

# Willoughby City Council

## ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020

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WILLOUGHBY CITY COUNCIL

# Willoughby City Council

## GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

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WILLOUGHBY CITY COUNCIL

## General Purpose Financial Statements

for the year ended 30 June 2020

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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 2(b).

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

## General Purpose Financial Statements

for the year ended 30 June 2020

### Understanding Council's Financial Statements

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#### Introduction

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

#### What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2020.

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

#### About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

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

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

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

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

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

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

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

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

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

#### Who uses the Financial Statements?

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

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

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

## Willoughby City Council

### General Purpose Financial Statements

for the year ended 30 June 2020

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

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



- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and 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 9th November 2020.

  
\_\_\_\_\_  
**Gail Giles-Gidney**  
**Mayor**  
9th November 2020  
\_\_\_\_\_  
**Craig Campbell**  
**Deputy Mayor**  
9th November 2020  
\_\_\_\_\_  
**Debra Just**  
**Chief Executive Officer**  
9th November 2020  
\_\_\_\_\_  
**Stephen Naven**  
**Responsible Accounting Officer**  
9th November 2020

## Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
	<b>Income from continuing operations</b>			
67,804	Rates and annual charges	3a	67,823	66,322
17,200	User charges and fees	3b	16,305	18,774
6,887	Other revenues	3c	7,040	20,035
6,167	Grants and contributions provided for operating purposes	3d,3e	7,257	6,277
3,463	Grants and contributions provided for capital purposes	3d,3e	25,299	21,945
3,569	Interest and investment income	4	3,567	4,261
128	Net gains from the disposal of assets	6	50	120
1,000	Fair value increment on investment properties	11	3,498	7,751
12,748	Rental income	13e	10,939	—
<b>118,966</b>	<b>Total income from continuing operations</b>		<b>141,778</b>	<b>145,485</b>
	<b>Expenses from continuing operations</b>			
45,507	Employee benefits and on-costs	5a	42,083	41,273
2,303	Borrowing costs	5b	2,099	1,166
34,570	Materials and contracts	5c	34,292	36,345
12,900	Depreciation and amortisation	5d	17,308	16,308
14,235	Other expenses	5e	13,559	13,379
<b>109,515</b>	<b>Total expenses from continuing operations</b>		<b>109,341</b>	<b>108,471</b>
<b>9,451</b>	<b>Operating result from continuing operations</b>		<b>32,437</b>	<b>37,014</b>
<b>9,451</b>	<b>Net operating result for the year</b>		<b>32,437</b>	<b>37,014</b>
9,451	Net operating result attributable to council		32,437	37,014
5,988	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>7,138</b>	<b>15,069</b>

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

## Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	Restated 2019
<b>Net operating result for the year (as per Income Statement)</b>		<b>32,437</b>	<b>37,014</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	53,620	48,976
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>53,620</b>	<b>48,976</b>
<b>Total other comprehensive income for the year</b>		<b>53,620</b>	<b>48,976</b>
<b>Total comprehensive income for the year</b>		<b>86,057</b>	<b>85,990</b>
Total comprehensive income attributable to Council		86,057	85,990

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

# Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	Restated 2019	Restated 1 July 2018
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	7(a)	6,860	5,161	11,348
Investments	7(b)	169,051	149,527	135,000
Receivables	8	4,791	7,838	5,867
Inventories	9a	27	22	28
Other	9b	853	822	374
<b>Total current assets</b>		<b>181,582</b>	<b>163,370</b>	<b>152,617</b>
<b>Non-current assets</b>				
Receivables	8	51	51	51
Infrastructure, property, plant and equipment	10	1,568,926	1,512,218	1,445,978
Investment property	11	89,628	85,921	78,080
Intangible Assets	12	2,238	—	—
Right of use assets	13a	711	—	—
Other	9b	997	—	—
<b>Total non-current assets</b>		<b>1,662,551</b>	<b>1,598,190</b>	<b>1,524,109</b>
<b>Total assets</b>		<b>1,844,133</b>	<b>1,761,560</b>	<b>1,676,726</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	14	19,206	21,934	22,883
Income received in advance	14	533	1,360	325
Lease liabilities	13b	279	—	—
Borrowings	14	1,379	1,780	1,699
Provisions	15	11,827	11,205	10,421
<b>Total current liabilities</b>		<b>33,224</b>	<b>36,279</b>	<b>35,328</b>
<b>Non-current liabilities</b>				
Lease liabilities	13b	393	—	—
Borrowings	14	38,546	39,396	41,617
Provisions	15	518	490	376
<b>Total non-current liabilities</b>		<b>39,457</b>	<b>39,886</b>	<b>41,993</b>
<b>Total liabilities</b>		<b>72,681</b>	<b>76,165</b>	<b>77,321</b>
<b>Net assets</b>		<b>1,771,452</b>	<b>1,685,395</b>	<b>1,599,405</b>
<b>EQUITY</b>				
Accumulated surplus	16	1,216,006	1,183,569	1,146,555
Revaluation reserves	16	555,446	501,826	452,850
<b>Council equity interest</b>		<b>1,771,452</b>	<b>1,685,395</b>	<b>1,599,405</b>
<b>Total equity</b>		<b>1,771,452</b>	<b>1,685,395</b>	<b>1,599,405</b>

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

A correction of error was made to address the overstatement of Assets from a prior year for a net total (\$5,385 M). This resulted in the restatement of the Statement of Financial Position. The details of the correction can be found in Note 16b.



# Willoughby City Council

Financial Statements 2020

## Statement of Changes in Equity for the year ended 30 June 2020

\$ '000		as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
		Restated	Restated	Restated	Restated	Restated	Restated
Opening balance		1,183,569	501,826	1,685,395	1,146,067	458,723	1,604,790
Correction of prior period errors	16b	-	-	-	488	(5,873)	(5,385)
<b>Restated opening balance</b>		<b>1,183,569</b>	<b>501,826</b>	<b>1,685,395</b>	<b>1,146,555</b>	<b>452,850</b>	<b>1,599,405</b>
Net operating result for the year		32,437	-	32,437	37,014	-	37,014
<b>Net operating result for the period</b>		<b>32,437</b>	<b>-</b>	<b>32,437</b>	<b>37,014</b>	<b>-</b>	<b>37,014</b>
<b>Other comprehensive income</b>							
- Gain (loss) on revaluation of IPP&E	10	-	53,620	53,620	-	48,976	48,976
<b>Other comprehensive income</b>		<b>-</b>	<b>53,620</b>	<b>53,620</b>	<b>-</b>	<b>48,976</b>	<b>48,976</b>
<b>Total comprehensive income</b>		<b>32,437</b>	<b>53,620</b>	<b>86,057</b>	<b>37,014</b>	<b>48,976</b>	<b>85,990</b>
<b>Equity – balance at end of the reporting period</b>		<b>1,216,006</b>	<b>555,446</b>	<b>1,771,452</b>	<b>1,183,569</b>	<b>501,826</b>	<b>1,685,395</b>

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

A correction of error was made to address the overstatement of Assets from a prior year. The details of this (\$5,385 M) correction can be found in Note 16b.

## Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
67,785	Rates and annual charges		67,529	66,082
17,486	User charges and fees		16,894	19,403
3,569	Investment and interest revenue received		4,641	3,345
9,630	Grants and contributions		31,243	19,644
—	Bonds, deposits and retention amounts received		3,023	3,372
20,635	Other		24,549	26,127
<b>Payments:</b>				
(44,996)	Employee benefits and on-costs		(41,538)	(40,850)
(40,305)	Materials and contracts		(40,346)	(40,247)
(2,303)	Borrowing costs		(1,576)	(1,614)
—	Bonds, deposits and retention amounts refunded		(3,166)	(3,349)
(14,235)	Other		(17,044)	(17,282)
17,266	<b>Net cash provided (or used in) operating activities</b>	17b	44,209	34,631
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
9,676	Sale of investment securities		62,500	123,000
433	Sale of infrastructure, property, plant and equipment		457	211
<b>Payments:</b>				
—	Purchase of investment securities		(82,024)	(137,527)
—	Purchase of investment property		(209)	(90)
(30,873)	Purchase of infrastructure, property, plant and equipment		(18,777)	(24,713)
—	Purchase of intangible assets		(2,238)	—
(20,764)	<b>Net cash provided (or used in) investing activities</b>		(40,291)	(39,119)
<b>Cash flows from financing activities</b>				
<b>Payments:</b>				
(1,764)	Repayment of borrowings and advances		(1,779)	(1,699)
—	Lease liabilities (principal repayments)		(440)	—
(1,764)	<b>Net cash flow provided (used in) financing activities</b>		(2,219)	(1,699)
(5,262)	<b>Net increase/(decrease) in cash and cash equivalents</b>		1,699	(6,187)
18,709	Plus: cash and cash equivalents – beginning of year	17a	5,161	11,348
13,447	<b>Cash and cash equivalents – end of the year</b>	17a	6,860	5,161
121,696	plus: Investments on hand – end of year	7(b)	169,051	149,527
135,143	<b>Total cash, cash equivalents and investments</b>		175,911	154,688

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 9th November 2020. 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 consolidated financial statements are set out below.

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

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

Council is a not-for-profit entity.

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

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

- Income statement
- Statement of cash flows
- Note 21 – Material budget variations

and are clearly marked.

#### (a) Historical cost convention

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

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

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of investment properties – refer Note 11
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (iii) employee benefit provisions – refer Note 15
- (iv) leased assets – refer Note 13.

#### Covid 19 Impacts

On 11 March 2020 the World Health Organisation officially declared the Novel Coronavirus (Covid - 19) a pandemic. In response, the Federal and State Governments issued a series of Public Health Orders restricting gatherings, activities and enforcing social distancing. These Public Health orders have had a major impact on the facilities and services that Council delivers to the public. The closure of Council services and facilities and the hardship endured by tenants of council's properties has led to significant revenue losses that have put pressure on Council's financial position. Areas of Council operations suffering material revenue losses include Willoughby Leisure Centre, parking fees, compliance and property leasing income. Council

## Notes to the Financial Statements

for the year ended 30 June 2020

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

has focused on reducing variable costs associated with the closed services. The impacts of Covid - 19 on revenue, expenses and Council's overall financial position are reflected in the financial statements.

#### 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 8.

#### Monies and other assets received by Council

##### (a) The Consolidated Fund

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

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

- General purpose operations

##### (b) The Trust Fund

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) (as amended). 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 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 2020 reporting period.

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

As at the date of authorisation of these financial statements Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

**AASB 1059 Service Concession Arrangements: Grantors****AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of AASB 1059****AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059**

This standard provides guidance for public sector entities (grantors) who have entered into service concession arrangements with private sector operators.

AASB 1059 requires grantors to recognise a service concession asset and, in most cases, a corresponding liability on the balance sheet.

A control approach is used to assess the service concession arrangements in place.

On initial recognition the asset is measured at current replacement cost based on AASB 13 Fair Value Measurement and existing assets of the grantors are reclassified at the date of transition.

After initial recognition, the grantor accounts for the assets under either AASB 116 Property, Plant and Equipment or AASB 138 Intangible Assets.

The nature of the consideration given to the operator will affect whether the grantor applies either the 'financial liability' or the 'grant of right' model for the recognition of the liability.

AASB 2019-2 makes amendments to the recognition and measurement of the asset and liability where the modified retrospective approach to transition is being used and provides a practical expedient due to the different effective dates of AASB 16 and AASB 1059.

**Council does not expect any material impact to future financial statements as we do not generally enter into service concession arrangements.**

This standard has an effective date for the 30 June 2021 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 mandatorily effective from 1 July 2019:

- AASB 16 Leases
- AASB 15 Revenue from contracts with customers and associated amending standards.
- AASB 1058 Income of Not-for-profit entities

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 16.

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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note 2(b).										
\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets 2020	2019
	2020	2019	2020	2019	2020	2019	2020	2019		
<b>Functions or activities</b>										
A City that is green	23,155	22,606	24,370	24,034	(1,215)	(1,428)	269	110	167,928	158,854
A City that is connected and inclusive	15,715	13,070	17,018	18,214	(1,303)	(5,144)	8,124	3,986	487,258	465,545
A City that is liveable	14,113	15,835	33,739	33,545	(19,626)	(17,710)	485	376	602,258	591,812
A City that is prosperous and vibrant	10,206	17,661	11,956	13,740	(1,750)	3,921	199	6,241	161,483	152,907
A City that is effective and accountable	78,589	76,313	22,258	18,938	56,331	57,375	1,726	1,697	425,206	392,442
<b>Total functions and activities</b>	<b>141,778</b>	<b>145,485</b>	<b>109,341</b>	<b>108,471</b>	<b>32,437</b>	<b>37,014</b>	<b>10,803</b>	<b>12,410</b>	<b>1,844,133</b>	<b>1,761,560</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

#### A City that is green

- Create and enhance green spaces.
- Promote sustainable lifestyles and practices.
- Enhance, protect and respect waterways, bushland, nature, wildlife and ecological systems.
- Reduce energy, water and resource waste and encourage reuse and recycling.
- 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 history and heritage sites.
- Celebrate and encourage our diversity.
- Reduce parking and traffic congestion.
- Create family friendly neighbourhoods that connect people.
- Improve access to digital services in public places.
- Promote accessible services for the community.

#### A City that is liveable

- Foster feelings of safety, security and cleanliness.
- Create recreation spaces for all.
- Promote an active and healthy lifestyle.
- Create desirable places to be and enjoy.
- Maintain quality of life by balancing population growth with the provision of assets and services.
- Activate local spaces in creative ways.

#### 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 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.



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential	1058 (1)	30,268	29,366
Business	1058 (1)	21,242	20,694
Less: pensioner rebates (mandatory)	1058 (1)	(182)	(182)
Less: pensioner rebates (Council policy)	1058 (1)	(149)	(149)
<b>Rates levied to ratepayers</b>		<b>51,179</b>	<b>49,729</b>
Pensioner rate subsidies received	1058 (1)	183	186
<b>Total ordinary rates</b>		<b>51,362</b>	<b>49,915</b>
<b>Special rates</b>			
Stormwater management levy	1058 (1)	693	691
<b>Rates levied to ratepayers</b>		<b>693</b>	<b>691</b>
<b>Total special rates</b>		<b>693</b>	<b>691</b>
<b>Annual charges</b>			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1058 (1)	16,122	16,065
Less: pensioner rebates (mandatory)	1058 (1)	(67)	(68)
Less: pensioner rebates (Council policy)	1058 (1)	(354)	(349)
<b>Annual charges levied</b>		<b>15,701</b>	<b>15,648</b>
Pensioner subsidies received:			
– Domestic waste management	1058 (1)	67	68
<b>Total annual charges</b>		<b>15,768</b>	<b>15,716</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>67,823</b>	<b>66,322</b>

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

**15 (1)** indicates income recognised under AASB 15 "at a point in time",

**15 (2)** indicates income recognised under AASB 15 "over time",

**1058 (1)** indicates income recognised under AASB 1058 "at a point in time", while

**1058 (2)** indicates income recognised under AASB 1058 "over time".

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

**Accounting policy for rates and charges**

Rates and annual charges are recognised as revenue when 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	2020	2019
<b>(b) User charges and fees</b>			
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Waste management services (non-domestic)	15 (1)	263	264
<b>Total specific user charges</b>		<b>263</b>	<b>264</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Planning and building regulation	15 (1)	3,133	2,672
Section 611 charges	15 (1)	69	75
<b>Total fees and charges – statutory/regulatory</b>		<b>3,202</b>	<b>2,747</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Child care	15 (1)	1,240	1,608
Leisure centre	15 (1)	2,085	3,132
Parking fees	15 (1)	4,758	5,735
Restoration charges	15 (1)	2,161	2,569
Building related	15 (1)	811	843
Community services	15 (1)	1,076	1,164
Other	15 (1)	709	712
<b>Total fees and charges – other</b>		<b>12,840</b>	<b>15,763</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>16,305</b>	<b>18,774</b>

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**1058 (1)** indicates income recognised under AASB 1058 "at a point in time", while

**1058 (2)** indicates income recognised under AASB 1058 "over time".

**Accounting policy for user charges and fees**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	2020	2019
<b>(c) Other revenues</b>			
Rental income – investment property	1058 (1)	—	4,999
Rental income – other council properties (2019 only)	1058 (2)	—	6,852
Fines	1058 (1)	4,173	4,570
Legal fees recovery – rates and charges (extra charges)	1058 (1)	66	45
Legal fees recovery – other	1058 (1)	86	57
Commissions and agency fees	1058 (1)	2	2
CDO Investment Recovery	1058 (1)	635	437
Insurance claims recoveries	1058 (1)	299	135
Contractor retention retained	1058 (1)	—	467
Sale of abandoned vehicles	1058 (1)	21	22
Better Business partnership	1058 (1)	—	267
Sales – general	1058 (1)	10	13
Arts and culture	1058 (1)	—	2
Community development	1058 (1)	94	220
Council property	1058 (1)	45	299
General administration	1058 (1)	261	126
Library services	1058 (1)	21	27
Melody markets	1058 (1)	603	662
Other	1058 (1)	349	149
Merchant fee recovery	1058 (1)	96	108
Orchestra and choir	1058 (1)	19	76
Services recovery	1058 (1)	61	8
Sponsorship	1058 (1)	106	444
Street fair	1058 (1)	93	48
<b>TOTAL OTHER REVENUE</b>		<b>7,040</b>	<b>20,035</b>

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

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**1058 (1)** indicates income recognised under AASB 1058 "at a point in time", while

**1058 (2)** indicates income recognised under AASB 1058 "over time".

**Accounting policy for other revenue**

Where the revenue relates to a contract with customer, the revenue is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

Where the revenue relates to a contract which is not enforceable or does not contain sufficiently specific performance obligations then revenue is recognised when an unconditional right to a receivable arises or the cash is received, which is earlier.

