

# ANNUAL REPORT 2017–2018



WILLOUGHBY  
CITY COUNCIL

City of Diversity

# Our Vision

Willoughby, the vital hub of the region, where residential, cultural, economic and environmental interests are respected and balanced, and our communities enjoy a diversity of lifestyles.

# Acknowledgment of Country

We acknowledge the traditional inhabitants of the land on which we stand, the Aboriginal People, their spirits and ancestors.

We acknowledge the vital contribution that Indigenous people and cultures have made and still make to the nation that we share, Australia.



# Contents

How we plan and report . . . . .	4
Our Integrated Planning and Reporting Framework . . . . .	5
Highlights . . . . .	6
Mayor's Message . . . . .	10
General Manager's Report . . . . .	11
The City of Willoughby . . . . .	12
<b>Corporate Governance . . . . .</b>	<b>13</b>
Our Councillors . . . . .	14
Our Staff . . . . .	15
Corporate Governance . . . . .	16
<b>Strategic Directions . . . . .</b>	<b>17</b>
Community and Cultural Life . . . . .	19
Natural Environment . . . . .	23
Homes . . . . .	26
Infrastructure . . . . .	29
Economic Activity . . . . .	32
Governance . . . . .	35
<b>Other Statutory Information . . . . .</b>	<b>37</b>
<b>Attachment 1</b>	
<b>Financial Statements . . . . .</b>	<b>55</b>

# How we plan and report

## COMMUNITY STRATEGIC PLAN

The Community Strategic Plan (CSP) is first and foremost a community plan, prepared in collaboration with and on behalf of residents, other levels of government and agencies. We use it to steer planning to achieve the long-term outcomes residents want for Willoughby City. Where we don't have control over outcomes, we work with other levels of government and key stakeholders to influence policy, planning, infrastructure and service delivery. It's from the CSP that we develop our Delivery Program and Operational Plan.

In 2017/18, Council worked towards delivering the CSP called the Willoughby City Strategy 2013-2029.

In June 2018, we adopted an updated CSP – Our Future Willoughby 2028. It's a long-term plan for Willoughby.

## DELIVERY PROGRAM AND OPERATIONAL PLAN

In response to the objectives and strategies of the CSP, we developed a four year Delivery Program that illustrates the services and projects that we will provide during the current council term, and how these services and projects will be funded.

## The Delivery Program focus for this Council is to:

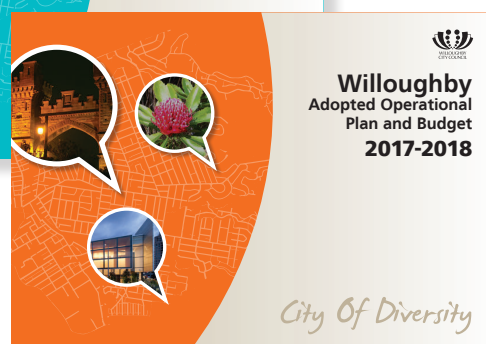
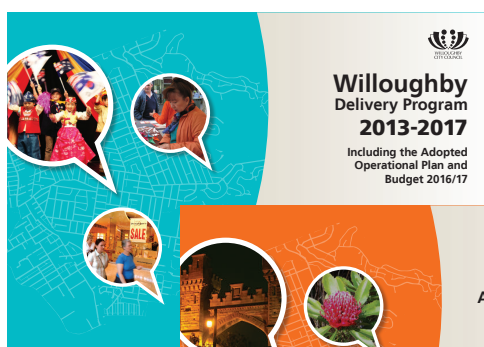
- Deliver great urban design and landscaping
- Improve transport, traffic and parking
- Promote affordable housing
- Stimulate economic development
- Reduce our footprint
- Optimise our facilities
- Improve Council business and governance

Our annual Operational Plan supports the Delivery Program, detailing activities which we undertook from 1 July 2017 to 30 June 2018. The Operational Plan is reported on every six months and reviewed annually. This year (2017/18) was the first year of the Delivery Program.

