.1%
	Other	–	–	–	–	9,004	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	281	281	4,545	4,963	356,432	448,526	64.3%	32.7%	2.6%	0.3%	0.1%
Other structures	Other structures	–	–	–	–	7,589	11,172	0.8%	0.0%	99.2%	0.0%	0.0%
	Sub-total	–	–	–	–	7,589	11,172	0.8%	0.0%	99.2%	0.0%	0.0%
Roads	Roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed roads	5,150	5,150	2,189	2,189	119,560	229,724	3.0%	9.0%	67.0%	16.0%	5.0%
	Kerb and Gutter	436	436	308	308	90,901	110,526	27.0%	42.0%	15.0%	15.0%	1.0%
	Footpaths	407	407	1,279	1,279	78,056	98,690	44.0%	21.0%	21.0%	13.0%	1.0%
	Carparks	40	40	24	24	7,311	10,111	7.0%	14.0%	42.0%	37.0%	0.0%
	Bridges	–	–	120	120	9,758	12,412	2.0%	68.0%	21.0%	9.0%	0.0%
	Other	–	–	–	–	29	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Bulk Earthworks	–	–	–	–	24,959	24,959	0.0%	0.0%	100.0%	0.0%	0.0%
	Other road assets (incl. bulk earth works)	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
		Sub-total	6,033	6,033	3,920	3,920	330,574	486,422	16.7%	20.1%	45.9%	14.6%
Stormwater drainage	Pipes and Pits	3,318	3,318	531	531	138,956	175,795	14.8%	19.2%	51.1%	10.2%	4.7%
	Gross Pollutant Traps	–	–	233	233	32	33	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	3,318	3,318	764	764	138,988	175,828	14.8%	19.2%	51.1%	10.2%	4.7%

Willoughby City Council

Report on infrastructure assets as at 30 June 2023 (continued)

Asset Class	Asset Category	Estimated cost		2022/23 Required maintenance ^a	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Open space / recreational assets	Swimming pools	–	–	32	40	3,661	5,838	0.0%	100.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Parks & Playgrounds (Incl Footpaths)	152	152	1,983	1,983	24,921	37,055	28.0%	22.0%	47.0%	2.0%	1.0%
	Sporting Fields	371	371	1,257	1,257	15,890	30,591	77.0%	14.0%	7.0%	0.0%	2.0%
	Bushland Assets	21	21	48	48	5,999	7,699	6.0%	76.0%	16.0%	2.0%	0.0%
	Tennis Courts	362	362	–	–	2,182	5,128	9.0%	40.0%	26.0%	14.0%	11.0%
	Sub-total		906	906	3,320	3,328	52,653	86,311	40.4%	30.3%	25.6%	1.9%
Other infrastructure assets	Other – Retaining Walls	356	356	10	10	17,168	21,936	9.5%	3.1%	67.1%	16.3%	4.1%
	Sub-total	356	356	10	10	17,168	21,936	9.5%	3.1%	67.1%	16.3%	4.0%
Total – all assets		10,894	10,894	12,559	12,985	903,404	1,230,195	35.2%	24.8%	30.3%	7.8%	1.9%

(a) Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

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

Willoughby City Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2023	Indicator 2023	Indicators		Benchmark
			2022	2021	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	11,484	65.39%	83.89%	104.34%	> 100.00%
Depreciation, amortisation and impairment	17,561				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	10,894	1.19%	0.58%	1.31%	< 2.00%
Net carrying amount of infrastructure assets	913,121				
Asset maintenance ratio					
Actual asset maintenance	12,985	103.39%	103.00%	103.02%	> 100.00%
Required asset maintenance	12,559				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	10,894	0.89%	0.45%	1.00%	
Gross replacement cost	1,230,195				

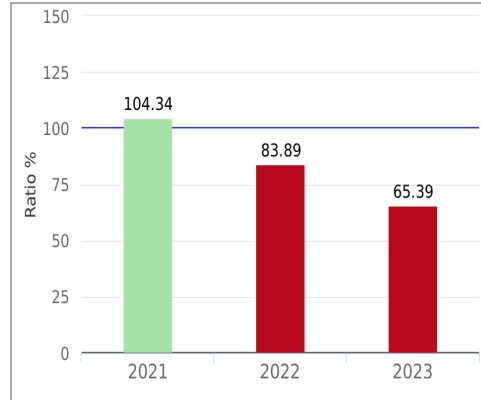
(*) All asset performance indicators are calculated using classes identified in the previous table.

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

Willoughby City Council

Report on infrastructure assets as at 30 June 2023

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result	
22/23 ratio	65.39%
<p>The Building and Infrastructure Renewals Ratio dropped to 65% this year due to a combination of:</p> <ul style="list-style-type: none"> - lower Capital Expenditure on Renewals (down \$1.7m due to supply issues, delays in approvals by other levels of government and more focus on community consultation); and - Higher Depreciation (up \$1.9m due to higher asset values) 	

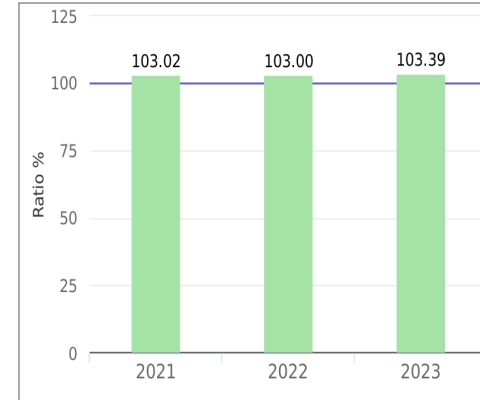
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result	
22/23 ratio	103.39%
<p>Council has exceeded the Asset Maintenance Ratio Benchmark of 100%</p>	

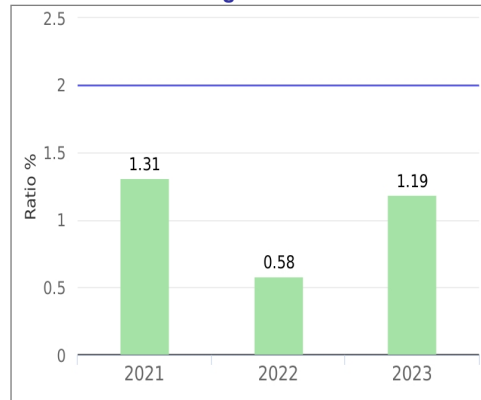
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result	
22/23 ratio	1.19%
<p>The Infrastructure Backlog Ratio increased to 1.2% of Asset fair Value this year due mainly to recently updated external survey data on road conditions.</p>	

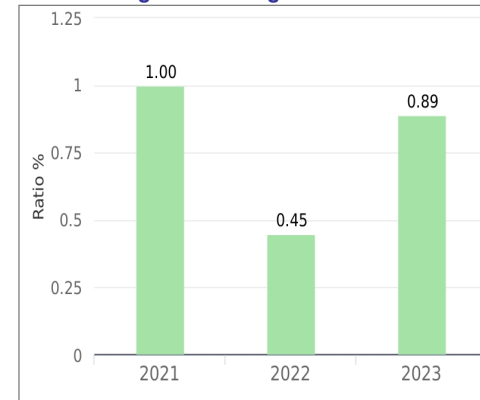
Benchmark: — < 2.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result	
22/23 ratio	0.89%
<p>The Cost to bring assets to agreed service levels increased to 0.9% of Asset Replacement Cost this year due mainly to recently updated external survey data on road conditions.</p>	



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