**2019 accounting policy:**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(d) Grants</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	1058 (1)	821	831	–	–
Financial assistance – local roads component	1058 (1)	294	298	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	1058 (1)	870	861	–	–
Financial assistance – local roads component	1058 (1)	312	308	–	–
<b>Total general purpose</b>		<b>2,297</b>	<b>2,298</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>					
Community care	1058 (1)	3,162	2,627	–	–
Library – per capita	1058 (1)	197	147	–	–
LIRS subsidy	1058 (1)	36	69	–	–
Recreation and culture	1058 (1)	57	88	5	6,050
Street lighting	1058 (1)	194	191	–	–
Traffic route subsidy	1058 (1)	62	31	–	–
Transport (roads to recovery)	1058 (1)	375	256	–	–
Transport (other roads and bridges funding)	1058 (1)	–	14	4,017	431
Housing and community	1058 (1)	339	143	–	–
Other	1058 (1)	62	65	–	–
<b>Total specific purpose</b>		<b>4,484</b>	<b>3,631</b>	<b>4,022</b>	<b>6,481</b>
<b>Total grants</b>		<b>6,781</b>	<b>5,929</b>	<b>4,022</b>	<b>6,481</b>
<b>Grant revenue is attributable to:</b>					
– Commonwealth funding		5,272	5,103	467	6,005
– State funding		1,434	781	3,555	476
– Other funding		75	45	–	–
		<b>6,781</b>	<b>5,929</b>	<b>4,022</b>	<b>6,481</b>

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

**15 (1)** indicates income recognised under AASB 15 "at a point in time",

**15 (2)** indicates income recognised under AASB 15 "over time",

**1058 (1)** indicates income recognised under AASB 1058 "at a point in time", while

**1058 (2)** indicates income recognised under AASB 1058 "over time".

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(e) Contributions</b>						
<b>Developer contributions:</b>						
<b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>						
<b>Cash contributions</b>						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	4,022	5,959
S 7.12 – fixed development consent levies		1058 (1)	–	–	795	–
Other developer contributions		1058 (1)	–	–	14,835	–
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>19,652</b>	<b>5,959</b>
<b>Total developer contributions</b>	24		<b>–</b>	<b>–</b>	<b>19,652</b>	<b>5,959</b>
<b>Other contributions:</b>						
<b>Cash contributions</b>						
Other councils – joint works/services		1058 (1)	37	36	–	–
Recreation and culture		1058 (1)	47	29	–	–
RMS contributions (regional roads, block grant)		1058 (1)	392	283	–	–
Housing and community amenities			–	–	–	555
<b>Total other contributions – cash</b>			<b>476</b>	<b>348</b>	<b>–</b>	<b>555</b>
<b>Non-cash contributions</b>						
Housing and community amenities		1058 (1)	–	–	1,625	8,950
<b>Total other contributions – non-cash</b>			<b>–</b>	<b>–</b>	<b>1,625</b>	<b>8,950</b>
<b>Total other contributions</b>			<b>476</b>	<b>348</b>	<b>1,625</b>	<b>9,505</b>
<b>Total contributions</b>			<b>476</b>	<b>348</b>	<b>21,277</b>	<b>15,464</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>			<b>7,257</b>	<b>6,277</b>	<b>25,299</b>	<b>21,945</b>

The AASB notation (above) identifies the revenue recognition pattern for material items of Council revenue:

**15 (1)** indicates income recognised under AASB 15 "at a point in time",

**15 (2)** indicates income recognised under AASB 15 "over time",

**1058 (1)** indicates income recognised under AASB 1058 "at a point in time", while

**1058 (2)** indicates income recognised under AASB 1058 "over time".

**Accounting policy for grants and contributions****Accounting policy from 1 July 2019****Grant income under AASB 15**

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue are recognised when control of each performance obligations is satisfied.

The performance obligations are varied based on the agreement but include [provide details of performance obligations within AASB 15 grants e.g. events, vaccinations]. 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

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

#### Grant income

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Councils considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

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

#### Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

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

#### Contributions

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

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

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

#### Accounting policy prior to 1 July 2019

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
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## (f) Unspent grants and contributions – external restrictions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.

**Operating grants**

Unexpended at the close of the previous reporting period	1,602	1,576
<b>Add:</b> operating grants recognised as income in the current period but not yet spent	1,527	1,219
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(1,321)	(1,193)
<b>Less:</b> operating grants received in a previous reporting period now spent and recognised as income	–	–
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<b>1,808</b>	<b>1,602</b>

The majority of the unexpended operating grants as at 30th June 2020 relates to the paid in advance Financial assistance grant 2020/2021 for \$1,182M and a Waste performance grant of \$156K.

**Capital grants**

Unexpended at the close of the previous reporting period	169	237
<b>Add:</b> capital grants recognised as income in the current period but not yet spent	3,490	132
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(91)	(200)
<b>Less:</b> capital grants received in a previous reporting period now spent and recognised as income	–	–
<b>Unexpended and held as externally restricted assets (capital grants)</b>	<b>3,568</b>	<b>169</b>

The majority of the unexpended capital grants as at 30th June 2020 relates to Active Transport Links 1,2 & 3 of \$3,490M.

**Contributions**

Unexpended at the close of the previous reporting period	43,680	38,301
<b>Add:</b> contributions recognised as income in the current period but not yet spent	20,633	7,080
<b>Less:</b> contributions recognised in a previous reporting period now spent	(3,681)	(1,701)
<b>Unexpended and held as externally restricted assets (contributions)</b>	<b>60,632</b>	<b>43,680</b>

The majority of the unexpended contributions \$60,620 as at 30th June 2020 relates to contributions received under S711 and voluntary planning agreements.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 4. Interest and investment income

\$ '000	2020	2019
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	34	47
– Cash and investments	3,533	4,214
Finance income on the net investment in the lease	–	–
<b>Total Interest and investment income</b>	<b>3,567</b>	<b>4,261</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	34	47
General Council cash and investments	1,837	2,234
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	504	583
Site 1 – Cy Pres Scheme	54	124
Site 2 – Cy Pres Scheme	20	26
Other externally restricted assets	782	816
<b>Restricted investments/funds – internal:</b>		
Internally restricted assets	336	431
<b>Total interest and investment revenue</b>	<b>3,567</b>	<b>4,261</b>

#### Accounting policy for interest and investment revenue

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



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations

\$ '000	2020	2019
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	32,436	31,009
Employee leave entitlements (ELE)	5,165	5,517
Superannuation	3,694	3,585
Workers' compensation insurance	1,181	1,099
Fringe benefit tax (FBT)	255	239
Other	70	79
<b>Total employee costs</b>	<b>42,801</b>	<b>41,528</b>
Less: capitalised costs	(718)	(255)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>42,083</b>	<b>41,273</b>
Number of 'full-time equivalent' employees (FTE) at year end	369	361

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

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

*Retirement benefit obligations*

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

*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 19 for more information.

\$ '000	2020	2019
<b>(b) Borrowing costs</b>		
<b>(i) Interest bearing liability costs</b>		
Interest on leases	11	–
Interest on loans	1,560	1,166
Fair value adjustment on loans (to Council)	528	–
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>2,099</b>	<b>1,166</b>

**Accounting policy for borrowing costs**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
<b>(c) Materials and contracts</b>		
Raw materials and consumables	2,312	2,464
Contractor and consultancy costs		
– Consultancy costs (assorted)	1,260	1,734
– Cleaning	1,239	1,278
– Waste Collection	7,230	6,645
– Equipment Maintenance	399	479
– Security Services	472	474
– Pay and Display Machine Maintenance	304	280
– Waste Disposal	4,873	4,746
– Management Fees	182	317
– Agency Personnel	2,287	2,274
– Open Space	2,449	1,568
– Infrastructure Works	2,577	4,125
– Street Cleaning	93	92
– Property Services	2,485	2,546
– Engineering Services	283	693
– Plant	168	216
– Environmental Services	2,356	2,208
– Events	670	1,158
– Willoughby Leisure Centre	57	96
– Chatswood Mall	151	204
– Other	1,358	1,390
Audit committee fees	14	5
Auditors remuneration <sup>2</sup>	88	89
<b>Legal expenses:</b>		
– Legal expenses: planning and development	370	180
– Legal expenses: other	283	267
<b>Operating leases expense (2019 only):</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	–	422
Other	332	395
<b>Total materials and contracts</b>	<b>34,292</b>	<b>36,345</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>34,292</b>	<b>36,345</b>

**Accounting policy for materials and contracts**

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

**Operating leases (2019 only)**

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

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

Computers	–	292
Other	–	260
	–	<b>552</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
<b>2. Auditor remuneration</b>		
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
<b>Auditors of the Council - NSW Auditor-General:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	88	86
<b>Remuneration for audit and other assurance services</b>	<b>88</b>	<b>86</b>
<b>Total Auditor-General remuneration</b>	<b>88</b>	<b>86</b>
<b>Non NSW Auditor-General audit firms</b>		
<b>(i) Audit and other assurance services</b>		
Other audit and assurance services – RMS Drives	—	3
<b>Remuneration for audit and other assurance services</b>	<b>—</b>	<b>3</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>—</b>	<b>3</b>
<b>Total Auditor remuneration</b>	<b>88</b>	<b>89</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
<b>(d) Depreciation, amortisation and impairment of non-financial assets</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		1,086	1,138
Office equipment		157	167
Furniture and fittings		188	183
Land improvements (depreciable)		109	106
<b>Infrastructure:</b>	10		
– Buildings (non-specialised)		–	5
– Buildings (specialised)		4,747	4,725
– Other structures		248	244
– Roads		3,566	3,508
– Bridges		164	372
– Footpaths		1,317	1,243
– Stormwater drainage		1,331	1,279
– Swimming pools		39	39
– Other open space/recreational assets		3,278	2,625
– Other infrastructure		229	231
<b>Right of use assets</b>	13	401	–
<b>Other assets:</b>			
– Library books		448	443
<b>Total gross depreciation and amortisation costs</b>		<b>17,308</b>	<b>16,308</b>
<b>Total depreciation and amortisation costs</b>		<b>17,308</b>	<b>16,308</b>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u></b>			
		<b>17,308</b>	<b>16,308</b>

**Accounting policy for depreciation, amortisation and impairment expenses of non-financial assets****Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets.

**Impairment of non-financial assets**

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
<b>(e) Other expenses</b>		
Advertising	423	559
Training costs (other than salaries and wages)	316	429
Travel expenses	22	25
Bad and doubtful debts (Net)	317	(319)
Bank charges	310	336
Child care assistance fee relief	570	601
Commissions and agency fees	468	557
Computer operating expenses	1,403	1,244
Concourse venue management	—	169
Contributions/levies to other levels of government		
– EPA levy	248	243
– NSW fire brigade levy	1,782	1,592
– Parking space levy	437	457
Councillor expenses – mayoral fee	44	43
Councillor expenses – councillors' fees	260	259
Councillors' expenses (incl. mayor) – other (excluding fees above)	32	58
Donations, contributions and assistance to other organisations (Section 356)	300	291
Electricity and heating	1,577	1,760
Events and community projects	50	8
Insurance	1,863	1,759
Orchestra costs	145	175
Planning reform fees	760	338
Street lighting	427	768
Subscriptions and publications	191	216
Telephone and communications	489	547
Valuation fees	104	114
Vehicle registrations	118	117
Water rates and other services	231	411
Other	672	622
<b>Total other expenses</b>	<b>13,559</b>	<b>13,379</b>
<b>TOTAL OTHER EXPENSES</b>	<b>13,559</b>	<b>13,379</b>

**Accounting policy for other expenses**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
<b>Property (excl. investment property)</b>			
Proceeds from disposal – property		254	–
Less: carrying amount of property assets sold/written off		(25)	–
<b>Net gain/(loss) on disposal</b>		<b>229</b>	<b>–</b>
<b>Plant and equipment</b>			
	10		
Proceeds from disposal – plant and equipment		203	211
Less: carrying amount of plant and equipment assets sold/written off		(57)	(91)
<b>Net gain/(loss) on disposal</b>		<b>146</b>	<b>120</b>
<b>Infrastructure</b>			
	10		
Less: carrying amount of infrastructure assets sold/written off		(325)	–
<b>Net gain/(loss) on disposal</b>		<b>(325)</b>	<b>–</b>
<b>Investments</b>			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		62,500	60,500
Less: carrying amount of investments sold/redeemed/matured		(62,500)	(60,500)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>50</b>	<b>120</b>

#### Accounting policy for disposal of assets

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

The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	557	106
Cash-equivalent assets		
– Deposits at call	6,303	5,055
<b>Total cash and cash equivalents</b>	<b>6,860</b>	<b>5,161</b>

**Accounting policy for cash and cash equivalents**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Investments</b>				
'Financial assets at amortised cost' / 'held to maturity' (2018)	169,051	—	149,527	—
<b>Total Investments</b>	<b>169,051</b>	<b>—</b>	<b>149,527</b>	<b>—</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>175,911</b>	<b>—</b>	<b>154,688</b>	<b>—</b>
<b>Financial assets at amortised cost</b>				
Long term deposits	169,051	—	149,527	—
<b>Total</b>	<b>169,051</b>	<b>—</b>	<b>149,527</b>	<b>—</b>

## Accounting policy for investments

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

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

## Financial assets

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

## Classification

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

- amortised cost

Financial assets are not reclassified subsequent to their initial recognition.

## Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 7(c). Restricted cash, cash equivalents and investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Total cash, cash equivalents and investments</b>	<b>175,911</b>	<b>–</b>	<b>154,688</b>	<b>–</b>
<b>attributable to:</b>				
External restrictions	94,947	–	73,903	–
Internal restrictions	68,315	–	68,186	–
Unrestricted	12,649	–	12,599	–
	<b>175,911</b>	<b>–</b>	<b>154,688</b>	<b>–</b>

\$ '000	2020	2019
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## Details of restrictions

**External restrictions – included in liabilities**

Specific purpose unexpended loans – general	114	120
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**External restrictions – included in liabilities**

<b>114</b>	<b>120</b>
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**External restrictions – other**

Developer contributions – general	60,620	43,667
RMS contributions	52	143
Specific purpose unexpended grants (recognised as revenue) – general fund	5,335	1,639
Affordable housing	13,593	12,889
Infrastructure levy reserve	2,024	1,670
Site 1 – CY pres scheme	2,765	4,685
Site 2 – CY pres scheme	1,006	986
Domestic waste management	9,438	8,104

**External restrictions – other**

<b>94,833</b>	<b>73,783</b>
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**Total external restrictions**

<b>94,947</b>	<b>73,903</b>
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## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 7(c). Restricted cash, cash equivalents and investments (continued)

\$ '000	2020	2019
<b>Internal restrictions</b>		
Plant and vehicle replacement	2,780	2,782
Employees leave entitlement	2,355	2,355
Asset improvement	1,199	1,417
Car park management	3,007	2,380
CBD event activities	89	122
CBD property	160	160
Depot	456	775
Election	525	275
Employee overheads	1,171	1,053
Environmental development plan	4,994	5,084
Flood Investigation	39	39
Information technology	3,583	3,200
Innovation/Digital Hub	905	905
Leisure and Recreational Projects	5,686	5,795
Paid parking	1,721	1,635
Property plan	7,973	7,656
Regency leisure centre lease	5,668	4,894
Repair to damage-road and footway	558	883
Stormwater management	84	352
The Concourse	16,272	16,090
Victor St Property redevelopment	3,732	3,890
Open space	802	786
Precinct Upgrade	4,556	5,658
<b>Total internal restrictions</b>	<b>68,315</b>	<b>68,186</b>
<b>TOTAL RESTRICTIONS</b>	<b>163,262</b>	<b>142,089</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Purpose</b>				
Rates and annual charges	1,370	36	1,076	36
User charges and fees	1,900	–	2,233	–
Accrued revenues				
– Interest on investments	1,280	–	2,354	–
– Other income accruals	932	–	1,153	–
Net investment in finance lease	–	–	–	–
Amounts due from other councils	–	–	1	–
Deferred debtors	–	15	–	15
Government grants and subsidies	–	–	308	–
Net GST receivable	–	–	1,029	–
Other debtors	(267)	–	(209)	–
<b>Total</b>	<b>5,215</b>	<b>51</b>	<b>7,945</b>	<b>51</b>
<b>Less: provision of impairment</b>				
User charges and fees	(424)	–	(107)	–
<b>Total provision for impairment – receivables</b>	<b>(424)</b>	<b>–</b>	<b>(107)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>4,791</b>	<b>51</b>	<b>7,838</b>	<b>51</b>
<b>Externally restricted receivables</b>				
Domestic waste management	1,099	–	931	–
<b>Total external restrictions</b>	<b>1,099</b>	<b>–</b>	<b>931</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>3,692</b>	<b>51</b>	<b>6,907</b>	<b>51</b>
<b>TOTAL NET RECEIVABLES</b>	<b>4,791</b>	<b>51</b>	<b>7,838</b>	<b>51</b>

\$ '000	2020	2019
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	107	426
+ new provisions recognised during the year	317	–
– amounts already provided for and written off this year	–	(319)
<b>Balance at the end of the year</b>	<b>424</b>	<b>107</b>

## Accounting policy for receivables

## Recognition and measurement

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables (continued)

#### Impairment

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

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

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

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

#### Covid 19

Council's rate and annual charge collections have not been significantly impacted by the Covid 19 pandemic and are comparable to prior years. Therefore no adjustment has been made to the impairment provision in regards to Covid 19. Cashflows and interest income may be impacted in 2020/21 due to the State Government legislating that the due date for the first instalment be deferred until September 30 2020 and directing councils that no interest can be charged on overdue rates for a period of 6 months. The impact of these directives is not measurable at this stage but it is not to be significant.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Stores and materials	27	—	22	—
<b>Total inventories at cost</b>	<b>27</b>	<b>—</b>	<b>22</b>	<b>—</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>27</u></b>	<b><u>—</u></b>	<b><u>22</u></b>	<b><u>—</u></b>

**(b) Other assets**

Prepayments	853	997	822	—
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>853</u></b>	<b><u>997</u></b>	<b><u>822</u></b>	<b><u>—</u></b>

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Total externally restricted assets</b>	—	—	—	—
<b>Total internally restricted assets</b>	—	—	—	—
<b>Total unrestricted assets</b>	<b>880</b>	<b>997</b>	<b>844</b>	<b>—</b>
<b><u>TOTAL INVENTORIES AND OTHER ASSETS</u></b>	<b><u>880</u></b>	<b><u>997</u></b>	<b><u>844</u></b>	<b><u>—</u></b>

**Accounting policy for inventories and other assets****Raw materials and stores, work in progress and finished goods**

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

# Willoughby City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/19			Asset movements during the reporting period								as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	W/P transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000	Restated	Restated	Restated											
Capital work in progress	1,219	–	1,219	2,514	123	–	–	(916)	(125)	–	–	2,815	–	2,815
Plant and equipment	12,993	(7,472)	5,521	–	1,132	(57)	(1,086)	160	–	–	–	13,734	(8,064)	5,670
Office equipment	2,872	(2,199)	673	–	49	–	(157)	–	–	–	–	2,920	(2,355)	565
Furniture and fittings	2,797	(1,563)	1,234	–	215	–	(188)	–	–	–	–	3,011	(1,750)	1,261
Land:														
– Operational land	464,813	–	464,813	–	160	(25)	–	–	–	–	32,992	497,940	–	497,940
– Community land	267,303	–	267,303	–	–	–	–	–	–	–	–	267,303	–	267,303
Land improvements – depreciable	5,445	(639)	4,806	107	–	–	(109)	–	–	–	69	5,621	(748)	4,873
Infrastructure:														
– Buildings – non-specialised	22,167	(138)	22,029	–	1,465	–	–	–	(110)	–	236	23,620	–	23,620
– Buildings – specialised	333,706	(66,209)	267,497	514	–	(123)	(4,747)	286	110	–	8,424	343,464	(71,503)	271,961
– Other structures	9,420	(1,528)	7,892	–	221	–	(248)	–	(487)	–	143	9,314	(1,793)	7,521
– Roads	282,610	(85,357)	197,253	3,312	80	–	(3,566)	–	–	–	4,138	290,141	(88,924)	201,217
– Bridges	10,728	(1,870)	8,858	180	218	–	(164)	–	–	(56)	–	11,070	(2,034)	9,036
– Footpaths	76,294	(14,140)	62,154	1,904	72	–	(1,317)	–	593	–	1,600	80,964	(15,958)	65,006
– Bulk earthworks (non-depreciable)	22,281	–	22,281	–	–	–	–	–	–	–	3	22,284	–	22,284
– Stormwater drainage	146,510	(32,102)	114,408	1,547	1,527	–	(1,331)	–	–	–	3,863	153,447	(33,433)	120,014
– Swimming pools	4,582	(1,048)	3,534	–	–	–	(39)	–	–	–	85	4,719	(1,139)	3,580
– Other open space/recreational assets	63,980	(19,565)	44,415	2,791	1,588	(202)	(3,278)	470	(81)	–	1,956	70,529	(22,870)	47,659
– Other infrastructure	19,345	(4,376)	14,969	51	339	–	(229)	–	(25)	–	167	19,368	(4,096)	15,272
Other assets:														
– Library books	9,585	(8,226)	1,359	–	418	–	(448)	–	–	–	–	10,003	(8,674)	1,329
Total Infrastructure, property, plant and equipment	1,758,650	(246,432)	1,512,218	12,920	7,607	(407)	(16,907)	–	(125)	(56)	53,676	1,832,267	(263,341)	1,568,926

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

The opening balances for Buildings – Specialised and Other open space/recreational assets have been adjusted in line with the correction of error of (\$5,385M). The details of this correction can be found at Note 16b.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/18				Asset movements during the reporting period										as at 30/06/19	
	Gross carrying amount Restated	Accumulated depreciation Restated	Net carrying amount Restated	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount Restated	Accumulated depreciation Restated	Net carrying amount Restated		
<b>\$ '000</b>	Restated	Restated	Restated													
Capital work in progress	5,054	–	5,054	494	725	–	–	(5,012)	(42)	–	–	1,219	–	1,219		
Plant and equipment	13,178	(7,103)	6,075	–	647	(91)	(1,138)	28	–	–	–	12,993	(7,472)	5,521		
Office equipment	2,657	(2,032)	625	–	215	–	(167)	–	–	–	–	2,872	(2,199)	673		
Furniture and fittings	2,617	(1,380)	1,237	–	180	–	(183)	–	–	–	–	2,797	(1,563)	1,234		
<b>Land:</b>																
– Operational land	449,601	–	449,601	–	555	–	–	–	–	–	14,657	464,813	–	464,813		
– Community land	267,303	–	267,303	–	–	–	–	–	–	–	–	267,303	–	267,303		
Land improvements – depreciable	4,998	(533)	4,465	182	94	–	(106)	–	–	–	171	5,445	(639)	4,806		
<b>Infrastructure:</b>																
– Buildings – non-specialised	13,440	(130)	13,310	–	8,395	–	(5)	–	–	–	–	22,167	(138)	22,029		
– Buildings – specialised	322,741	(60,458)	262,283	1,755	1,250	–	(4,725)	205	–	–	6,728	333,706	(66,209)	267,497		
– Other structures	8,988	(1,172)	7,816	–	–	–	(244)	–	–	–	320	9,420	(1,528)	7,892		
– Roads	282,051	(81,849)	200,202	3,619	461	–	(3,508)	–	–	(3,521)	–	282,610	(85,357)	197,253		
– Bridges	10,296	(1,498)	8,798	372	–	–	(372)	–	–	–	60	10,728	(1,870)	8,858		
– Footpaths	71,592	(12,897)	58,695	2,116	59	–	(1,243)	–	–	–	2,527	76,294	(14,140)	62,154		
– Bulk earthworks (non-depreciable)	21,932	–	21,932	–	–	–	–	–	–	–	349	22,281	–	22,281		
– Stormwater drainage	117,654	(30,823)	86,831	2,677	2,349	–	(1,279)	–	–	–	23,830	146,510	(32,102)	114,408		
– Swimming pools	4,470	(1,070)	3,400	65	–	–	(39)	–	–	–	108	4,582	(1,048)	3,534		
– Other open space/recreational assets	49,972	(16,939)	33,033	3,889	2,563	–	(2,625)	4,779	–	–	2,778	63,980	(19,565)	44,415		
– Other infrastructure	18,122	(4,145)	13,977	94	489	–	(231)	–	–	–	640	19,345	(4,376)	14,969		
<b>Other assets:</b>																
– Library books	9,125	(7,783)	1,342	–	460	–	(443)	–	–	–	–	9,585	(8,226)	1,359		
<b>Total infrastructure, property, plant and equipment</b>	<b>1,675,791</b>	<b>(229,812)</b>	<b>1,445,979</b>	<b>15,263</b>	<b>18,442</b>	<b>(91)</b>	<b>(16,308)</b>	<b>–</b>	<b>(42)</b>	<b>(3,521)</b>	<b>52,497</b>	<b>1,758,650</b>	<b>(246,432)</b>	<b>1,512,218</b>		

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

The opening balances for Buildings – Specialised and Other open space/recreational assets have been adjusted in line with the correction of error of (\$5,385M). The details of this correction can be found at Note 16b.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

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	<b>Buildings</b>	
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
<b>Open Space/Recreational Assets</b>		Floor Coverings	15 to 80
Playground equipment	15 to 20	Internal fit-out	20 to 45
Park Furniture & equipment	10 to 20	Mechanical	25 to 35
Playing surfaces	40 to 100	Transportation	25
Reticulation pipes: other	25 to 75	Fire protection	40
Natural assets(garden beds/turf)	10 to 100		
		<b>Other infrastructure assets</b>	
<b>Transportation assets</b>		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	<b>Stormwater assets</b>	
Minor structures	60 to 100	Drains	40 to 150
Kerb & gutter concrete	100	Culverts	100 to 150
Footpaths concrete	80	<b>Swimming Pools</b>	100 to 150
		<b>Library Books</b>	5

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



## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### **Land under roads**

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

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

#### **Rural Fire Service assets**

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

Willoughby Council's area is not serviced by the Rural Fire Service. As a result there are no RFS assets recognised in council's fixed assets register.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 11. Investment properties

\$ '000	2020	2019
<b>Owned investment property</b>		
Investment property on hand at fair value	89,628	85,921
<b>Total owned investment property</b>	<b>89,628</b>	<b>85,921</b>

## (a) Reconciliation – owned investment property

## Reconciliation of annual movement:

<b>Opening balance</b>	85,921	78,080
– Capitalised expenditure – this year	209	90
– Net gain/(loss) from fair value adjustments	3,498	7,751
<b>CLOSING BALANCE – OWNED INVESTMENT PROPERTY</b>	<b>89,628</b>	<b>85,921</b>

## (b) Valuation basis (2019 only)

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

The 2019 revaluations were based on independent assessments made by:  
Daniel Atherton -Registered Valuer BBSus (RE &dev) GAPI - APV Valuers and Asset Management.

## (c) Contractual obligations at reporting date (2019 only)

There are no capital or service obligations for investment properties as at 30th June 2019.

\$ '000	2020	2019
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## (d) Leasing arrangements – Council as lessor (2019 only)

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

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

Within 1 year	–	4,709
Later than 1 year but less than 5 years	–	23,985
Later than 5 years	–	36,426
<b>Total minimum lease payments receivable</b>	<b>–</b>	<b>65,120</b>

## (e) Investment property income and expenditure – summary (2019 only)

## Rental income from investment property:

– Minimum lease payments	–	4,999
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## Direct operating expenses on investment property:

– that did not generate rental income	–	(486)
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<b>Net revenue contribution from investment property</b>	<b>–</b>	<b>4,513</b>
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plus:

<b>Fair value movement for year</b>	<b>3,498</b>	<b>7,751</b>
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<b>Total income attributable to investment property</b>	<b>3,498</b>	<b>12,264</b>
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## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 12. Intangible assets

#### Note 12. Intangible assets

\$ '000	2020	2019
<b>Software</b>		
<b>Movements for the year</b>		
– Purchases	1,829	–
– Development costs	409	–
<b>Closing values at 30 June</b>		
Gross book value	2,238	–
<b>Total software – net book value</b>	<b>2,238</b>	<b>–</b>
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</b>	<b>2,238</b>	<b>–</b>

#### Accounting policy for intangible assets

##### IT development and software

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

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

Council implemented a new computer system Technology One which has a staged implementation over 3 years with the first stage Procurement, Finance and Human Resources modules going live on 1 July 2020.

An Assets Management module is due to go live on 1 July 2021 followed by a Rates and Revenue Module to go live on 1 July 2022.

During 2020 a number of staff members from Finance Procurement and Human Resources were on the implementation team for the new system and the costs involved in software licences, licencing and other costs were capitalised as intangible assets (software) to be amortised over 5 years from 1 July 2020.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Leases

The Council has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

## (i) Council as a lessee

Council leases a number of Personal Computers as well as Photocopiers and Printers.

**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.

\$ '000	Plant & Equipment	Ready to use	Computers & Photocopiers	Total
(a) Right of use assets				
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	–	–	1,112	1,112
Adoption of AASB 16 at 1 July 2019 – transfer of IPP&E from Note 11(a)	–	–	–	–
Additions to right-of-use assets	–	–	–	–
Adjustments to right-of-use assets due to re-measurement of lease liability	–	–	–	–
Depreciation charge	–	–	(401)	(401)
Impairment of right-of-use assets	–	–	–	–
Other movement	–	–	–	–
<b>RIGHT OF USE ASSETS</b>	<b>–</b>	<b>–</b>	<b>711</b>	<b>711</b>

\$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liabilities	279	393
<b>TOTAL LEASE LIABILITIES</b>	<b>279</b>	<b>393</b>

## (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
Cash flows	279	393	–	672	672

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Leases (continued)

\$ '000	2020 Current	2020 Non-current
<b>(ii) Lease liabilities relating to restricted assets</b>		
<b>Total lease liabilities relating to unrestricted assets</b>	279	393
<b><u>Total lease liabilities</u></b>	<b><u>279</u></b>	<b><u>393</u></b>

\$ '000	2020
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## (c) Income Statement

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

Interest on lease liabilities	11
Depreciation of right of use assets	401
	<b><u>412</u></b>

## (d) Statement of Cash Flows

Total cash outflow for leases	412
	<b><u>412</u></b>

**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.

Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

**Accounting policy****Accounting policies under AASB 16 – applicable from 1 July 2019**

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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Leases (continued)

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. The right-of-use 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.

**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.

**Accounting policy under AASB 117 and associated Accounting Interpretations (2019 only)**

Refer to Note 5c and Note 18.

**(ii) Council as a lessor****(e) Operating leases**

Council leases out a number of properties to community groups and businesses. These leases have been classified as operating leases for financial reporting purposes. The property assets owned and leased by council are included as investment property (refer note 11) and/or Infrastructure, Property, Plant and Equipment (refer note 10).

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

<b>\$ '000</b>	<b>2020</b>
<b>(i) Operating lease income</b>	
<b>Investment properties</b>	
Lease income (excluding variable lease payments not dependent on an index or rate)	4,433
<b>Other lease income</b>	
Room/Facility Hire	6,506
<b>Total income relating to operating leases</b>	<b>10,939</b>
<b>(ii) Operating lease expenses</b>	
<b>Investment properties</b>	
Direct operating expenses that generated rental income	510
<b>Other leased assets</b>	
<b>Total expenses relating to operating leases</b>	<b>510</b>
<b>(iii) Repairs and maintenance: investment property</b>	
Contractual obligations for future repairs and maintenance	—
Other	—
<b>Total repairs and maintenance: investment property</b>	<b>—</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Leases (continued)

\$ '000	2020
<b>(iv) Maturity analysis of contractual lease income</b>	
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:	
< 1 year	6,549
1–2 years	4,637
2–3 years	3,824
3–4 years	3,426
4–5 years	2,857
> 5 years	92,407
<b>Total undiscounted contractual lease income receivable</b>	<b>113,700</b>

**Accounting policy**

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

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

If the lease contains lease and non-lease components then 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.