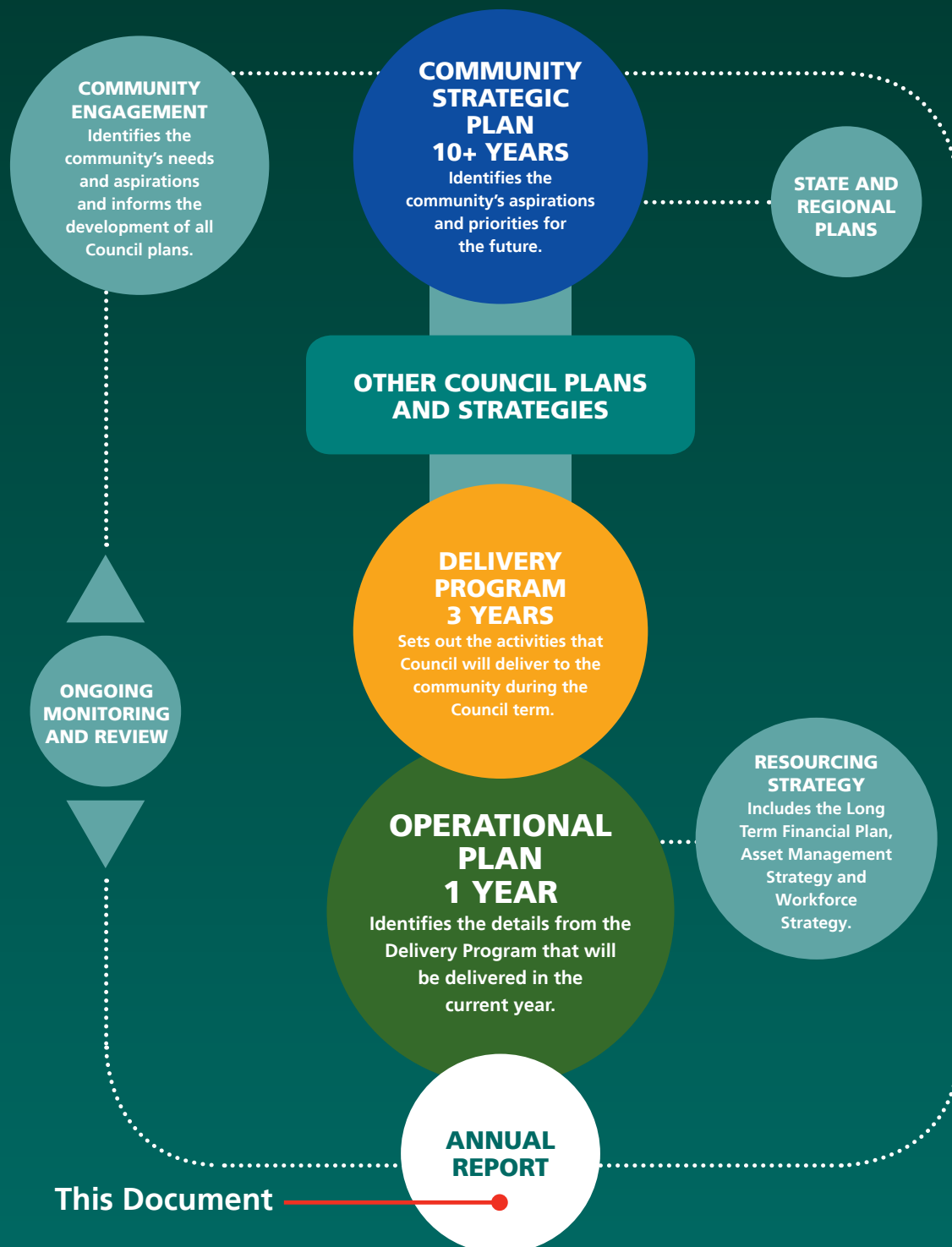
## ANNUAL REPORT

Council sets annual targets and monitors progress towards achieving these longer term targets. Every six months, Council reported on the key activities which contribute to achieving our targets. These performance reports were published on Council's website to inform the community of our progress.

This Annual Report summarises the performance of Council for 2017/18 against the strategic directions in the Willoughby City Strategy 2013-2029 and the services and projects identified in the Operational Plan 2017-2018. It identifies the major projects and activities that have been implemented on the financial results for the past year.

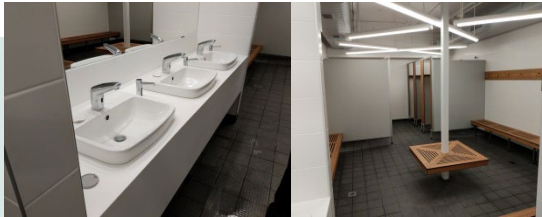


# OUR INTEGRATED PLANNING AND REPORTING FRAMEWORK



# Highlights

## PROJECTS COMPLETED



### Willoughby Leisure Centre - Major Refurbishment - \$1.42M

**Scope:** Refurbishment of the change rooms including waterproofing, re-tiling, painting and improved layout.

**Benefits:** Better access and greater comfort for users.



### Natural Area Management – Middle Harbour & Lane Cove - \$586,000

**Scope:** Implementation of projects identified in the Reserve Action Plan which include rehabilitation, revegetation, stormwater, pest, plant and animal management.

**Benefits:** Improved biodiversity through the conservation of local plant species. It enhances the aesthetic, recreational, educational and heritage value of the areas.



### Stormwater Harvesting Construction - \$300,000

**Scope:** Construction of a stormwater harvesting and reuse system in Artarmon Reserve enables rainwater to be used on the oval.

**Benefits:** Reduced irrigation costs for Artarmon oval.

# Highlights

## PROJECTS COMPLETED



### Chatswood Park Playground Renewal - \$184,000

**Scope:** Upgrades to the play equipment and landscaping.

**Benefits:** A more pleasant environment will encourage greater use and healthier, more active community.



### Chatswood High School – Conversion to Synthetic Field - \$2.5M

**Scope:** This project included the conversion of a turf field to a synthetic playing field, the installation of bitumen multi-sport courts and new floodlighting and cricket nets.

**Benefits:** The field has less down time during wet weather.

# Highlights

## PROJECTS TO BE DELIVERED 2018/19



### Natural Area Management – Middle Harbour & Lane Cove - \$566,000

**Scope for 2018/19:** Ongoing implementation of tasks in the Reserve Action Plan including rehabilitation, revegetation, public information and stormwater management.

**Benefits:** Increased community understanding and biodiversity of local plant species.



### Chatswood Youth Centre Refurbishment - \$295,000

**Scope for 2018/19:** General improvements to the Youth Centre including sound proofing the music room, repairing wall cracks and painting.

**Benefits:** The Centre will be more welcoming and better fit for purpose. It's expected more young people will visit and participate in activities.



### Business and Community Space in Chatswood Library - \$530,000

**Scope for 2018/19:** Improving the internal layout of sections of the library to better meet the needs of different user groups. Changes will include a new children's play nook and a multipurpose room.

**Benefits:** This will result in better use of space in the Library, improve functionality and create more diverse spaces.



# Highlights

## PROJECTS TO BE DELIVERED 2018/19



### Muston Park Master Plan Actions - \$600,000

**Scope for 2018/19:** Start of improvements identified in the master plan including upgrading of the playground and entrances.

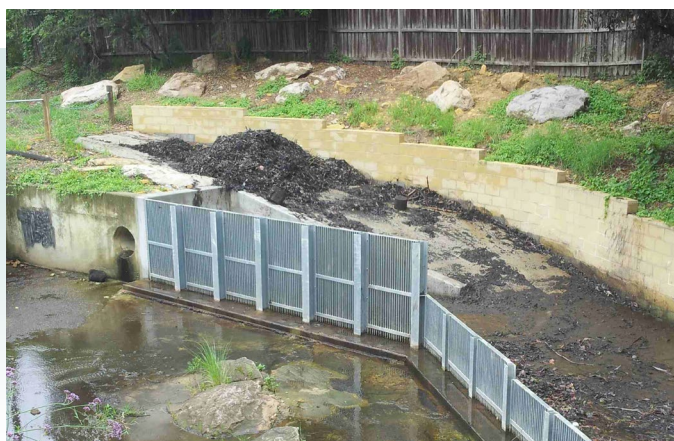
**Benefits:** Higher use of the park by the community.



### Gore Hill Park Redevelopment - \$6M

**Scope for 2018/19:** The project includes installation of a synthetic playing surface, new floodlighting, a regional playground, outdoor ball courts and outdoor gym.

**Benefits:** Enable more people to use Gore Hill Park more often.



### Gross Pollutant Trap Renewal Program - \$520,000

**Scope for 2018/19:** Improvement of two existing gross pollutant traps that filter out storm water pollution before it has a chance to enter waterways. Including redesign or relocation. It will continue over a number of years.