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	7,129	–	9,749	–
Prepaid rates	–	–	–	–
Accrued expenses:				
– Borrowings	90	–	95	–
– Other expenditure accruals	39	–	37	–
Security bonds, deposits and retentions	11,627	–	11,770	–
Other	321	–	283	–
<b>Total payables</b>	<b>19,206</b>	<b>–</b>	<b>21,934</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	533	–	1,360	–
<b>Total income received in advance</b>	<b>533</b>	<b>–</b>	<b>1,360</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	1,304	37,981	1,705	38,756
Deferred payment liabilities	75	565	75	640
<b>Total borrowings</b>	<b>1,379</b>	<b>38,546</b>	<b>1,780</b>	<b>39,396</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>21,118</u></b>	<b><u>38,546</u></b>	<b><u>25,074</u></b>	<b><u>39,396</u></b>

(1) Loans are secured over the general rating income of Council.

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 20.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Domestic waste management	157	–	92	–
Payables and borrowings relating to externally restricted assets	157	–	92	–
<b>Total payables and borrowings relating to restricted assets</b>	<b>157</b>	<b>–</b>	<b>92</b>	<b>–</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>20,961</b>	<b>38,546</b>	<b>24,982</b>	<b>39,396</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>21,118</u></b>	<b><u>38,546</u></b>	<b><u>25,074</u></b>	<b><u>39,396</u></b>



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Payables and borrowings (continued)

\$ '000	2020	2019
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**(b) Current payables and borrowings not anticipated to be settled within the next twelve months**

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

Payables – security bonds, deposits and retentions	9,042	9,266
<b>Total payables and borrowings</b>	<b>9,042</b>	<b>9,266</b>

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

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	40,461	(1,704)	–	528	–	–	39,285
Lease liabilities	–	672	–	–	–	–	672
Deferred payment liabilities	715	(75)	–	–	–	–	640
<b>TOTAL</b>	<b>41,176</b>	<b>(1,107)</b>	<b>–</b>	<b>528</b>	<b>–</b>	<b>–</b>	<b>40,597</b>

\$ '000	as at 30/06/18		Non-cash changes				as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement		Closing balance
Loans – secured	42,526	(1,654)	–	(411)	–	–	40,461
Deferred payment liabilities	790	(75)	–	–	–	–	715
<b>TOTAL</b>	<b>43,316</b>	<b>(1,729)</b>	<b>–</b>	<b>(411)</b>	<b>–</b>	<b>–</b>	<b>41,176</b>

\$ '000	2020	2019
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**(d) Financing arrangements****(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities <sup>1</sup>	1,200	1,200
<b>Total financing arrangements</b>	<b>1,200</b>	<b>1,200</b>

**Undrawn facilities as at balance date:**

– Bank overdraft facilities	1,200	1,200
<b>Total undrawn financing arrangements</b>	<b>1,200</b>	<b>1,200</b>

**Additional financing arrangements information****Breaches and defaults**

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

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

**Accounting policy for payables and borrowings**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 14. Payables and borrowings (continued)

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

#### **Payables**

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

#### **Borrowings**

Borrowing costs are expensed, except to the extent that they are incurred during the construction of qualifying assets.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 15. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	3,215	—	2,728	—
Long service leave	7,630	318	7,518	276
Gratuities	—	163	—	167
ELE on-costs	970	24	946	22
<b>Sub-total – aggregate employee benefits</b>	<b>11,815</b>	<b>505</b>	<b>11,192</b>	<b>465</b>
<b>Other provisions</b>				
Public liability claims	12	13	13	25
<b>Sub-total – other provisions</b>	<b>12</b>	<b>13</b>	<b>13</b>	<b>25</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>11,827</u></b>	<b><u>518</u></b>	<b><u>11,205</u></b>	<b><u>490</u></b>

## (a) Provisions relating to restricted assets

<b>Total provisions relating to restricted assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total provisions relating to unrestricted assets</b>	<b>11,827</b>	<b>518</b>	<b>11,205</b>	<b>490</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>11,827</u></b>	<b><u>518</u></b>	<b><u>11,205</u></b>	<b><u>490</u></b>

\$ '000	2020	2019
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## (b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	8,138	8,308
	<b>8,138</b>	<b>8,308</b>

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 15. Provisions (continued)

### (c) Description of and movements in provisions

\$ '000	ELE provisions				Total
	Annual leave	Long service leave	ELE on-costs	Other employee benefits	
<b>2020</b>					
At beginning of year	2,728	7,794	968	167	11,657
Additional provisions	2,505	941	27	(4)	3,469
Amounts used (payments)	(2,018)	(786)	—	—	(2,804)
Remeasurement effects	—	(22)	22	—	—
Other	—	21	(23)	—	(2)
<b>Total ELE provisions at end of year</b>	<b>3,215</b>	<b>7,948</b>	<b>994</b>	<b>163</b>	<b>12,320</b>
<b>2019</b>					
At beginning of year	2,643	7,061	812	154	10,670
Other	85	733	156	13	987
<b>Total ELE provisions at end of year</b>	<b>2,728</b>	<b>7,794</b>	<b>968</b>	<b>167</b>	<b>11,657</b>

\$ '000	Other provisions	
	Public liability claims	Total
<b>2020</b>		
At beginning of year	38	38
<b>Total other provisions at end of year</b>	<b>38</b>	<b>38</b>
<b>2019</b>		
At beginning of year	127	127
Unused amounts reversed	(89)	(89)
<b>Total other provisions at end of year</b>	<b>38</b>	<b>38</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 15. Provisions (continued)

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

##### Insurance

To recognise provision of potential payment of excess to Council's insurer in relation to unsettled public liability claims as at 30th June 2020.

##### Accounting policy for provisions

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

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

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

#### Employee benefits

##### Short-term obligations

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

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

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

##### On-costs

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

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

## Notes to the Financial Statements

for the year ended 30 June 2020

**Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors****(a) Nature and purpose of reserves****Infrastructure, property, plant and equipment revaluation reserve**

The infrastructure, property, plant and equipment revaluation reserve is used to record increments / decrements of non-current asset values due to their revaluation.

**(b) Correction of errors relating to a previous reporting period**

During the current Financial year council identified that Park Assets (Gardens & Edging) had been overstated to the value of \$5,872,562.41. A stocktake of Buildings also identified 3 buildings that were not previously included in the Buildings Asset Register. These were subsequently valued by APV as at 30th June 2020 and realised a net increase of \$487,902.76.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2018) and taking the adjustment through to accumulated surplus at that date.

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

**Changes to the opening Statement of Financial Position at 1 July 2018****Statement of Financial Position**

<b>\$ '000</b>	<b>Original Balance 1 July, 2018</b>	<b>Impact Increase/ (decrease)</b>	<b>Restated Balance 1 July, 2018</b>
Infrastructure, Property, plant and equipment	1,451,363	(5,385)	1,445,978
<b>Total assets</b>	<b>1,682,111</b>	<b>(5,385)</b>	<b>1,676,726</b>
Accumulated surplus	1,146,067	488	1,146,555
Revaluation reserves	458,723	(5,873)	452,850
<b>Total equity</b>	<b>1,682,111</b>	<b>(5,385)</b>	<b>1,676,726</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

#### (c) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

During the year ended 30 June 2020, the Council has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 *Construction Contracts*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

#### (ii) AASB 15 and AASB 1058

The following approach has been applied on transition to AASB 15 and AASB 1058:

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements
- Council has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

#### Costs incurred in fulfilling customer contracts

Prior to adopting AASB 15, Council recognised direct costs associated with fulfilling customer contracts as expenses when incurred, as they did not qualify for recognition as assets under any other accounting standards. Under AASB 15, as these costs relate directly to the contracts, generate resources used in satisfying the contracts and are expected to be recovered, they are capitalised as 'costs to fulfil a contract' assets and released through profit and loss on the same basis as the revenue is recognised.

#### Upfront fees – Council leisure centre

Prior to adopting AASB 15, Council recognised membership joining fees on receipt. Under AASB 15, since the fees do not relate to a performance obligation, they are combined with other goods and services transferred to the customer and therefore they are now spread over the expected life of the contract with the customer (i.e the membership life).

#### Revenue recognition from contract modifications

In relation to contract modifications, AASB 15 requires customer approval, which is a more prudent criteria than the probability requirement in the previous standards and has resulted in deferral of revenue where unapproved works have been performed.

#### Transfer of control to a customer – over time or at a point in time

AASB 15 has specific criteria regarding whether control is transferred over time or at a point in time. The entity has reviewed its contracts and concluded that the criteria for recognition over time is not met in some circumstances. In such cases, revenue and related production costs will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

#### Principal v agent

Prior to adopting AASB 15, the Council had assessed that they were a principal in transactions where another party was involved in providing the goods or services including pass-through grants.

Under AASB 15, the indicators of a principal have changed and there are now a number of performance obligations within grant agreements where the Council is acting as an agent since the only obligation is to transfer the funds to a third party. The result is that Council can only recognise the "commission" to which they are entitled rather than the gross revenue and expenses. There is no change to reported profit.

#### Licences

Council has reviewed the licences it grants and considers that all licences are either short-term or low value and elects to recognise all revenue from licences up-front rather than spreading them over the life of the licence.

## Notes to the Financial Statements

for the year ended 30 June 2020

**Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)****Prepaid rates**

Under AASB 1004, rates were recorded as revenue at the earliest of receipt of the funds from the ratepayer and the beginning of the rating period. Under AASB 1058, prepaid rates are recognised as a financial liability until the beginning of the rating period.

**Grants – operating**

Under AASB 1004, most grant income was recognised as revenue on receipt. Under AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed, or recognised at the point in time that the control of the services passes to the customer.

**Grants – capital**

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where Council has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by Council and the contract is enforceable, then the asset is recognised as a contract liability on receipt and recorded as revenue as the performance obligation to acquire or construct the asset is completed.

**Changes in presentation**

In addition to the above changes in accounting policies, the Council has also amended the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058.

**Comparison of financial statement line items under AASB 15 compared to previous standards for the current year**

The following tables show the impact of adopting AASB 15 and AASB 1058 on the Council's financial statements for the year ended 30 June 2020.

**Statement of Financial Position**

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
<b>Current assets</b>					
Cash and cash equivalents	6,860	—	—	6,860	
Investments	169,051	—	—	169,051	
Receivables	4,791	—	—	4,791	
Inventories	27	—	—	27	
Other	853	—	—	853	
<b>Total current assets</b>	<b>181,582</b>	<b>—</b>	<b>—</b>	<b>181,582</b>	
<b>Current liabilities</b>					
Payables	19,206	—	—	19,206	
Income received in advance	533	—	—	533	
Lease liabilities	279	—	—	279	
Borrowings	1,379	—	—	1,379	
Provisions	11,827	—	—	11,827	
<b>Total current liabilities</b>	<b>33,224</b>	<b>—</b>	<b>—</b>	<b>33,224</b>	
<b>Non-current assets</b>					
Receivables	51	—	—	51	
Infrastructure, property, plant and equipment	1,568,926	—	—	1,568,926	

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## Notes to the Financial Statements

for the year ended 30 June 2020

**Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
Investment property	89,628	—	—	89,628	
Intangible assets	2,238	—	—	2,238	
Right of use assets	711	—	—	711	
Other	997	—	—	997	
<b>Total non-current assets</b>	<b>1,662,551</b>	<b>—</b>	<b>—</b>	<b>1,662,551</b>	
<b>Non-current liabilities</b>					
Lease liabilities	393	—	—	393	
Borrowings	38,546	—	—	38,546	
Provisions	518	—	—	518	
<b>Total Non-current liabilities</b>	<b>39,457</b>	<b>—</b>	<b>—</b>	<b>39,457</b>	
<b>Net assets</b>	<b>1,771,452</b>	<b>—</b>	<b>—</b>	<b>1,771,452</b>	
<b>Equity</b>					
Accumulated surplus	1,216,006	—	—	1,216,006	
Revaluation reserves	555,446	—	—	555,446	
<b>Council equity interest</b>	<b>1,771,452</b>	<b>—</b>	<b>—</b>	<b>1,771,452</b>	
<b>Total equity</b>	<b>1,771,452</b>	<b>—</b>	<b>—</b>	<b>1,771,452</b>	

## Notes to the Financial Statements

for the year ended 30 June 2020

**Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)****Income Statement**

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<b><u>Income from continuing operations</u></b>					
Rates and annual charges	67,823	—	—	67,823	
User charges and fees	16,305	—	—	16,305	
Other revenues	7,040	—	—	7,040	
Grants and contributions provided for operating purposes	7,257	—	—	7,257	
Grants and contributions provided for capital purposes	25,299	—	—	25,299	
Interest and investment income	3,567	—	—	3,567	
Net gains from the disposal of assets	50	—	—	50	
Fair value increment on investment properties	3,498	—	—	3,498	
Rental income	10,939	—	—	10,939	
<b><u>Expenses from continuing operations</u></b>					
Employee benefits and on-costs	42,083	—	—	42,083	
Borrowing costs	2,099	—	—	2,099	
Materials and contracts	34,292	—	—	34,292	
Depreciation and amortisation	17,308	—	—	17,308	
Other expenses	13,559	—	—	13,559	
<b>Total Operating result from continuing operations</b>	<b>32,437</b>	<b>—</b>	<b>—</b>	<b>32,437</b>	
<b>Net operating result for the year</b>	<b>32,437</b>	<b>—</b>	<b>—</b>	<b>32,437</b>	
<b>Total comprehensive income</b>	<b>86,057</b>	<b>—</b>	<b>—</b>	<b>86,057</b>	

## Notes to the Financial Statements

for the year ended 30 June 2020

**Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)****(iii) AASB 16 Leases****Council as a lessee**

Under AASB 117, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

Council has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Income Statement on a straight-line basis.

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- A single discount rate was applied to all leases with similar characteristics.

**Financial statement impact of adoption of AASB 16**

Council has recognised right-of-use assets and lease liabilities of \$1.12M at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 2.50%.

	Balance at 1 July 2019
<b>\$ '000</b>	
<b>Operating lease commitments at 30 June 2019 per Council financial statements</b>	<b>1,029</b>

**Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases**

<b>Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019</b>	<b>1,029</b>
<b>Add:</b>	
Contracts not accounted for as operating lease commitments last year	83
<b>Lease liabilities recognised at 1 July 2019</b>	<b>1,112</b>

**Council as a lessor**

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases, which have now been classified in relation to the right-of-use asset under the head lease rather than the underlying asset.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019
<b>(a) Reconciliation of cash and cash equivalents</b>			
Total cash and cash equivalents per Statement of Financial Position	7(a)	6,860	5,161
<b>Balance as per the Statement of Cash Flows</b>		<b>6,860</b>	<b>5,161</b>

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

<b>Net operating result from Income Statement</b>	32,437	37,014
<b>Adjust for non-cash items:</b>		
Depreciation and amortisation	17,308	16,308
Net losses/(gains) on disposal of assets	(50)	(120)
Non-cash capital grants and contributions	(1,625)	(8,950)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investment property	(3,498)	(7,751)
– Fair valuation adjustment (re-measurement) of existing loans to Council	528	(441)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>		
Decrease/(increase) in receivables	2,730	(1,652)
Increase/(decrease) in provision for impairment of receivables	317	(319)
Decrease/(increase) in inventories	(5)	6
Decrease/(increase) in other current assets	(1,028)	(448)
Increase/(decrease) in payables	(2,620)	(986)
Increase/(decrease) in accrued interest payable	(5)	(7)
Increase/(decrease) in other accrued expenses payable	2	6
Increase/(decrease) in other liabilities	(932)	1,073
Increase/(decrease) in provision for employee benefits	663	987
Increase/(decrease) in other provisions	(13)	(89)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>	<b>44,209</b>	<b>34,631</b>

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

Contributed Assets – Building	1,625	8,950
<b>Total non-cash investing and financing activities</b>	<b>1,625</b>	<b>8,950</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 18. Commitments

\$ '000	2020	2019
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## (a) Capital commitments (exclusive of GST)

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

**Property, plant and equipment**

Buildings	1,377	151
Plant and equipment	313	544
Other Structures	—	35
Other Assets	—	99
Roads	255	75
Drainage	34	7
Open Space	225	1,674
Other	5	25
Swimming Pool	1,158	—
<b>Total commitments</b>	<b>3,367</b>	<b>2,610</b>

**These expenditures are payable as follows:**

Within the next year	3,367	2,610
<b>Total payable</b>	<b>3,367</b>	<b>2,610</b>

**Sources for funding of capital commitments:**

Unrestricted general funds	—	401
Sect 64 and 94 funds/reserves	122	668
Other reserves	3,245	1,541
<b>Total sources of funding</b>	<b>3,367</b>	<b>2,610</b>

**Details of capital commitments**

Council has committed to improve open space recreation facilities.

\$ '000	2020	2019
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## (b) Non-cancellable operating lease commitments (2019 only)

**a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	—	367
Later than one year and not later than 5 years	—	662
<b>Total non-cancellable operating lease commitments</b>	<b>—</b>	<b>1,029</b>

**b. Non-cancellable operating leases include the following assets:**

Computer, photocopier and printer equipment.

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

**Conditions relating to finance and operating leases:**

— All finance agreements are secured only against the leased asset.

— No lease agreements impose any financial restrictions on Council regarding future debt etc.

Refer to Note 15 for information relating to leases for 2020.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. 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 employee contributions

\*For 180 Point Members, Employers are required to contribute 7% of salaries to these member's accumulation accounts, which are paid in addition to member's defined benefits.

The past service contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position of 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 additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 19. 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 2020 was \$ 474,183.99. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA and covers the period ended 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$297,900. Council's expected contribution to the plan for the next annual reporting period is \$465,468.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2020 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,695.2	
Past Service Liabilities	1,773.2	95.6%
Vested Benefits	1,757.5	96.5%

\* 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 \$296,000 as at 30 June 2020.

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	5.75% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

\* Plus promotional increases

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

#### (ii) Statewide Limited

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

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

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

#### (iii) 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 19. Contingencies (continued)

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#### (iv) Other guarantees

Council has provided no other guarantees other than those listed above.

#### 2. Other liabilities

##### (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.



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Financial risk management

## Risk management

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.

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	6,860	5,161	6,860	5,161
Receivables	4,842	7,889	4,842	7,889
Investments				
– 'Financial assets at amortised cost'	169,051	149,527	169,051	149,527
<b>Total financial assets</b>	<b>180,753</b>	<b>162,577</b>	<b>180,753</b>	<b>162,577</b>
<b>Financial liabilities</b>				
Payables	19,206	21,934	19,206	21,934
Borrowings	39,925	41,176	39,925	41,176
Lease liabilities	672	–	672	–
<b>Total financial liabilities</b>	<b>59,803</b>	<b>63,110</b>	<b>59,803</b>	<b>63,110</b>

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and 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.

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's finance area manages the cash and investments portfolio.

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Financial risk management (continued)

- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and ensuring that maturities and credit ratings meet policy prescribed guidelines.

## (a) Market risk – price risk and interest rate risk

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2020</b>				
Possible impact of a 1% movement in interest rates	1,758	1,758	(1,758)	(1,758)
<b>2019</b>				
Possible impact of a 1% movement in interest rates	1,546	1,546	(1,546)	(1,546)

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Financial risk management (continued)

## (b) Credit risk

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

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

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

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

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

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 secure a charge over the land relating to the debts – that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages the payment of debt.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2020</b>						
Gross carrying amount	1,406	–	–	–	–	1,406
<b>2019</b>						
Gross carrying amount	1,112	–	–	–	–	1,112

## Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2020 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2020</b>						
Gross carrying amount	2,470	82	75	569	664	3,860
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	–	–
<b>2019</b>						
Gross carrying amount	6,884	–	–	–	–	6,884
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	(8)	(10)	(10)	(79)	(107)

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Financial risk management (continued)

## (c) Liquidity risk

Payables and borrowings are both subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

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

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

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2020</b>							
Trade/other payables	0.00%	11,627	7,579	–	–	19,206	19,206
Borrowings	4.16%	–	2,913	11,545	68,080	82,538	39,925
<b>Total financial liabilities</b>		<b>11,627</b>	<b>10,492</b>	<b>11,545</b>	<b>68,080</b>	<b>101,744</b>	<b>59,131</b>
<b>2019</b>							
Trade/other payables	0.00%	11,770	10,164	–	–	21,934	21,934
Borrowings	4.35%	–	3,348	11,667	71,054	86,069	41,176
<b>Total financial liabilities</b>		<b>11,770</b>	<b>13,512</b>	<b>11,667</b>	<b>71,054</b>	<b>108,003</b>	<b>63,110</b>

**Loan agreement breaches**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 24/06/2020 and is unaudited.

While the Income Statement included in this General Purpose Financial Statements must disclose the original budget adopted by Council, the Local Government Act 1993 requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
<b>REVENUES</b>				
Rates and annual charges	67,804	67,823	19	0% <b>F</b>
User charges and fees	17,200	16,305	(895)	(5)% <b>U</b>
Other revenues	6,887	7,040	153	2% <b>F</b>
Operating grants and contributions	6,167	7,257	1,090	18% <b>F</b>
In many instances the actual amount of grants received depends on decisions made by State and Federal Governments after the budget is adopted. A number of grants were received that were not included in the original budget.				
Capital grants and contributions	3,463	25,299	21,836	631% <b>F</b>
The positive variance can be mainly attributed to the unbudgeted value of gifted units in developments totalling \$1.625M as well as a Voluntary Planning Agreement (VPA) for Gore Hill of \$14.735M and a NSW Government Grant of \$3.490M.				
Interest and investment revenue	3,569	3,567	(2)	0% <b>U</b>
Net gains from disposal of assets	128	50	(78)	(61)% <b>U</b>
The net gain on disposal of Plant & Equipment of \$146K and the gain on disposal of a land parcel of \$229K were offset by the loss on the demolition of two (2) Park Amenity buildings of \$325K.				
Fair value increment on investment property	1,000	3,498	2,498	250% <b>F</b>
The positive variance can be attributed to a higher fair value increment than was originally budgeted for.				
Rental income	12,748	10,939	(1,809)	(14)% <b>U</b>
Investment Property Rentals were down on budget by \$941K whilst Venue Hire was down by \$425K and Non Investment Property Rentals were down by \$442K.				
<b>EXPENSES</b>				
Employee benefits and on-costs	45,507	42,083	3,424	8% <b>F</b>
Borrowing costs	2,303	2,099	204	9% <b>F</b>
Materials and contracts	34,570	34,292	278	1% <b>F</b>
Depreciation and amortisation	12,900	17,308	(4,408)	(34)% <b>U</b>
Overall depreciation expenditure increased by \$1M compared to 2018/2019. The budget was only increased by \$1.17M over the previous year.				
Other expenses	14,235	13,559	676	5% <b>F</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 21. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----
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#### STATEMENT OF CASH FLOWS

<b>Cash flows from operating activities</b>	<b>17,266</b>	<b>44,209</b>	<b>26,943</b>	<b>156% F</b>
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The majority of the positive variance can be attributed to the larger than anticipated receipt of capital grants and contributions of \$21.6M.

<b>Cash flows from investing activities</b>	<b>(20,764)</b>	<b>(40,291)</b>	<b>(19,527)</b>	<b>94% U</b>
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The variance is mainly due to the smaller than anticipated purchase of Infrastructure, property, plant & equipment by \$12M and the overall sale of Investment securities \$52.8m over budget and the purchase of investments of \$82M which was not budgeted for. It is difficult to accurately set a budget for both the sale and purchase of investment securities as it is dependent on cash flow and interest rates at the time of purchase and sale.

<b>Cash flows from financing activities</b>	<b>(1,764)</b>	<b>(2,219)</b>	<b>(455)</b>	<b>26% U</b>
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The negative variance is a result of the Lease liability repayment not being budgeted for under this category.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. 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).

## (1) Assets and liabilities that have been measured and recognised at fair values

	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>2020</b>					
<b>Recurring fair value measurements</b>					
<b>Investment property</b>					
Retail & Commercial Premises	30/06/20	–	89,629	–	89,629
<b>Total investment property</b>		–	89,629	–	89,629
<b>Infrastructure, property, plant and equipment</b>					
Operational Land	30/06/20	–	497,940	–	497,940
Community Land	30/06/17	–	–	267,303	267,303
Land Improvements Depreciable	30/06/20	–	–	4,873	4,873
Buildings-Non Specialised	30/06/20	–	23,620	–	23,620
Buildings-Specialised	30/06/20	–	–	271,961	271,961
Other Structures	30/06/20	–	–	7,521	7,521
Roads	30/06/20	–	–	201,217	201,217
Bridges	30/06/20	–	–	9,036	9,036
Footpaths	30/06/20	–	–	65,006	65,006
Bulk Earthworks	30/06/20	–	–	22,284	22,284
Stormwater Drainage	30/06/20	–	–	120,014	120,014
Swimming Pools	30/06/20	–	–	3,580	3,580
Other Open Space/Recreational	30/06/20	–	–	47,659	47,659
Other Infrastructure Assets	30/06/20	–	–	15,272	15,272
<b>Total infrastructure, property, plant and equipment</b>		–	521,560	1,035,726	1,557,286

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Fair Value Measurement (continued)

2019	Date of latest valuation	Fair value measurement hierarchy			Total Restated
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs Restated	
Recurring fair value measurements					
Investment property					
Retail & Commercial Premises	30/06/19	—	85,921	—	85,921
Total investment property		—	85,921	—	85,921
Infrastructure, property, plant and equipment					
Operational Land	30/06/19	—	464,813	—	464,813
Community Land	30/06/17	—	—	267,303	267,303
Land Improvements Depreciable	30/06/19	—	—	4,806	4,806
Buildings-Non Specialised	30/06/19	—	22,029	—	22,029
Buildings-Specialised	30/06/19	—	—	267,497	267,497
Other Structures	30/06/19	—	—	7,892	7,892
Roads	30/06/19	—	—	197,253	197,253
Bridges	30/06/19	—	—	8,858	8,858
Footpaths	30/06/19	—	—	62,154	62,154
Bulk Earthworks	30/06/19	—	—	22,281	22,281
Stormwater Drainage	30/06/19	—	—	114,408	114,408
Swimming Pools	30/06/19	—	—	3,534	3,534
Other Open Space/Recreational	30/06/19	—	—	44,415	44,415
Other Infrastructure Assets	30/06/19	—	—	14,969	14,969
Total infrastructure, property, plant and equipment		—	486,842	1,015,370	1,502,212

Note that capital WIP is not included above since it is carried at cost.

A correction of error was made to address the overstatement of Assets from a prior year. The details of this (\$5,385M) correction can be found in Note 16b.

### (2) Transfers between level 1 and level 2 fair value hierarchies

The following transfers occurred between level 1 and level 2 fair value hierarchies during the year:

Council's policy for determining transfers between fair value hierarchies is:

- at the end of the reporting period.

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

### (3) Valuation techniques used to derive level 2 and level 3 fair values

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

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

#### Investment property

Council obtains independent valuations of its investment property on an annual basis to ensure 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 2020. The following method was used to determine the fair value measurements.



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Fair Value Measurement (continued)

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.

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.

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### 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 valuation was undertaken on 30 June 2020 by APV Valuers and Asset Management.

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 where available, or the average total Valuer General rate divided by the total land area to derive a unit rate. For parcels not in the Valuer general report, the value is derived from the average of the community land parcels unit rate rather than the municipal average. Community Land was last valued at 30th June 2017.

#### Land Improvements - Depreciable

This asset class comprises land improvements such as walking tracks. This fair valuation is undertaken annually by Council staff. The valuation has been materially impacted by 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 2020 using the market approach.

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 kilometre.

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.

#### Buildings - Specialised

Buildings were valued by APV Valuers and Asset Management in June 2020 using the cost approach.

The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Fair Value Measurement (continued)

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#### 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 2020 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.

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 and car parks. The fair valuation is undertaken annually by Council staff. Whilst the unit and linear metre rates 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.

#### Bridges

This class of asset is fair valued annually by 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 is fair valued annually by 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

This class of asset is fair valued annually by 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.

#### Stormwater Drainage

This class of asset includes Stormwater Conduits, Pits and Gross Pollutant Traps. The fair valuation is undertaken annually 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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Fair Value Measurement (continued)

This class of asset includes the pool at the Willoughby Leisure Centre together with the Ocean pool at Northbridge Baths. Valuation information has been provided from both in house and by APV Valuers and Asset Management in June 2020. 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 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. The fair valuation is undertaken annually 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.

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## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Fair Value Measurement (continued)

#### (4) Fair value measurements using significant unobservable inputs (level 3)

a. The following tables present the changes in level 3 fair value asset classes.

\$ '000	Community Land	Land improv- ements depreciable	Building specialised Restated	Other structures	Roads
<b>2019</b>					
<b>Opening balance</b>	267,303	4,465	262,284	7,816	200,202
Transfers from/(to) another asset class	—	—	205	—	—
Purchases (GBV)	—	276	3,005	—	4,080
Depreciation and impairment	—	(106)	(4,725)	(244)	(3,508)
FV gains – other comprehensive income	—	171	6,728	320	—
FV losses – other comprehensive income	—	—	—	—	(3,521)
<b>Closing balance</b>	<b>267,303</b>	<b>4,806</b>	<b>267,497</b>	<b>7,892</b>	<b>197,253</b>
<b>2020</b>					
<b>Opening balance</b>	267,303	4,806	267,497	7,892	197,253
Transfers from/(to) another asset class	—	—	—	(487)	—
Transfers to & from Other Category	—	—	396	—	—
Purchases (GBV)	—	107	514	221	3,392
Disposals (WDV)	—	—	(123)	—	—
Depreciation and impairment	—	(109)	(4,747)	(248)	(3,566)
FV gains – other comprehensive income	—	69	8,424	143	4,138
<b>Closing balance</b>	<b>267,303</b>	<b>4,873</b>	<b>271,961</b>	<b>7,521</b>	<b>201,217</b>

A correction of error was made to address the overstatement of Assets from a prior year. The details of this (\$5,385) correction can be found in Note 16b.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

\$ '000	Bridges	Footpaths	Bulk earthworks (non- depreciable)	Stormwater drainage	Swimming pools
<b>2019</b>					
<b>Opening balance</b>	8,798	58,695	21,932	86,831	3,400
Transfers from/(to) another asset class	—	2,175	—	—	—
Purchases (GBV)	372	—	—	5,026	65
Depreciation and impairment	(372)	(1,243)	—	(1,279)	(39)
FV gains – other comprehensive income	60	2,527	349	23,830	108
<b>Closing balance</b>	<b>8,858</b>	<b>62,154</b>	<b>22,281</b>	<b>114,408</b>	<b>3,534</b>
<b>2020</b>					
<b>Opening balance</b>	8,858	62,154	22,281	114,408	3,534
Transfers from/(to) another asset class	—	593	—	—	—
Purchases (GBV)	398	1,976	—	3,074	—
Depreciation and impairment	(164)	(1,317)	—	(1,331)	(39)
FV gains – other comprehensive income	—	1,600	3	3,863	85
FV losses – other comprehensive income	(56)	—	—	—	—
<b>Closing balance</b>	<b>9,036</b>	<b>65,006</b>	<b>22,284</b>	<b>120,014</b>	<b>3,580</b>

A correction of error was made to address the overstatement of Assets from a prior year. The details of this (\$5,385) correction can be found in Note 16b.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

\$ '000	Other open space recreational Restated	Other infrastructure assets	Total
<b>2019</b>			
<b>Opening balance</b>	33,031	13,977	<b>968,734</b>
Transfers from/(to) another asset class	4,779	—	<b>7,159</b>
Purchases (GBV)	6,452	583	<b>19,859</b>
Depreciation and impairment	(2,625)	(231)	<b>(14,372)</b>
FV gains – other comprehensive income	2,778	640	<b>37,511</b>
FV losses – other comprehensive income	—	—	<b>(3,521)</b>
<b>Closing balance</b>	<b>44,415</b>	<b>14,969</b>	<b>1,015,370</b>
<b>2020</b>			
<b>Opening balance</b>	44,415	14,969	<b>1,015,859</b>
Transfers from/(to) another asset class	389	(25)	<b>470</b>
Transfers to & from Other Category	—	—	<b>396</b>
Purchases (GBV)	4,379	390	<b>14,451</b>
Disposals (WDV)	(202)	—	<b>(325)</b>
Depreciation and impairment	(3,278)	(229)	<b>(15,028)</b>
FV gains – other comprehensive income	1,956	167	<b>20,448</b>
FV losses – other comprehensive income	—	—	<b>(56)</b>
<b>Closing balance</b>	<b>47,659</b>	<b>15,272</b>	<b>1,036,215</b>

A correction of error was made to address the overstatement of Assets from a prior year. The details of this (\$5,385) correction can be found in Note 16b.