**Benefits:** The works will result in cleaner waterways.

# Mayor's Message



It is with pleasure I present Willoughby City Council's Annual Report for 2017/18 which was a very successful year for Council. Over this time, we have built on the work of our previous councillors, to guide our community towards a prosperous future, making decisions and taking action to benefit our community.

Our Council elections were held last September and we welcomed several new councillors alongside those who returned for another term. It was an honour to again be elected as Mayor of Willoughby City.

Perhaps the most important achievement during the year was the review of the Community Strategic Plan. We will base all of our future planning and decisions on what is set out in the Plan which is why a great deal of community consultation was undertaken to make sure the Plan truly represents what our community wants. The Community Strategic Plan is your document that guides us as a Council to deliver the community and infrastructure you want into the future.

Another highlight has been the first stage of the Gore Hill Park redevelopment jointly funded by a Commonwealth Government Grant and Council. The project which includes installation of an all weather playing surface, new floodlighting, a regional playground, outdoor ball courts and outdoor gym, once finished, will enable more people to use Gore Hill Park more often.

We've also been planning for the future of our growing population, through the Willoughby City Planning Strategy, to ensure that we can retain the amenity and services that people expect and enjoy in Willoughby City.

Other projects included conversion of Chatswood High School turf field to an all weather playing surface, improvements to Middle Harbour and Lane Cove River catchments as well as the refurbishment of Willoughby Leisure Centre with further improvements planned in the coming year.

Council remains financially well managed as indicated by our audited financial statements. We achieved a \$15.3 million net operating surplus before capital revenue, while providing a high standard of services across the board. Detailed financial information is available from page 55.

Tens of thousands of people turned out to the Vivid Sydney at Chatswood. Council also hosted events such as the Emerge Festival, Chinese New Year, Willoughby Symphony concerts and Chatswood Mall Market bringing visitors to the City, boosting our cultural and economic vitality.

For these achievements, I thank the staff for their dedication and those in our community who have contributed their time, expertise and energy.

Some of the biggest projects to come will be redevelopment of the former Northbridge and Artarmon Bowling Club sites, renewal of an all weather playing surface at Northbridge Oval, and improvements to Northbridge Plaza Car Park.

It is a great honour to hand over to you this Annual Report on behalf of my fellow councillors.

**Gail Giles-Gidney**  
**Mayor, Willoughby City Council**

# General Manager's Report



I am pleased to present Willoughby City Council's Annual Report for 2017/18.

We're only very early on in our four year Delivery Program and already the progress we have made is encouraging.

A highlight of the year was unquestionably the adoption of the renewed Community Strategic Plan, otherwise known as Our Future Willoughby 2028, which sets out the vision and priorities for the City. It was inspiring to see the level of interest in the Plan, with more than 6,000 inputs garnered in the process.

The results from our Community Perception Survey were very positive. Satisfaction with the services we deliver and overall satisfaction was high. It was good to see we also outperformed other Sydney councils for overall satisfaction and were above the NSW satisfaction benchmark.

In 2017/18 we invested \$18.3 million on capital works, the majority of which was spent on the Gore Hill Park redevelopment, environmental projects and roads.

Financially, 2017/18 was again a sound year for Council. As page 4 of the attached Financial Statements show, we had a \$15.3 million net operating surplus before capital revenue.

We also met all state government-set target financial performance ratios, showing Council is financially sound and delivering a high standard of services well within budget.

We remained committed through our business improvement and project management functions to ensure we deliver our projects and services more effectively and efficiently.

In the coming year we will continue our commitment to improving our essential infrastructure, with significant funding being allocated to buildings, parks and playgrounds, roads and stormwater.

More details on our achievements can be found on pages 19 to 36.

I thank my leadership team and staff for their dedication over the past year. These achievements are a testament to their hard work.

**Debra Just**  
**General Manager, Willoughby City Council**



# The City of Willoughby



Source: Australia Bureau of Statistics



Median age is 37, with

# 37%

of the population couples with children.

## Ancestry

English  18,118

Chinese  17,939

Australian  14,998

Irish  7,061

Scottish  5,117



C O R P O R A T E G O V E R N A N C E

# Our Councillors



BACK ROW L-R: Clr Stuart Coppock (Naremburn Ward), Clr Craig Campbell (West Ward), Clr Angelo Rozos (Middle Harbour Ward), Clr Nic Wright (Naremburn Ward), Clr Denis Fernandez (Sailors Bay Ward)  
FRONT ROW L-R: Clr Hugh Eriksson (Sailors Bay Ward), Clr Christine Tuon (Naremburn Ward), Clr Wendy Norton (Middle Harbour Ward), Clr Brendon Zhu (Sailors Bay Ward), Mayor Gail Giles-Gidney, Clr Tony Mustaca (West Ward), Clr Lynne Saville (West Ward), Clr Judith Rutherford (Middle Harbour Ward)

## MAYOR GAIL GILES-GIDNEY

### MIDDLE HARBOUR WARD

**Wendy Norton**  
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**Angelo Rozos**  
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**Brendon Zhu**  
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### WEST WARD

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**Tony Mustaca OAM**  
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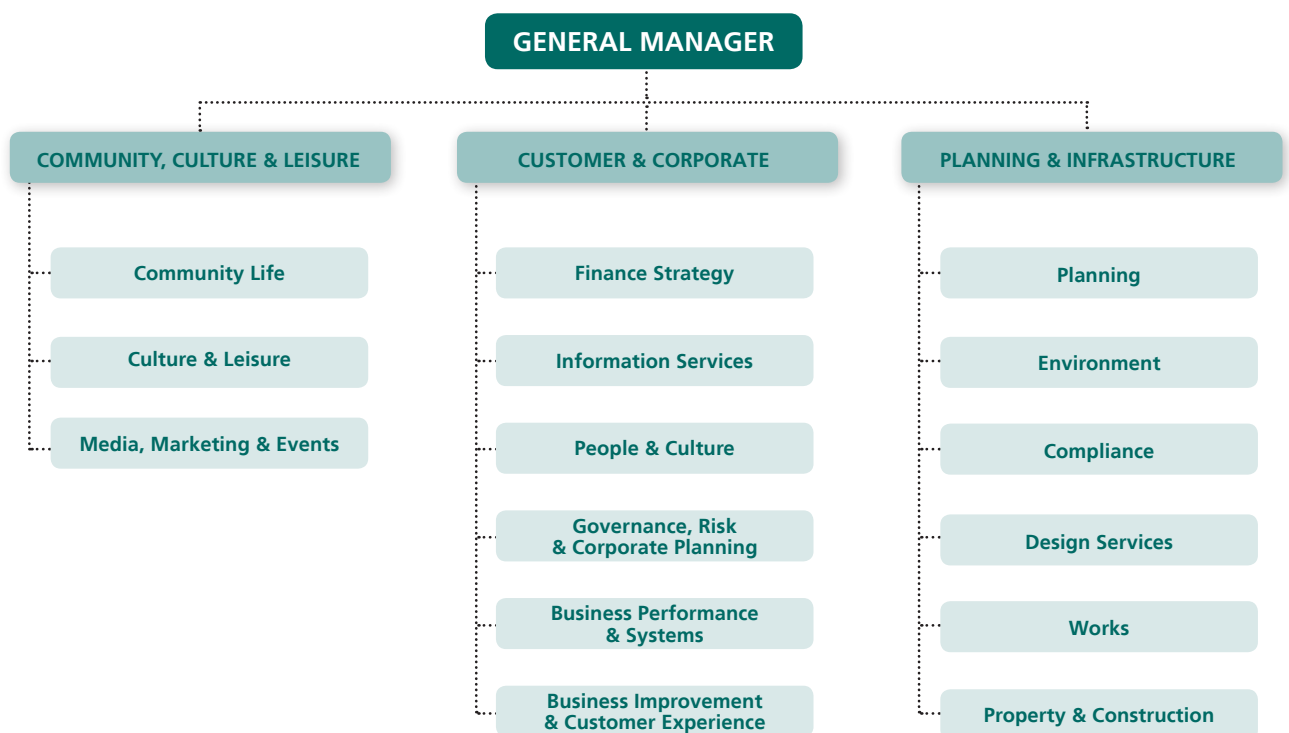
**Lynne Saville**  
9412 1846  
0402 395 165  
lynne.saville@willoughby.  
nsw.gov.au

# Our Staff



## EXECUTIVE LEADERSHIP TEAM

L-R: Greg McDonald (Planning and Infrastructure Director), Debra Just (General Manager), Melanie Smith (Community, Culture and Leisure Director) and Dean Frost (Customer and Corporate Director)



# Corporate Governance

## **FRAUD AND CORRUPTION PREVENTION**

Council adopted a Code of Conduct that applies to all councillors. The code provides an overview of the councillors' responsibilities and includes guidelines for rules of conduct, decision making and the use of Willoughby City Council's resources. Council's Code of Conduct also governs staff in their day-to-day activities and decisions and dealings with customers, colleagues and stakeholders.

The Code of Conduct provides guidance for managing actual and perceived conflicts of interest. Council has a responsibility under the Independent Commission Against Corruption Act 1988 to report any suspected corrupt conduct.

On induction, all councillors and employees are given training on the Code of Conduct.

The Code is available for public to view at Council's Help and Service Centre and on the website.

Council is also required under the Public Interest Disclosures Act to collect and report on information about public interest disclosures (PIDs). Councillors and Council staff are encouraged to report what they believe to be unethical conduct within the organisation.

Council's disclosures coordinator and disclosures officers are responsible for receiving PIDs. Depending on the incident, either internal and/or external investigations are carried out.

On occasion councillors and staff are offered gifts. Council manages the response to receipt of gifts and benefits through its Gifts and Benefits Policy. All of the policies mentioned are available on Council's website.

## **AUDIT RISK AND IMPROVEMENT COMMITTEE**

The Audit, Risk and Committee independently reviews the objectivity and reliability of Council's financial information. A special meeting is also held to review Council's annual financial statements.

The Committee provides independent assurance and assistance to Council on other key aspects of Council's operations including risk management and governance practices.

## **ENTERPRISE RISK MANAGEMENT**

Council's risk management framework is embedded in its strategic and operational policies and practices. Council maintains and regularly reviews its risk registers for key strategic, operational and significant project risks.

Council identifies existing and known risks, as well as risks that have not yet materialised. Pre-emptive treatment of these risks is an essential component of comprehensive risk management.

Information on Council's risks emerges from many and various sources, including members of the public and employees. Council also takes action to respond to these risks.