**b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:**

During the year, there were no transfers into or out of level 3 hierarchies.

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

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

	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>		
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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

	Valuation technique/s	Unobservable inputs
Roads	Cost Approach	Replacement cost vary from asset to asset. Includes Roads surface and pavement as well as Car park surface and pavement and Kerb & Gutter. Asset Condition rating 1 -5 Excellent to Very poor. Useful life 20 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.
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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Fair Value Measurement (continued)

#### d. 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:

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 there were no transfers between levels of hierarchy.

#### (5) 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.



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Related party disclosures

#### (a) Key management personnel

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

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

\$ '000	2020	2019
<b>Compensation:</b>		
Short-term benefits	1,841	1,806
Other long-term benefits	32	57
Termination benefits	203	–
Post Retirement Benefits	122	121
<b>Total</b>	<b>2,198</b>	<b>1,984</b>

#### (b) 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.

## Willoughby City Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 24. Statement of developer contributions

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

#### Summary of contributions and levies

	as at 30/06/19	as at 30/06/20						
		Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000	Opening Balance	Cash	Non-cash					
Roads	319	—	—	6	(74)	—	251	—
Traffic facilities	2,420	—	—	47	(51)	—	2,416	—
Parking	809	—	—	12	(371)	—	450	—
Child Care	4,503	—	—	83	(575)	—	4,011	—
S94 - Non CBD	13,136	3,925	—	284	(1,556)	—	15,789	—
S94 CBD	3,229	43	—	64	(40)	—	3,296	—
S7.11 Recoupment - Open Space Recreation	—	—	—	—	—	—	—	—
S7.11 Recoupment - Community Facilities	—	8	—	—	—	—	8	—
S7.11 Open Space and Recreation Facilities	—	42	—	—	(42)	—	—	—
Active Transport and Public Domain Facilities	—	2	—	—	—	—	2	—
S7.11 Plan Administration	—	1	—	—	—	—	1	—
S7.12 CBD	—	161	—	2	—	—	163	—
S7.12 Non - CBD	—	635	—	6	—	—	641	—
<b>S7.11 contributions – under a plan</b>	<b>24,416</b>	<b>4,817</b>	<b>—</b>	<b>504</b>	<b>(2,709)</b>	<b>—</b>	<b>27,028</b>	<b>—</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>24,416</b>	<b>4,817</b>	<b>—</b>	<b>504</b>	<b>(2,709)</b>	<b>—</b>	<b>27,028</b>	<b>—</b>
S7.11 not under plans	27	—	—	—	(27)	—	—	—
S7.4 planning agreements	19,224	14,835	—	518	(985)	—	33,592	—
<b>Total contributions</b>	<b>43,667</b>	<b>19,652</b>	<b>—</b>	<b>1,022</b>	<b>(3,721)</b>	<b>—</b>	<b>60,620</b>	<b>—</b>

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# Willoughby City Council

Financial Statements 2020

## Notes to the Financial Statements for the year ended 30 June 2020

### Note 24. Statement of developer contributions (continued)

	as at 30/06/19	Contributions received during the year			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
\$ '000	Opening Balance	Cash	Non-cash	Held as restricted asset				Cumulative internal borrowings due/(payable)	
<b>S7.11 Contributions – under a plan</b>									
<b>CONTRIBUTION PLAN NUMBER 1 – WILLOUGHBY CITY COUNCIL</b>									
Roads	319	-	-	6	(74)	-	251	-	
Traffic facilities	2,420	-	-	47	(51)	-	2,416	-	
Parking	809	-	-	12	(371)	-	450	-	
Child Care	4,503	-	-	83	(575)	-	4,011	-	
S94A - Non CBD	13,136	3,925	-	284	(1,556)	-	15,789	-	
S94 A - CBD	3,229	43	-	64	(40)	-	3,296	-	
S7.11 Recoupment - Open Space Recreation	-	-	-	-	-	-	-	-	
S7.11 Recoupment - Community Facilities	-	8	-	-	-	-	8	-	
S7.11 Open Space and Recreation Facilities	-	42	-	-	(42)	-	-	-	
Active Transport and Public Domain Facilities	-	2	-	-	-	-	2	-	
S7.11 Plan Administration	-	1	-	-	-	-	1	-	
S7.12 CBD	-	161	-	2	-	-	163	-	
S7.12 Non - CBD	-	635	-	6	-	-	641	-	
<b>Total</b>	<b>24,416</b>	<b>4,817</b>	<b>-</b>	<b>504</b>	<b>(2,709)</b>	<b>-</b>	<b>27,028</b>	<b>-</b>	

### S7.11 Contributions – not under a plan

#### CONTRIBUTION NOT UNDER A PLAN

Traffic facilities	25	–	–	–	–	(25)	–	–	–
Parking	2	–	–	–	–	(2)	–	–	–
<b>Total</b>	<b>27</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(27)</b>	<b>–</b>	<b>–</b>	<b>–</b>

continued on next page ...

# Willoughby City Council

## Notes to the Financial Statements for the year ended 30 June 2020

### Note 24. Statement of developer contributions (continued)

	as at 30/06/19		Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance		Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000									
<b>S7.4 planning agreements</b>									
<b>S7.4 planning agreements</b>									
Gore Hill Development	15,107		14,835	-	444	(151)	-	30,235	-
Thomas Street	3,834		-	-	68	(784)	-	3,118	-
Frederick Street	283		-	-	5	(50)	-	238	-
<b>Total</b>	<b>19,224</b>		<b>14,835</b>	<b>-</b>	<b>517</b>	<b>(985)</b>	<b>-</b>	<b>33,591</b>	<b>-</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 25(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>3,590</b>	<b>3.18%</b>	6.22%	10.74%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>112,931</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>105,674</b>	<b>76.45%</b>	79.49%	78.76%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>138,230</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>85,536</b>	<b>5.38x</b>	4.76x	4.66x	>1.50x
Current liabilities less specific purpose liabilities	<b>15,887</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>22,997</b>	<b>5.33x</b>	8.61x	6.80x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>4,318</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>1,406</b>	<b>2.04%</b>	1.65%	1.33%	<5.00%
Rates, annual and extra charges collectible	<b>69,035</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>175,911</b>	<b>19.94</b>	17.67	18.61	>3.00
Monthly payments from cash flow of operating and financing activities	<b>8,824</b>	<b>mths</b>	mths	mths	mths

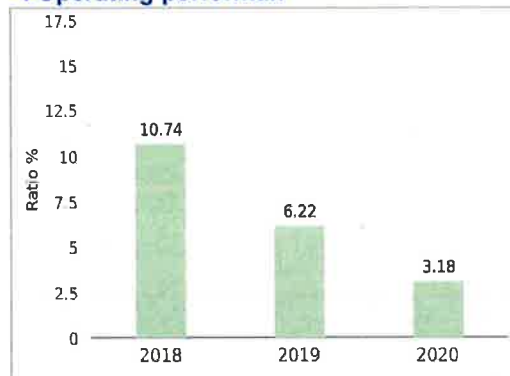
(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(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

## Notes to the Financial Statements for the year ended 30 June 2020

### Note 25(b). Statement of performance measures – consolidated results (graphs)

#### 1. Operating performance ratio



##### Purpose of operating performance ratio

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

##### Commentary on 2019/20 result

2019/20 ratio 3.18%

This ratio has reduced over the last 2 years. However, it continues to still trend positively against the Industry Benchmark of 0%.

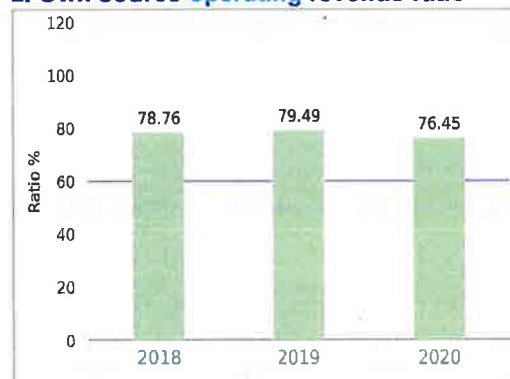
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 76.45%

This ratio has decreased slightly from the 2018/19 ratio but continues to compare adequately to the Industry Benchmark of 60%.

Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 5.38x

This ratio has decreased slightly from the 2018/19 ratio and continues to compare favourably to the industry benchmark of 1.50.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 25(b). Statement of performance measures – consolidated results (graphs)

#### 4. Debt service cover ratio



Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

##### 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 2019/20 result

2019/20 ratio 5.33x

This ratio has decreased from last year but remains above the benchmark of 2.00x

Ratio achieves benchmark

Ratio is outside benchmark

#### 5. Rates, annual charges, interest and extra charges outstanding percentage



Benchmark: — < 5.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

##### Purpose of rates, annual charges, interest and extra charges outstanding

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

##### Commentary on 2019/20 result

2019/20 ratio 2.04%

The result can be linked to both the capacity to pay and internal recovery policy. Whilst it has increased slightly from 2018/19 it continues to compare favourably to the Industry Benchmark of 5%.

Ratio achieves benchmark

Ratio is outside benchmark

#### 6. Cash expense cover ratio



Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

##### 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 2019/20 result

2019/20 ratio 19.94 mths

This ratio has increased slightly on the 2018/19 ratio and continues to compare favourably to the Industry Benchmark of 3 months.

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 26. Council information and contact details

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**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](http://www.willoughby.nsw.gov.au)

**Email:** [email@willoughby.nsw.gov.au](mailto:email@willoughby.nsw.gov.au)

**Officers**

**Chief Executive Officer**

Debra Just

**Responsible Accounting Officer**

Stephen Naven

**Public Officer**

Samantha Charlton

**Auditors**

Audit Office of NSW  
15/1 Margaret Street  
Sydney NSW 2000

**Elected members**

**Mayor**

Gail Giles - Gidney

**Councillors**

Wendy Norton  
Judith Rutherford  
Nic Wright  
Angelo Rozos  
Stuart Coppock  
Tony Mustaca  
Lynne Saville  
Hugh Eriksson  
Christine Tuon  
Denis Fernandez  
Craig Campbell  
Brendon Zhu

---

**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 2020, the Statement of Financial Position as at 30 June 2020, 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 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

## Basis for Opinion

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

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

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

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

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

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

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

## Other Information

The Council's annual report for the year ended 30 June 2020 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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 21 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



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

11 November 2020  
SYDNEY



Cr Gail Giles-Gidney  
Mayor  
Willoughby City Council  
Level 4, 31 Victor Street  
Chatswood NSW 2067

Contact: Kenneth Leung  
Phone no: 02 9275 7257  
Our ref: D20025586/1808

11 November 2020

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2020  
Willoughby City Council**

I have audited the general purpose financial statements (GPFS) of the Willoughby City Council (the Council) for the year ended 30 June 2020 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 2020 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

	2020 \$m	2019 \$m	Variance %
Rates and annual charges revenue	67.8	66.3	 2.3
Grants and contributions revenue	32.6	28.2	 15.6
Operating result from continuing operations	32.4	37.0	 12.4
Net operating result before capital grants and contributions	7.1	15.1	 52.6

The Council's operating result from continuing operations \$32.4 million (including depreciation and amortisation expense of \$17.3 million) was \$4.6 million lower than the 2018–19 result. This decrease was primarily due to decrease in total operating income of \$3.7 million and an increase in total expenses of \$1.0 million. Management advise that this revenue reduction was directly attributable to the impact of the COVID-19 pandemic and resulting facility closures and support offered to various tenants and the community.

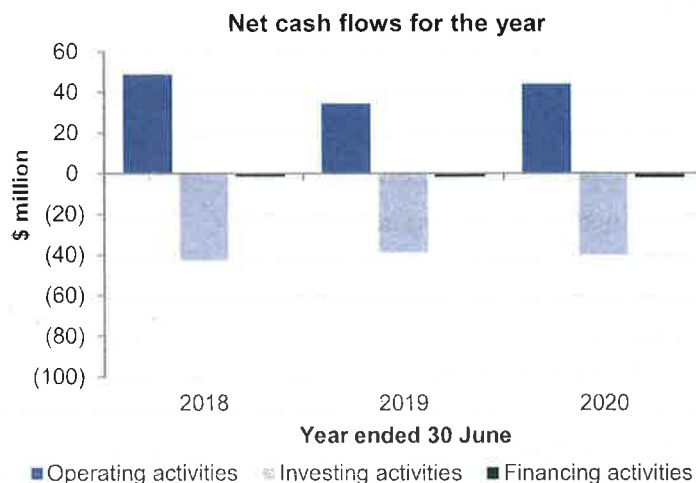
The net operating result before capital grants and contributions for capital purposes (\$7.1 million) was \$8.0 million lower than the 2018–19 result. This movement was due to a reduction in user charges and fees of \$2.4 million, a reduction in fair value increment on investment property of \$4.2 million, and an increase in expenses of \$1.0 million. This movement was in line with the decrease in operating result.

Rates and annual charges revenue (\$67.8 million) increased by \$1.5 million (2.3 per cent) in 2019–20. It was partly due to \$902,000 million increase in residential ordinary rates and an increase in business ordinary rates of \$548,000, consistent with the approved rate increase of 2.6 per cent.

Grants and contributions revenue \$32.6 million increased by \$4.4 million (15.6 per cent) in 2019–20 due to \$3.2 million of community care grants received in 2019–20, and \$14.8 million received from other developer contributions.

## STATEMENT OF CASH FLOWS

- Operating cash inflows increased \$9.6 million this year mainly due to an increase in grants and contributions of \$11.6 million and an increase in rates and annual charges of \$1.4 million received, offset by \$2.5 million reduction in user charges and fees receipts.
- Cash outflows from investing activities increased in 2019-20 due to reduction in sale of investment securities receipts.
- Cash flows from financing activities have remained fairly consistent over the last three years.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	95.0	73.9	• Externally restricted funds mainly included \$60.6 million in general developer contributions.
Internal restrictions	68.3	68.2	• Internally restricted funds remained fairly consistent from 2018-19.
Unrestricted	12.6	12.6	
<b>Cash and investments</b>	<b>175.9</b>	<b>154.7</b>	• Unrestricted balances provide liquidity for the Council's day-to-day operations.

### Debt

The Council has access to a bank overdraft facility with an approved drawdown limit of \$1.2 million. There was no drawdown as at 30 June 2020.

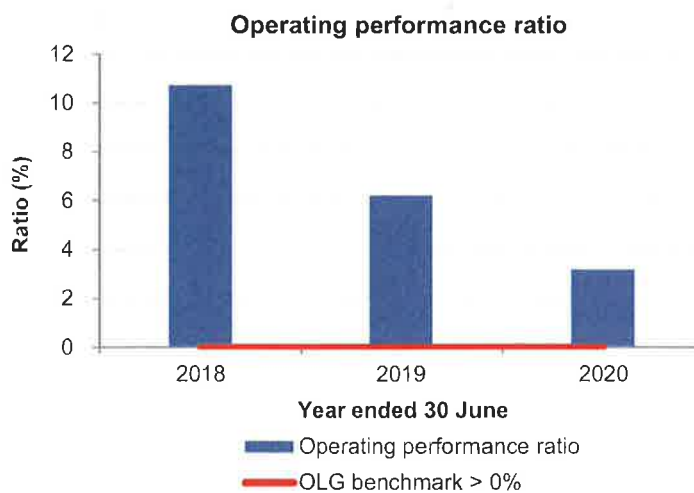
During the current and prior year, there were no defaults or breaches on any loans.

## PERFORMANCE

### Operating performance ratio

- Council continued to exceed the industry benchmark for the past three years.
- The ratio decreased in 2019-20 as a result of revenue reducing and total expenses increasing.