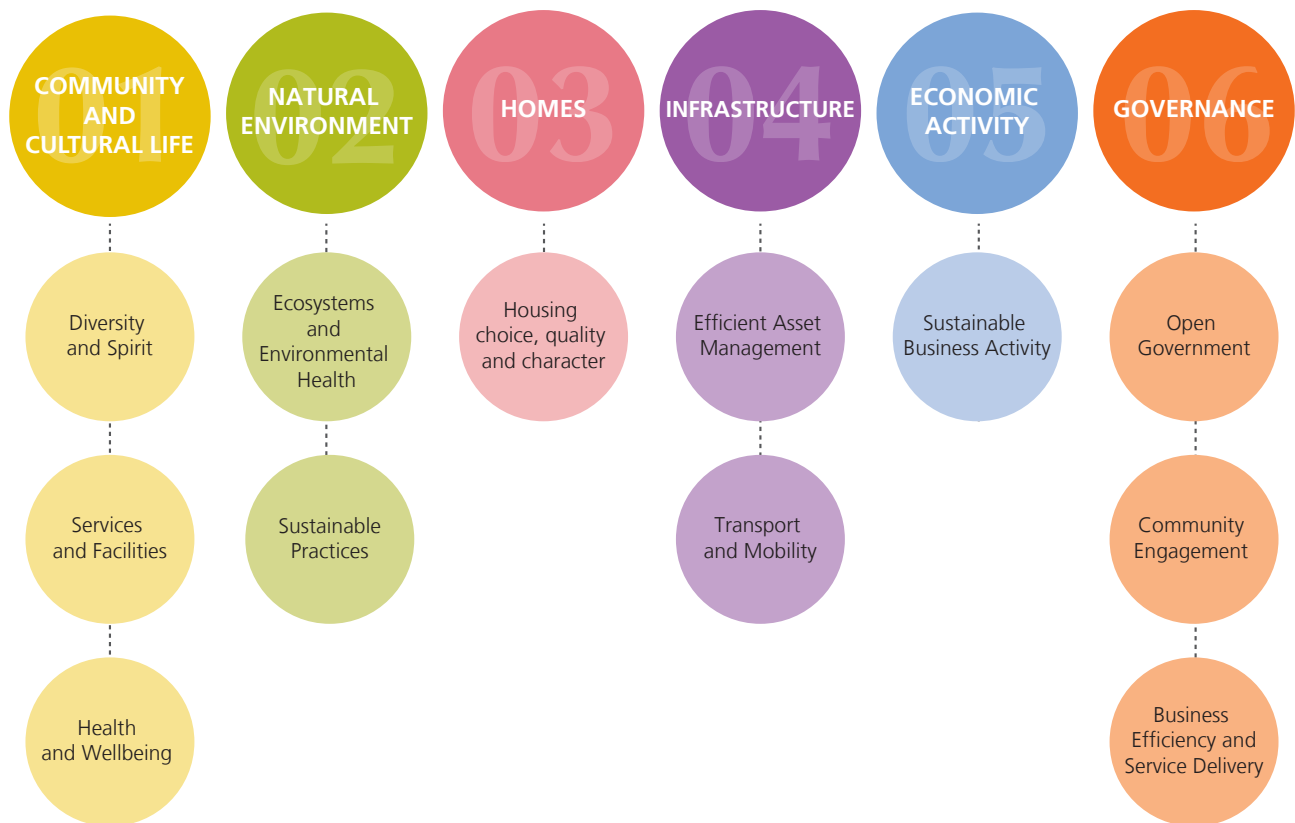




**S T R A T E G I C   D I R E C T I O N S**

# Strategic Directions

The Community Strategic Plan outlines the strategic directions for the Willoughby City community. The plan consists of the City's vision and six key strategic directions.



# 01 Community and Cultural Life

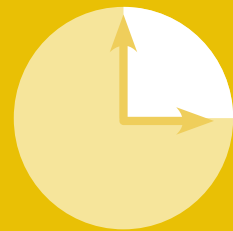


**90,778**  
members of Willoughby  
Library Services



**754,086**  
visits to  
Chatswood Library

600 Volunteers



**24,000**  
volunteer hours



**425ha**  
of open space

**21**  
sports  
fields



**318,205**  
visits to Willoughby  
Leisure Centre

# 01 Community and Cultural Life Achievements

## DIVERSITY AND SPIRIT

### COMMUNITY EVENTS

Council produces events designed to boost Willoughby City's cultural and economic vitality. The annual program includes the Emerge Festival, Chinese New Year, Willoughby Symphony concerts and Chatswood Mall Market.

Council partnered with Destination NSW for the fourth year to host Vivid Sydney at Chatswood. It ran for 23 nights and featured outdoor interactive light installations and projections. It was by far the largest and most prominent event on the Council calendar, by size and investment of resources.

### VISUAL ARTS

Exhibitions on the visual arts calendar included 'Grit!' exploring competition and body challenge; 'Small Artists, Big Exhibition' presenting artworks created by children aged 5-16 years; '60 Tails' marking 60 Years of Guide Dogs; and 'Smart Expressions', showcasing HSC artworks from local high school students.

## SERVICES AND FACILITIES

### LIBRARY SERVICES

Willoughby City's libraries are not only valued learning and resource centres but provide valuable social interaction for. In addition to books, resources and reference material, Council's library service also offered drop-in tech help, storytime and author talks.

### GORE HILL PARK

Phase one of the Gore Hill Park redevelopment commenced in 2017/18. The project includes installation of a synthetic playing surface, new floodlighting, a regional playground, outdoor ball courts and outdoor gym. The overhaul of the facility will enable more people to use the field more often.

### CHATSWOOD PARK PLAYGROUND RENEWAL

Council spent \$184,000 to upgrade play equipment and landscaping at Chatswood Park playground. It is the first park in Willoughby to have a trampoline.



# 01 Community and Cultural Life Achievements

## CHATSWOOD HIGH SCHOOL SYNTHETIC FIELD

Council undertook a \$2.5m conversion of a turf field to a synthetic playing field, installation of bitumen multi-sports courts and news flood lighting and cricket nets at Chatswood High School. These works enable the community to have a far greater use of the space.

## WILLOUGHBY LEISURE CENTRE

Willoughby Leisure Centre underwent a \$1.42m refurbishment during the year to improve access, provide greater comfort for users and reduce water and energy consumption. This included more contemporary and functional change room facilities.

## HEALTH AND WELLBEING

### CHILDREN AND YOUTH

Council operates a range of services for children including a long day care centre, the Willoughby/Lane Cove Family Day Care Scheme, three vacation centres, a recreational

program, three after school care centres and one before school care centre.

Council operates the Chatswood Youth Centre for young people who live, work, go to school or hang out in Willoughby. Young people can download the Youth Source app for free. It provides information and contact details for youth services in the area.

To celebrate National Youth Week, the Youth Centre held a band night, an outdoor movie and a skate competition.



# 01 Community and Cultural Life Achievements

## HEALTH AND WELLBEING

### OLDER ADULTS AND PEOPLE WITH A DISABILITY

Council supports older adults and people with a disability by providing information, advocacy, referral services, and community facilities.

Council also provides a home library service, computer assist programss, wellness, education, and social activities. Council reviewed and continued to implement the Disability Inclusion Action Plan. The plan includes actions to make Willoughby an inclusive and accessible city for everyone.

### GRANTS PROGRAM

Council's annual small grants program supports community groups and not-for-profit organisations to deliver services, programs, special events and other activities which meet identified community priorities. During 2017/18 the program allocated \$71,182 including \$13,000 for events to community organisations.

## COMPANION ANIMAL MANAGEMENT

Council works with the community to protect residents, their pets and the natural environment by enforcing companion animal laws and hosting companion animal community education programs such as brochures on the responsibilities of pet owners.

- Council provides dog litter bag dispensers and disposal bags in selected unleashed dog exercise areas.
- Fourteen of Willoughby City's parks are off leash areas.
- Companion Animal Registration Returns are lodged with the Office of Local Government monthly.
- During 2017/18, Council received 31 reports of alleged dog attacks. As required, all dog attacks were reported to the Office of Local Government within 72 hours.
- Council spent \$35,522 on companion animal activities.



Council spent  
**\$35,522**  
on companion  
animal activities



# 02 Natural Environment



Council will continue to preserve bushland, wildlife, waterways and ecological systems.



**309KW** of solar PV on Council buildings



**49%** of residential waste diverted from landfill

Council manages over

**330ha**

of bushland and nearly 20kms of harbour foreshore.



Limiting our ecological footprint will increase



resilience to climate change and improve Willoughby City for current and future generations.



**4%** decrease in energy use by Council

## 02 Natural Environment Achievements

### ECOSYSTEMS AND ENVIRONMENTAL HEALTH

#### BIODIVERSITY

Willoughby is home to significant areas of bushland that host a wide variety of native flora and fauna, archaeological sites and walking tracks. Council cares for over 300 hectares of bushland. Council continues to employ a variety of techniques to manage feral animals, pest species and noxious weeds.

#### NATURAL AREA MANAGEMENT MIDDLE HARBOUR AND LANE COVE RIVER

During the year Council implemented projects identified in the Reserve Action Plans for Middle Harbour and Lane Cove River catchments including rehabilitation, revegetation, stormwater management and pest, plant and animal management.

### SUSTAINABLE PRACTICES

#### STORMWATER MANAGEMENT

Council installed a new, state of the art stormwater harvesting and reuse system to save upwards of \$10,000 per year. It enables rainwater to be used on the sports oval at Artarmon Reserve. This system will be used as a prototype for future systems throughout the City.

### CLIMATE CHANGE

Council has developed a plan to respond to climate change. The Sustainability Action Plan (SAP) identifies risk from carbon pollution and climate change and outlines an action plan to achieve a reduction in emissions, resource use and environmental impact. For further information refer to the Sustainability Action Plan Report Card on Council's website.



### LIVE WELL IN WILLOUGHBY PROGRAMS

Council has a Live Well in Willoughby program on the importance of living more sustainability. The program focuses on the themes of home and lifestyle, energy efficiency, transport, nature and food and garden.





## 02 Natural Environment Achievements

### ENERGY USE

A total of 48,255 gigajoules of energy was consumed by Council in 2017/18. This represents a decrease of 4% on the previous year. This fall can mostly be attributed to a decline in electricity use, and a reduction in liquid fuel (diesel) consumption.

#### Energy consumption within Council

	2014/15	2015/16	2016/17	2017/18
Total (gigajoules)	53,063	52,291	50,017	48,255

A range of energy saving projects has been undertaken at Council buildings, including energy audits. Council's vehicle fleet includes hybrid vehicles.

### REDUCING GREENHOUSE EMISSIONS

The amount of direct CO<sup>2</sup> emissions produced by Council was 1,186 tonnes in 2017/18 compared to 1,199 tonnes in CO<sup>2</sup> in 2016/17. The reduction in greenhouse gas emissions is largely attributable to a reduction in diesel use by Council, through implementation of Council's sustainable fleet strategy.

### Direct greenhouse gas (ghg) emissions

	2014/15	2015/16	2016/17	2017/18
Total (tonnes)	1,366	1,282	1,199	1,186

Council's emissions have decreased by 13% over the past four years.

### WASTE REDUCTION

Approximately 228kg of residential waste per person in Willoughby City was disposed to landfill in 2017/18. The total weight of waste generated by the community in 2017/18 was 30,397 tonnes. Of this total, 15,608 tonnes was sent to landfill and represents a waste diversion rate of 49% to processing and recycling facilities. This is an improvement on the previous year's diversion rate of 40%.

#### Community waste to landfill (tonnes)

	2016/17	2017/18
Total (tonnes)	17,728	15,608



# 03 Homes



**29,993**  
dwellings

Heritage items, conservation areas and Aboriginal sites are identified and protected and local character is respected and enhanced.

The most dominant household size is 2 persons per household



**13,356**  
separate houses



**4,210**  
medium density dwelling



**12,261**  
high density dwelling

**60**

the average number of days taken to determine each development application.



**22**



affordable homes for key workers

Willoughby City is to be a place with housing that is liveable, sustainable and enhances urban character.

Council's online development application tool allows easy tracking of development applications.



## 03 Homes Achievements

### HOUSING CHOICE, QUALITY AND CHARACTER

#### PROCESSING OF DEVELOPMENT APPLICATIONS (DAS)

Council operates a comprehensive building and development approval service that assesses all applications to build, demolish or develop properties. The service ensures that all development within the local government area is allowable within the context of the Local Environmental Plan and is aligned to any relevant legislation such as the Environmental Planning and Assessment Act 1979.

Council has continued its efficiency in the processing of DAs, with the average assessment time decreasing to 60 days.

#### AFFORDABLE HOUSING

Council's affordable housing units provide housing for people on low to moderate incomes who are working in essential services such as child care, emergency services, health, education, public transport, retail and hospitality. Council continues to identify suitable new sites.

#### LAND USE PLANNING

Council started work on the Willoughby City Planning Strategy that will focus on the Chatswood CBD, housing, local centres and industrial lands.

Council engaged consultants to provide urban planning advice on town centres and villages known as local centres. Council continued to work with the Department of Planning and Environment, North Sydney Council and Lane Cove Council on the St Leonards/Crows Nest Priority Precinct.



Council processed  
**90%**  
of development  
applications within  
the 75 day target



## 03 Homes Achievements

### HOUSING CHOICE, QUALITY AND CHARACTER

#### DA TRACKING

The electronic development application (DA) tool is a secure online lodgement and tracking service. It allows tracking for the entire DA lifecycle – from initial application lodging through to assessment. Interested parties can login to view an application.

### PLANNING AGREEMENTS UNDER THE ENVIRONMENTAL PLANNING AND ASSESSMENT ACT 1979

As an alternative to collecting and using developer contributions, Council can enter into a planning agreement with a developer. A planning agreement may require the developer to contribute to funds for public infrastructure, facilities or land. The following planning agreements were in place during 2017/18 (see table below):

Land	Parties to Agreement	Description of Agreement
ABC site at Gore Hill - 217 Pacific Highway (corner Campbell St), Artarmon*	Lindsay Bennelong Developments Pty Ltd	Developer provides: a community building, a shuttle bus service, and a sporting and recreation facility.
65 Albert Avenue, Chatswood	Mandarin Development Pty Ltd	Contribution towards a shortfall in car parking arising from the development.
1 Anderson Street, Chatswood	Westfield Shopping Centre	Contribution towards a shortfall in car parking arising from the development of the Anderson Street 'Eat Street' area.
73 Albert Avenue, Chatswood	Iglu No 202 Pty Ltd	Dedication of Thomas Lane road reservation land, and Thomas Lane embellishment works.
654-666 Pacific Highway, 2A Oliver Road and 1 Freeman Road, Chatswood	Daraki Holdings	Provide local road widening of three metres along Oliver Road and one metre along Freeman Road.
Gore Hill Technology Park (former ABC site) Lots 1-6 DP 270714 Broadcast Way, Artarmon	Lindsay Bennelong Developments Pty Ltd and Gore Hill Developments 1,2 and 3	Contribute to a sporting and recreation facility and the provision of a bus service.
12 Frederick Street, St Leonards	Dexus Projects Pty Limited	Contribution towards sports and recreation facilities and/or traffic management.