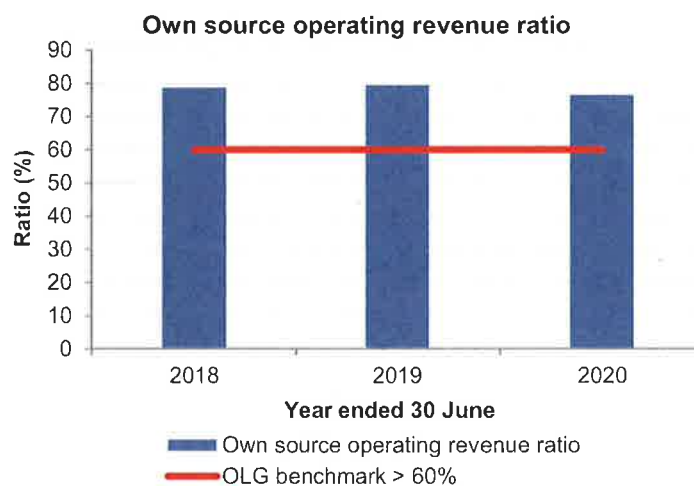
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



### Own source operating revenue ratio

- Council has met the industry benchmark in the last three years.
- The ratio has not changed significantly from the previous year.

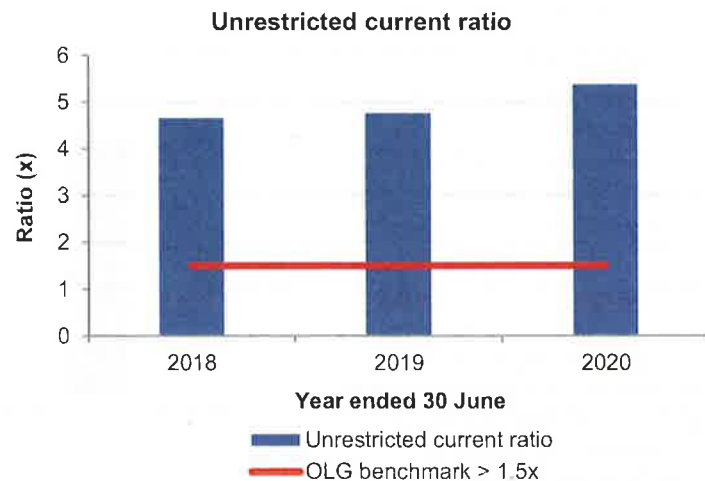
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



### Unrestricted current ratio

- Council continued to exceed the industry benchmark for the past three years.
- The ratio increased compared to the prior year largely due to a general reduction in current liabilities.

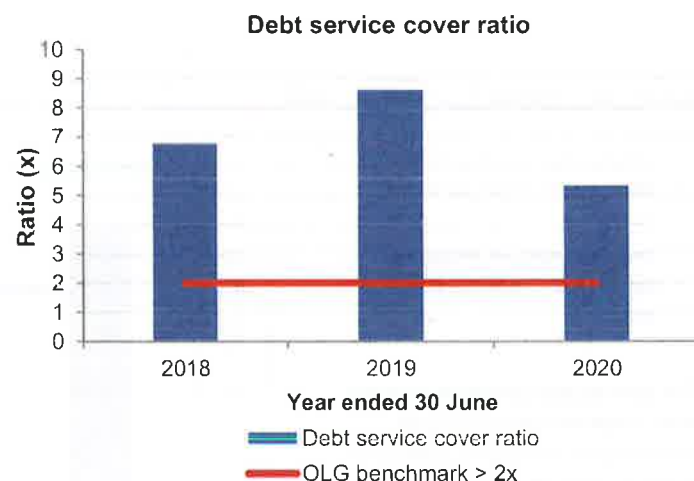
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



### Debt service cover ratio

- Council continued to exceed the industry benchmark over the last three years.
- The ratio has decreased in 2019-20 in line with the reduction in operating performance ratio as referred to above.

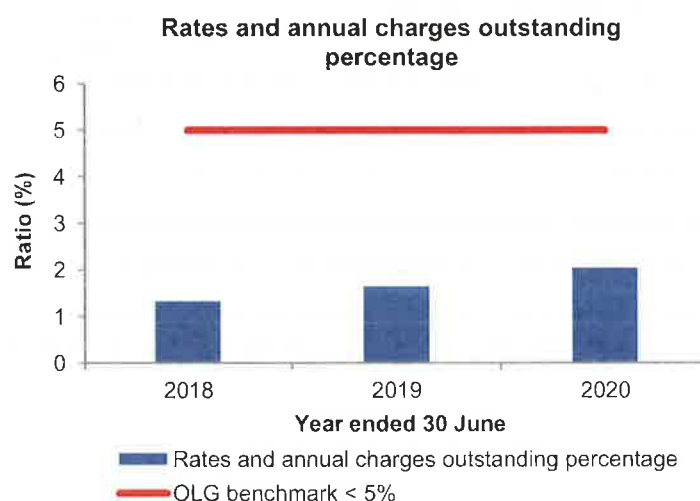
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



### Rates and annual charges outstanding percentage

Council has met the metro council benchmark for this ratio over the past three years.

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 metro councils.

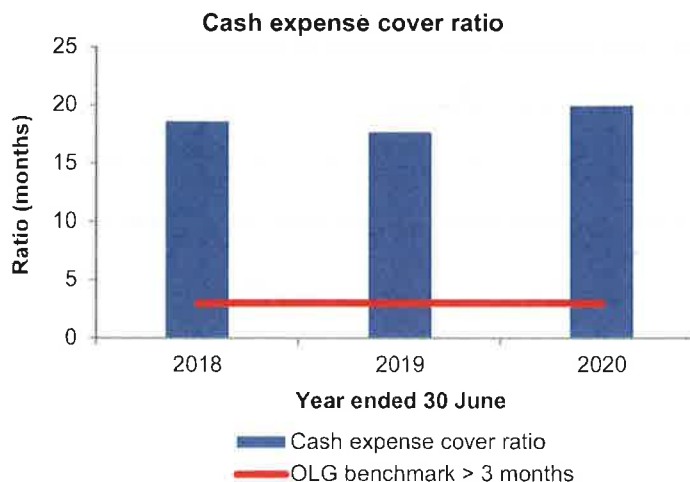




### Cash expense cover ratio

- Council continued to exceed the industry benchmark for the past three years.
- The ratio indicates that Council has the capacity to cover over 19 months of expenditure without additional cash inflows at 30 June 2020.

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

Asset renewals totalled \$12.9 million in the 2019-20 financial year (2019: \$15.3 million). Renewals have decreased slightly and primarily related to roads, capital work in progress, and other open space recreational assets.

## OTHER MATTERS

### Impact of new accounting standards

#### AASB 15 'Revenue from Contracts with Customers' and AASB 1058 'Income for Not-for-Profit Entities'

The Council adopted the new accounting standards AASB 15 'Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities' (collectively referred to as the Revenue Standards) for the first time in their 2019–20 financial statements.

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and amount of revenue recorded in a councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

AASB 1058 prescribes how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 significantly impacts the timing and amount of income recorded in a councils' financial statements, particularly for grant income and rates which are paid before the commencement of the rating period.

No adjustment recognised by the Council to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 16.

#### AASB 16 'Leases'

The Council adopted the new accounting standard AASB 16 'Leases' for the first time in their 2019–20 financial statements.

AASB 16 changes the way lessees treat operating leases for financial reporting. With a few exceptions, operating leases will now be recorded in the Statement of Financial Position as a right-of-use asset, with a corresponding lease liability.

AASB 16 results in lessees recording more assets and liabilities in the Statement of Financial Position and changes the timing and pattern of expenses recorded in the Income Statement.

The Council recognised right-of-use assets and lease liabilities of \$1.1 million at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 16.

### **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.

A handwritten signature in blue ink, appearing to read 'K Leung', with a horizontal line underneath.

Kenneth Leung  
Audit Leader - Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Ms Debra Just, Chief Executive Officer  
Mr Robert Dobbie, Chair of the Audit, Risk and Improvement Committee

# Willoughby City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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WILLOUGHBY CITY COUNCIL

## Special Purpose Financial Statements

for the year ended 30 June 2020

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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 2020

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

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



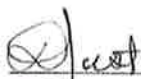

- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 9th November 2020.

  
\_\_\_\_\_  
**Gail Giles-Gidney**  
Mayor  
9th November 2020  
\_\_\_\_\_  
**Craig Campbell**  
Deputy Mayor  
9th November 2020  
\_\_\_\_\_  
**Debra Just**  
Chief Executive Officer  
9th November 2020  
\_\_\_\_\_  
**Stephen Naven**  
Responsible Accounting Officer  
9th November 2020

## Income Statement – The Concourse Precinct

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
<b>Income from continuing operations</b>		
Fees	2,481	2,986
Interest	321	411
Grants and contributions provided for non-capital purposes	256	204
Other income	6,871	10,209
<b>Total income from continuing operations</b>	<b>9,929</b>	<b>13,810</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,987	3,267
Borrowing costs	2,021	1,055
Materials and contracts	677	809
Depreciation, amortisation and impairment	3,881	3,422
Other expenses	3,823	4,406
<b>Total expenses from continuing operations</b>	<b>13,389</b>	<b>12,959</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(3,460)</b>	<b>851</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(3,460)</b>	<b>851</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(3,460)</b>	<b>851</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	—	(234)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(3,460)</b>	<b>617</b>
<b>Plus accumulated surplus</b>	<b>268,518</b>	<b>261,839</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	—	234
<b>Add:</b>		
– Subsidy paid/contribution to operations	5,264	5,828
<b>Closing accumulated surplus</b>	<b>270,322</b>	<b>268,518</b>
<b>Return on capital %</b>	<b>(0.5)%</b>	<b>0.7%</b>
<b>Subsidy from Council</b>	<b>3,931</b>	<b>1,678</b>

Income and expenses in the Income Statement for the Concourse Precinct excludes revenue and expenses incurred by Century Venues The Concourse (CVTC). CVTC are a separate legal entity contracted by Council to perform events management at the Concourse and as such it is not appropriate to consolidate revenue and expenses into the Income Statement for the Concourse Precinct. In previous years Council has grossed up the income and expenses to include CVTC. This has now been corrected to only include Council's portion. Prior year numbers have been adjusted to reduce revenue by \$4.4 million and expenditure by \$4.6M.

# Income Statement – Willoughby Leisure Centre

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
<b>Income from continuing operations</b>		
Grants & contributions provided for non capital purposes	–	13
Fees	2,619	3,539
Other income	199	66
<b>Total income from continuing operations</b>	<b>2,818</b>	<b>3,618</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,377	2,609
Materials and contracts	327	199
Depreciation, amortisation and impairment	208	207
Other expenses	1,008	1,082
<b>Total expenses from continuing operations</b>	<b>3,920</b>	<b>4,097</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(1,102)</b>	<b>(479)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(1,102)</b>	<b>(479)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(1,102)</b>	<b>(479)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(1,102)</b>	<b>(479)</b>
<b>Plus accumulated surplus</b>	<b>(5,075)</b>	<b>(4,596)</b>
<b>Closing accumulated surplus</b>	<b>(6,177)</b>	<b>(5,075)</b>
<b>Return on capital %</b>	<b>(12.8)%</b>	<b>(5.7)%</b>
<b>Subsidy from Council</b>	<b>1,178</b>	<b>589</b>

## Income Statement – Devonshire Child Care

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
<b>Income from continuing operations</b>		
Fees	655	868
Grants and contributions provided for non-capital purposes	1,113	832
<b>Total income from continuing operations</b>	<b>1,768</b>	<b>1,700</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,391	1,387
Materials and contracts	129	96
Depreciation, amortisation and impairment	22	21
Other expenses	300	323
<b>Total expenses from continuing operations</b>	<b>1,842</b>	<b>1,827</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(74)</b>	<b>(127)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(74)</b>	<b>(127)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(74)</b>	<b>(127)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(74)</b>	<b>(127)</b>
<b>Plus accumulated surplus</b>	<b>(3,379)</b>	<b>(3,252)</b>
<b>Closing accumulated surplus</b>	<b>(3,453)</b>	<b>(3,379)</b>
<b>Return on capital %</b>	<b>(7.0)%</b>	<b>(12.9)%</b>
<b>Subsidy from Council</b>	<b>83</b>	<b>140</b>



# Income Statement – Family Day Care

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
<b>Income from continuing operations</b>		
Other revenue from ordinary activities	39	10
Fees	139	199
Grants and contributions provided for non-capital purposes	586	613
<b>Total income from continuing operations</b>	<b>764</b>	<b>822</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	140	146
Materials and contracts	4	4
Depreciation, amortisation and impairment	6	7
Other expenses	702	692
<b>Total expenses from continuing operations</b>	<b>852</b>	<b>849</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(88)</b>	<b>(27)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(88)</b>	<b>(27)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(88)</b>	<b>(27)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(88)</b>	<b>(27)</b>
<b>Plus accumulated surplus</b>	<b>(1,891)</b>	<b>(1,864)</b>
<b>Closing accumulated surplus</b>	<b>(1,979)</b>	<b>(1,891)</b>
<b>Return on capital %</b>	<b>(488.9)%</b>	<b>(108.0)%</b>
<b>Subsidy from Council</b>	<b>88</b>	<b>27</b>

# Income Statement – Before/After School Care

for the year ended 30 June 2020

<b>\$ '000</b>	<b>2020 Category 2</b>	<b>2019 Category 2</b>
<b>Income from continuing operations</b>		
Fees	571	684
Grants and contributions provided for non-capital purposes	721	593
<b>Total income from continuing operations</b>	<b>1,292</b>	<b>1,277</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	680	730
Materials and contracts	113	115
Other expenses	150	158
<b>Total expenses from continuing operations</b>	<b>943</b>	<b>1,003</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>349</b>	<b>274</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>349</b>	<b>274</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>349</b>	<b>274</b>
Less: corporate taxation equivalent (27.5%) (based on result before capital)	(96)	(75)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>253</b>	<b>199</b>
<b>Plus accumulated surplus</b>	<b>2,140</b>	<b>1,866</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	96	75
<b>Closing accumulated surplus</b>	<b>2,489</b>	<b>2,140</b>

# Income Statement – Dougherty Food Services

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
<b>Income from continuing operations</b>		
Fees	126	154
Other income	94	116
<b>Total income from continuing operations</b>	<b>220</b>	<b>270</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	236	268
Materials and contracts	78	101
Depreciation, amortisation and impairment	15	6
Other expenses	24	26
<b>Total expenses from continuing operations</b>	<b>353</b>	<b>401</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(133)</b>	<b>(131)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(133)</b>	<b>(131)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(133)</b>	<b>(131)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(133)</b>	<b>(131)</b>
<b>Plus accumulated surplus</b>	<b>(1,847)</b>	<b>(1,716)</b>
<b>Closing accumulated surplus</b>	<b>(1,980)</b>	<b>(1,847)</b>
<b>Return on capital %</b>	<b>(3.5)%</b>	<b>(3.7)%</b>
<b>Subsidy from Council</b>	<b>167</b>	<b>178</b>

## Statement of Financial Position – The Concourse Precinct

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	315	96
Investments	16,272	16,090
Other	43	64
<b>Total current assets</b>	<b>16,630</b>	<b>16,250</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	283,144	271,489
Investment property	53,533	49,903
<b>Total non-current assets</b>	<b>336,677</b>	<b>321,392</b>
<b>TOTAL ASSETS</b>	<b>353,307</b>	<b>337,642</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	103	262
Borrowings	1,078	1,036
Provisions	933	1,022
<b>Total current liabilities</b>	<b>2,114</b>	<b>2,320</b>
<b>Non-current liabilities</b>		
Borrowings	37,490	38,040
Provisions	16	15
<b>Total non-current liabilities</b>	<b>37,506</b>	<b>38,055</b>
<b>TOTAL LIABILITIES</b>	<b>39,620</b>	<b>40,375</b>
<b>NET ASSETS</b>	<b>313,687</b>	<b>297,267</b>
<b>EQUITY</b>		
Accumulated surplus	270,322	268,518
Revaluation reserves	43,365	28,749
<b>TOTAL EQUITY</b>	<b>313,687</b>	<b>297,267</b>

## Statement of Financial Position – Willoughby Leisure Centre

as at 30 June 2020

<b>\$ '000</b>	<b>2020 Category 1</b>	<b>2019 Category 1</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	–	171
<b>Total current assets</b>	<b>–</b>	<b>171</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	8,600	8,370
<b>Total non-current assets</b>	<b>8,600</b>	<b>8,370</b>
<b>TOTAL ASSETS</b>	<b>8,600</b>	<b>8,541</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	1,269	46
Provisions	169	120
<b>Total current liabilities</b>	<b>1,438</b>	<b>166</b>
<b>Non-current liabilities</b>		
Borrowings	13,005	13,301
Provisions	21	22
<b>Total non-current liabilities</b>	<b>13,026</b>	<b>13,323</b>
<b>TOTAL LIABILITIES</b>	<b>14,464</b>	<b>13,489</b>
<b>NET ASSETS</b>	<b>(5,864)</b>	<b>(4,948)</b>
<b>EQUITY</b>		
Asset Revaluation Reserve	313	127
Accumulated surplus	(6,177)	(5,075)
<b>TOTAL EQUITY</b>	<b>(5,864)</b>	<b>(4,948)</b>