\* Revoked by new Voluntary Planning Agreement from 27 September 2017

# 04 Infrastructure



**\$1.6m**

Stormwater drainage replacement and construction



Council manages **181km** of roads

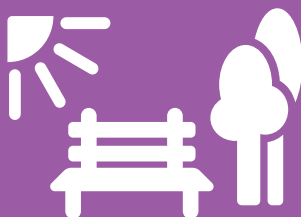
**60,251m<sup>2</sup>** roads were resurfaced

**\$4m**

Replacement and construction of other infrastructure assets



**\$2.3m** building refurbishment and acquisition



**\$3.1m**

Open space and recreation

**1,084m<sup>2</sup>** of footpaths built or improved

**\$1.1m** footpath construction and replacement



**\$18.3m** projects and capital works expenditure

**\$1.1m** plant and equipment replacement

## 04 Infrastructure Achievements

### EFFICIENT ASSET MANAGEMENT

#### ASSET MANAGEMENT AND MAINTENANCE

Council's Asset Management Policy outlines the key principles that underpin asset management practices. The scope of this policy applies to Council and to all Council staff involved with the management of physical assets. These assets include roads, footpaths, street furniture, buildings, bridges, drainage, playgrounds, parks and sports facilities. Council is responsible for essential maintenance and upkeep.

One of the most significant challenges Council continues to face is the coordination of its infrastructure assets and how they are effectively managed for their full lifespan. The timely renewal of assets minimises the ongoing cost of maintaining significant levels of infrastructure.

The asset renewal gap has been assessed and a 10 year Asset Management Plan is being implemented. The plan will help Council ensure assets are renewed over the long term in the most cost effective way.

Council has an Asset Management Strategy which establishes the framework for Council to manage and maintain its assets including roads, buildings, drains and paths. This includes seeking opportunities for external funding sources for capital works projects.

#### ROADS AND STREETSCAPES

Council continues to prioritise pavement resurfacing in accordance with an assessment of condition. During 2017/18, 60,251m<sup>2</sup> of road were resheeted.

#### NEW OR REPLACED FOOTPATHS

1,084m<sup>2</sup> of footpaths were constructed or improved during 2017/18.

### TRANSPORT AND MOBILITY

#### ENVIRONMENTALLY AND PEOPLE FRIENDLY TRANSPORT

Council continues to work on a variety of transport projects to create a more people friendly environment and help reduce Willoughby City's carbon footprint. This aims to improve safety and amenity for pedestrians and cyclists and to increase access to public transport.

#### BIKE PLAN

Implementation of Council's Bike Plan continued. The plan guides the provision of cycling infrastructure and facilities. The aim of the plan is to encourage greater uptake of cycling. The plan ensures that cycling is a viable, safe and attractive transport option. Council continued to make improvements to the cycling network.

#### PARKING

Vehicle parking is at a premium. By enforcing parking regulations seven days a week and providing after hour patrols, Council is helping to ensure public safety, turnover for traders, accessibility and amenity of streets and optimal road use. Council conducted the "Think Before You Park" and "Safety Over Convenience" programs during the year to modify driver behaviour and improve public safety.

This year Council adopted the Street Parking Strategy to optimise the operation and management of street parking. The aim of the Street Parking Strategy is to help build a parking management system which meets the needs of all residents and supports and fosters a prosperous economy as well as a socially connected community.

The strategy provides a framework to manage parking openly and fairly, and provides an evidence-based approach where time restrictions need to be introduced or adjusted.





# 05 Economic Activity

2%

Gross State Product (GSP)

Willoughby City's employment opportunities and the range and quality of businesses, industry and services are maintained and promoted to ensure business areas are attractive and welcoming.



12,427

businesses in local government area



71,074

jobs in the local government area

\$11.8b Gross Regional Product



Chatswood is one of the biggest retail centres in Australia with over 700 retailers.



Chatswood Mall has a pedestrian flow of over 50 million people a year.



# 05 Economic Activity Achievements

## SUSTAINABLE BUSINESS ACTIVITY

### ECONOMIC DEVELOPMENT

Ensuring Willoughby City is prosperous is one of the six strategic directions of Willoughby's Community Strategic Plan. In undertaking planning to shape Willoughby's future, Council aims to ensure Willoughby City has a viable and sustainable economy and continues to prosper.

### CHATSWOOD AS A DESTINATION

Council has marketed Chatswood as a destination, supported by the Chatswood CBD Marketing Plan and The Concourse Business Plan. The Visit Chatswood website is a channel for tourism.

## PUBLIC DOMAIN IMPROVEMENT PROGRAM

Council continued to implement its Public Domain Improvement Program upgrading public domain in Hampden Road, Denawen Ave, Deepwater Road and Sailors Bay Road streetscapes.

## EASY TO DO BUSINESS

Council has partnered with Service NSW as part of the Easy to do Business program, which aims to make opening or expanding a small business easier by tackling the time, complexity and duplication issues that business owners face.



## 05 Economic Activity Achievements

### **SUSTAINABLE BUSINESS ACTIVITY**

#### **BUSINESS SUPPORT**

Council works to help businesses of all sizes grow and develop through its online web portal for businesses available on Council's website.

The portal provides resources that can help every business owner run their business such as tools and resources, guidelines and links to useful websites. New businesses can find a guide to the steps required when starting a business in Willoughby.

### **ECONOMIC AND EMPLOYMENT STUDY**

During the year Council completed Stage 2 of the Economic and Employment Study. The scope of the study is to review all the business and industrial precincts to ensure that Council's economic development policies and land use planning provisions support the retention of existing employment and services.

### **BETTER BUSINESS PARTNERSHIP AND CITYSWITCH**

Council continued to offer the Better Business Partnership and CitySwitch programs to support local businesses in becoming more sustainable.



CitySwitch is a free program that helps office based businesses to improve their energy and waste efficiency. For more information visit [willoughby.nsw.gov.au](http://willoughby.nsw.gov.au)

# 06 Governance



**79,427**  
call centre  
calls received

**77%**

Customer calls  
answered within  
20 seconds



**\$15.3m**

net operating surplus  
before capital revenue

All government, business and community organisations operating within Willoughby will apply good governance. Council will operate with integrity, honesty, and responsibility and in the best interests of the Willoughby community.