## Statement of Financial Position – Devonshire Child Care

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	—	3
<b>Total current assets</b>	—	3
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	1,053	986
<b>Total non-current assets</b>	<b>1,053</b>	<b>986</b>
<b>TOTAL ASSETS</b>	<b>1,053</b>	<b>989</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	11	14
Provisions	135	210
<b>Total current liabilities</b>	<b>146</b>	<b>224</b>
<b>Non-current liabilities</b>		
Borrowings	4,295	4,112
Provisions	11	6
Other Liabilities	6	6
<b>Total non-current liabilities</b>	<b>4,312</b>	<b>4,124</b>
<b>TOTAL LIABILITIES</b>	<b>4,458</b>	<b>4,348</b>
<b>NET ASSETS</b>	<b>(3,405)</b>	<b>(3,359)</b>
<b>EQUITY</b>		
Asset Revaluation Reserve	48	20
Accumulated surplus	(3,453)	(3,379)
<b>TOTAL EQUITY</b>	<b>(3,405)</b>	<b>(3,359)</b>

# Statement of Financial Position – Family Day Care

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
<b>ASSETS</b>		
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	18	25
<b>Total non-current assets</b>	<b>18</b>	<b>25</b>
<b>TOTAL ASSETS</b>	<b>18</b>	<b>25</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	1	1
Provisions	47	56
<b>Total current liabilities</b>	<b>48</b>	<b>57</b>
<b>Non-current liabilities</b>		
Borrowings	1,934	1,859
Provisions	15	–
<b>Total non-current liabilities</b>	<b>1,949</b>	<b>1,859</b>
<b>TOTAL LIABILITIES</b>	<b>1,997</b>	<b>1,916</b>
<b>NET ASSETS</b>	<b>(1,979)</b>	<b>(1,891)</b>
<b>EQUITY</b>		
Accumulated surplus	(1,979)	(1,891)
<b>TOTAL EQUITY</b>	<b>(1,979)</b>	<b>(1,891)</b>

## Statement of Financial Position – Before/After School Care

as at 30 June 2020

<b>\$ '000</b>	<b>2020 Category 2</b>	<b>2019 Category 2</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	—	37
<b>Total current assets</b>	—	37
<b>Non-current assets</b>		
Receivables	2,637	2,272
<b>Total non-current assets</b>	2,637	2,272
<b>TOTAL ASSETS</b>	<b>2,637</b>	<b>2,309</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	25	33
Provisions	117	134
<b>Total current liabilities</b>	<b>142</b>	<b>167</b>
<b>Non-current liabilities</b>		
Provisions	6	2
<b>Total non-current liabilities</b>	<b>6</b>	<b>2</b>
<b>TOTAL LIABILITIES</b>	<b>148</b>	<b>169</b>
<b>NET ASSETS</b>	<b>2,489</b>	<b>2,140</b>
<b>EQUITY</b>		
Accumulated surplus	2,489	2,140
<b>TOTAL EQUITY</b>	<b>2,489</b>	<b>2,140</b>



## Statement of Financial Position – Dougherty Food Services

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
<b>ASSETS</b>		
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	3,824	3,583
<b>Total non-current assets</b>	<b>3,824</b>	<b>3,583</b>
<b>TOTAL ASSETS</b>	<b>3,824</b>	<b>3,583</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	27	–
Provisions	23	37
<b>Total current liabilities</b>	<b>50</b>	<b>37</b>
<b>Non-current liabilities</b>		
Provisions	1	1
Borrowings	4,642	4,538
<b>Total non-current liabilities</b>	<b>4,643</b>	<b>4,539</b>
<b>TOTAL LIABILITIES</b>	<b>4,693</b>	<b>4,576</b>
<b>NET ASSETS</b>	<b>(869)</b>	<b>(993)</b>
<b>EQUITY</b>		
Accumulated surplus	(1,980)	(1,847)
Revaluation reserves	1,111	854
<b>TOTAL EQUITY</b>	<b>(869)</b>	<b>(993)</b>

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

### Note 1. 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 2093 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

The *Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

#### Declared business activities

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

##### Category 1

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

###### a. The 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.

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

### Note 1. Significant Accounting Policies (continued)

#### d. Family Day Care

Provision of Day care services for children in need of care from ages 0-12 years at a registered carers home.

#### e. 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.

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

#### f. Dougherty Food Services

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

### Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand dollars.

#### (i) Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

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

#### Notional rate applied (%)

Corporate income tax rate – 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%.

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

### Note 1. Significant Accounting Policies (continued)

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 payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

#### Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

#### (ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

#### (iii) Return on investments (rate of return)

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

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return is calculated as follows:

#### 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 0.88% at 30/6/20.

#### (iv) 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 by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activities declared by Council.

The Declared Business Activities of the Council are:

- The Concourse Precinct
- Willoughby Leisure Centre
- Devonshire Child Care
- Family Day 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 2020, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code).

My opinion should be read in conjunction with the rest of this report and the Emphasis of Matter referring to the basis of accounting.

**Basis for Opinion**

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

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

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

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

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

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

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

### **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

### **Other Information**

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

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

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

My objectives are to:

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

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

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

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

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



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

11 November 2020  
SYDNEY

# Willoughby City Council

**SPECIAL SCHEDULES**  
for the year ended 30 June 2020

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WILLOUGHBY CITY COUNCIL



**Special Schedules**

for the year ended 30 June 2020

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**Special Schedules**

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## Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	51,651	50,091
Plus or minus adjustments <sup>2</sup>	b	28	255
<b>Notional general income</b>	$c = a + b$	<b>51,679</b>	<b>50,346</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	$i = e \times (c + g)$	1,344	1,359
<b>Sub-total</b>	$k = (c + g + h + i + j)$	<b>53,023</b>	<b>51,705</b>
Less valuation objections claimed in the previous year	m	—	(54)
<b>Sub-total</b>	$n = (l + m)$	<b>—</b>	<b>(54)</b>
<b>Total permissible income</b>	$o = k + n$	<b>53,023</b>	<b>51,651</b>
Less notional general income yield	p	53,052	51,651
<b>Catch-up or (excess) result</b>	$q = o - p$	<b>(29)</b>	<b>1</b>
Plus income lost due to valuation objections claimed <sup>4</sup>	r	22	—
<b>Carry forward to next year <sup>6</sup></b>	$t = q + r + s$	<b>(7)</b>	<b>1</b>

## Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule - Permissible income for general rates

#### 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 2021.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (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 and the Emphasis of Matter referring to the basis of accounting.

### Basis for Opinion

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

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

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

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

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

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

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

## Emphasis of Matter - Basis of Accounting

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

## Other Information

The Council's annual report for the year ended 30 June 2020 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 2020.

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](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

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

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



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

11 November 2020  
SYDNEY

# Willoughby City Council

## Report on Infrastructure Assets as at 30 June 2020

Special Schedules 2020

Asset Class	Asset Category	Estimated cost				2019/20 Required maintenance <sup>a</sup> \$ '000	2019/20 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000	Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000					1	2	3	4	5
(a) Report on Infrastructure Assets - Values														
Buildings	Council offices	-	-	-	129	129	2,237	2,782	75.0%	25.0%	0.0%	0.0%	0.0%	
	Council Works Depot	-	-	-	230	230	21,305	25,061	84.0%	16.0%	0.0%	0.0%	0.0%	
	Council Halls	3	3	3	34	34	1,059	1,768	24.0%	48.0%	27.0%	1.0%	0.0%	
	Libraries	6	6	6	78	78	5,181	6,845	75.0%	21.0%	3.0%	1.0%	0.0%	
	Council Houses	28	28	28	400	400	23,620	23,620	66.0%	25.0%	7.0%	2.0%	0.0%	
	Commercial Buildings	5	5	5	666	666	66,451	84,217	15.0%	83.0%	2.0%	0.0%	0.0%	
	Childcare Centres	37	37	37	104	104	7,719	10,583	48.0%	40.0%	10.0%	2.0%	0.0%	
	Community Centres	14	14	14	1,791	1,792	159,937	199,808	86.0%	13.0%	1.0%	0.0%	0.0%	
	Amenities/Toilets	140	140	140	449	449	8,070	12,399	32.0%	38.0%	24.0%	6.0%	0.0%	
	Sub-total	233	233	233	3,881	3,882	295,581	367,083	64.8%	32.1%	2.7%	0.4%	0.0%	
Other structures	Other structures	-	-	-	137	137	7,521	9,314	87.0%	13.0%	0.0%	0.0%	0.0%	
	Sub-total	-	-	-	137	137	7,521	9,314	87.0%	13.0%	0.0%	0.0%	0.0%	
Roads	Sealed roads	3,071	3,071	1,749	1,749	1,749	115,265	185,342	9.0%	47.0%	38.0%	5.0%	1.0%	
	Kerb and Gutter	1,221	1,221	35	35	35	77,794	93,846	42.0%	37.0%	14.0%	6.0%	1.0%	
	Footpaths	1,048	1,048	1,066	1,066	1,066	65,006	80,964	47.0%	29.0%	17.0%	6.0%	1.0%	
	Carparks	804	804	13	13	13	8,159	10,953	11.0%	35.0%	40.0%	14.0%	0.0%	
	Bridges	-	-	55	55	55	9,036	11,070	65.0%	24.0%	11.0%	0.0%	0.0%	
	Bulk Earthworks	-	-	-	-	-	22,284	22,284	0.0%	0.0%	0.0%	0.0%	100.0%	
	Sub-total	6,144	6,144	2,918	2,918	2,918	297,543	404,459	25.4%	37.5%	25.4%	5.3%	6.4%	
Stormwater drainage	Pipes and Pits	2,123	2,123	457	457	457	117,383	150,503	37.0%	24.0%	29.0%	6.0%	4.0%	
	Gross Pollutant Traps	-	-	-	-	-	2,631	2,945	77.0%	17.0%	6.0%	0.0%	0.0%	
	Sub-total	2,123	2,123	457	457	457	120,014	153,448	37.8%	23.9%	28.6%	5.9%	3.9%	

continued on next page ...

# Willoughby City Council

Special Schedules 2020

## Report on Infrastructure Assets (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring assets agreed level of service set by Council		2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Standard	to satisfactory				1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Open space / recreational assets	Swimming pools	—	—	20	20	3,580	67.0%	33.0%	0.0%	0.0%	0.0%
	Other	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Parks & Playgrounds (Incl Footpaths)	341	341	1,557	1,557	27,734	31.0%	20.0%	39.0%	8.0%	2.0%
	Sporting Fields	800	800	971	971	15,985	54.0%	19.0%	12.0%	9.0%	6.0%
	Bushland Assets	52	52	6	6	1,086	3.0%	36.0%	38.0%	16.0%	7.0%
	Tennis Courts	186	186	—	—	2,854	3.0%	38.0%	44.0%	7.0%	8.0%
	<b>Sub-total</b>	<b>1,379</b>	<b>1,379</b>	<b>2,554</b>	<b>2,554</b>	<b>51,239</b>	<b>38.8%</b>	<b>22.1%</b>	<b>27.3%</b>	<b>7.9%</b>	<b>3.9%</b>
Other infrastructure assets	Other – Retaining Walls	345	345	—	—	15,272	10.0%	57.0%	25.0%	7.0%	1.0%
	<b>Sub-total</b>	<b>345</b>	<b>345</b>	<b>—</b>	<b>—</b>	<b>15,272</b>	<b>10.0%</b>	<b>57.0%</b>	<b>25.0%</b>	<b>7.0%</b>	<b>1.0%</b>
<b>TOTAL - ALL ASSETS</b>		<b>10,224</b>	<b>10,224</b>	<b>9,947</b>	<b>9,948</b>	<b>787,170</b>	<b>42.5%</b>	<b>32.6%</b>	<b>17.7%</b>	<b>3.8%</b>	<b>3.4%</b>

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

### Infrastructure asset condition assessment 'key'

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

continued on next page ...

## Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio <sup>1</sup>					
Asset renewals <sup>2</sup>	10,300	69.04%	102.21%	100.95%	>=100.00%
Depreciation, amortisation and impairment	14,919				
Infrastructure backlog ratio <sup>1</sup>					
Estimated cost to bring assets to a satisfactory standard	10,224	1.30%	1.28%	1.40%	<2.00%
Net carrying amount of infrastructure assets	787,170				
Asset maintenance ratio					
Actual asset maintenance	9,948	100.01%	100.01%	100.01%	>100.00%
Required asset maintenance	9,947				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	10,224	0.99%	0.97%	1.08%	
Gross replacement cost	1,028,920				

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

(1) Excludes Work In Progress (WIP)

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

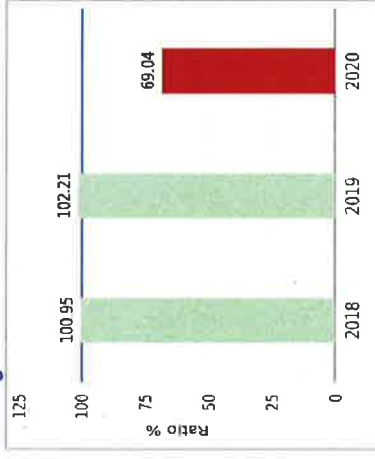


# Willoughby City Council

Special Schedules 2020

## Report on Infrastructure Assets (continued) as at 30 June 2020

### Buildings and infrastructure renewals ratio



Benchmark: —  $\geq 100.00\%$

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

**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.

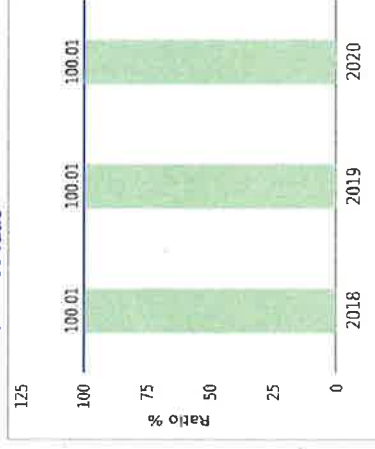
**Commentary on result**  
19/20 ratio 69.04%

Council's renewals fell this year as Covid-19 and weather events impacted project delivery and completion. Several large projects were delayed and still Work in Progress (WIP) at year end. Depreciation has also increased significantly in the last years as a result of higher asset values and being compelled to use straight line depreciation.

Ratio achieves benchmark

Ratio is outside benchmark

### Asset maintenance ratio



Benchmark: —  $> 100.00\%$

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

**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.

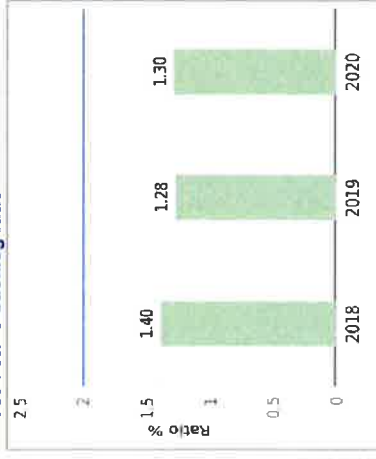
**Commentary on result**  
19/20 ratio 100.01%

This indicator is currently being met.

Ratio achieves benchmark

Ratio is outside benchmark

### Infrastructure backlog ratio



Benchmark: —  $< 2.00\%$

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

**Infrastructure backlog ratio**

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

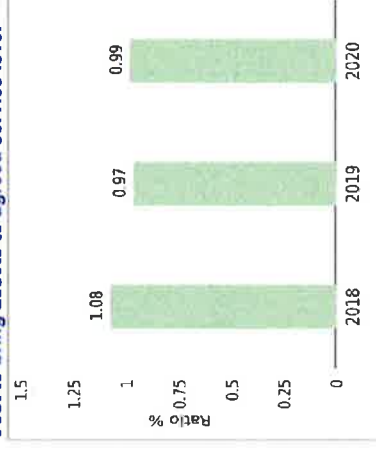
**Commentary on result**  
19/20 ratio 1.30%

This indicator is currently being met and is consistent with last year.

Ratio achieves benchmark

Ratio is outside benchmark

### Cost to bring assets to agreed service level



**Cost to bring assets to agreed service level**

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

**Commentary on result**  
19/20 ratio 0.99%

This indicator has slightly improved over the previous year. There is currently no benchmark assigned to this measure.