**371**  
staff

Engaged  
**2,718**  
people



**69**  
Media  
releases



**3,037**  
Twitter  
followers  
and **5,220**  
Facebook likes



# 06 Governance Achievements

## OPEN GOVERNMENT

### ONLINE PRESENCE

Council reviewed the top ten most visited pages on its website and reviewed their contents to ensure they were fit for purpose.

### WEBCASTING OF COUNCIL MEETINGS

Council launched live webcasting of council meetings. Now you can watch meetings live in real time via desktop or handheld device, or watch an archived version of the meeting on Council's website.

## COMMUNITY ENGAGEMENT

### STAKEHOLDER CONSULTATION AND ENGAGEMENT

Council engaged on many projects, providing the opportunity to provide input into a broad range of projects, services and issues. These included the review of the Community Strategic Plan, the proposed parking changes at Artarmon, the Draft Chatswood Park Master Plan, planning for town centres and the pet waste compost trial.

## BUSINESS EFFICIENCY AND SERVICE DELIVERY

### IMPLEMENTATION OF INTEGRATED PLANNING AND REPORTING FRAMEWORK

Council continued to implement its Integrated Planning and Reporting Framework. The Framework provides the foundation for effective decision making, sound management and accountability across the organisation. Council implemented 493 planned activities of the Operational Plan for 2017/18.

### REVIEWING THE VISION

In 2017/18, Council commenced the review of the Community Strategic Plan. The resulting Our Future Willoughby 2028 sets out the vision and priorities for the City.

### COMMUNITY PERCEPTION SURVEY

The results of Council's Community Perception Survey, showed 71% of residents rated Council's services as very good or good.

## INFRASTRUCTURE LEVY

Refer to page 49 for detailed reporting of infrastructure levy income and expenditure.

## ACHIEVING GREATER EFFICIENCIES

Identifying and making improvements to its processes enables Council to improve the efficiency and results in customer service.

Council undertook several business improvement initiatives in 2017/18. These included a review of Council's customer service processes, improvements to development application processing and a review of streetscape management and maintenance processes.

## ENHANCING TECHNOLOGY INFRASTRUCTURE

Identifying and making improvements to its information systems enables Council to improve the efficiency and effectiveness of services delivered.

Council worked on a number of critical projects including:

- Implementation of mobile technology to enhance connectivity and usability of corporate applications for Council's mobile workers.
- A review of Council's electronic document management processes to increase efficiencies in the registering of documents.
- Development of digital on-boarding process for new staff to achieve greater productivity.
- Council maintained systems availability meeting the target of 99.5%.

## PROJECT MANAGEMENT

Council introduced its Project Management Framework to enable a consistent approach that maximises the likelihood of projects being delivered on time, to cost and to the intended scope. All projects proposed are individually assessed through prioritisation. These include ensuring projects respond to community need and align with the Community Strategic Plan.



OTHER STATUTORY  
INFORMATION

## Other Statutory Information

This section contains legislative information Council is required to provide, but which has not been disclosed previously in this report.

### Financial Reports

Council's audited financial reports are outlined in the Financial Statements starting on page 55.

### Rates and Charges Written Off

Rates and charges totalling \$465,236 were written off this fiscal year as shown in the table below.

Rates and Charges	Amount
Rates Written Off	\$464,119
Interest Charges Written Off	\$1,117

### Overseas Visits

No paid overseas visits were undertaken by councillors, staff or other persons representing Council.

### Mayor and Councillor Allowances, Fees and Expenses

Councillors are entitled to reimbursement for reasonable business expenses when attending conferences, seminars, meetings or functions. Approval to attend conferences and seminars is granted through resolution of the Council. Councillors are entitled to receive facilities such as a computer and printer/fax for Council business purposes, stationery and refreshments at Council and Committee meetings. Councillors also receive an annual allowance set by the Remuneration Tribunal. This allowance is paid in recognition of the demands placed on councillors in carrying out their civic duties.

In addition, the Mayor is entitled to receive a Mayoral allowance, and reimbursement of reasonable expenses incurred when attending functions or performing duties in the role of the Mayor. Approval to attend conferences must be through resolution of Council.

The allowances and fees are:

Allowances and Fees	Amount (\$)
Mayor allowance	\$42,120
Councillors' fees and allowances	\$249,177
<b>Total</b>	<b>\$291,297</b>

Councillors incur expenses in the course of fulfilling their roles. Council's Mayor and Councillor Facilities and Benefits Policy provides for the following benefits:

Councillor Expenses	Amount (\$)
Office equipment	-
Telephone calls	\$23,668
Consultancy	\$10,189
Conference and seminars, training and provision of skill development	\$38,546
Legal expenses	-
Sustenance	\$33,032
Transport costs (taxi, internal plant cost for site visits)	\$5,648
Membership subscription	-
Sundries	-
<b>Total</b>	<b>\$111,083</b>

## Other Statutory Information

The Mayor and Councillor Facilities and Benefits Policy is available on Council's website at [www.willoughby.nsw.gov.au](http://www.willoughby.nsw.gov.au).

### Major Contracts Awarded

Purchasing decisions are made in compliance with Section 55 of the *Local Government Act 1993*.

The total value of Council's major contracts (>\$150,000 each) awarded was \$21,777m. The following contracts and agreements over \$150,000 were awarded:

Contractor	Goods and Services Supplied	Amount (\$)
The Glascott Group	Gore Hill Park Redevelopment	9,918,200.00
Tjs Services Pty Ltd	Provision of Indoor Cleaning Services for 2 years with options for additional 3 years	4,000,000.00
Business Risks International	Security Patrol Services within the Willoughby LGA	2,120,000.00
Downer Edi Works Pty Ltd	Road Surfacing, Patching & associated Works Feb 2018 - June 2019 Panel	1,500,000.00
Boral Asphalt	Road Surfacing, Patching & Associated Works Feb 2018 - 30 June 2019 Panel	1,500,000.00
Trinity Quality Interiors P/L	Willoughby Leisure Centre - Change Room Refurbishment	961,885.00
R & n Paddison Pty Ltd	Renew Drainage, Irrigation & oval surfaces for Naremburn Ovals 1 & 2	553,164.00
Liftonoc Pty Ltd	Servicing of elevator equipment	450,000.00
Civica Pty Limited	Library Management System for three years	285,347.00
Go Gardening Pty Ltd	Chatswood Park Playground & View Street Park Playground upgrades	204,431.04
Rees Electrical Pty Ltd	Mowbray Public School Oval Floodlights	149,336.00
Evolve Housing	Management of affordable housing program for 5 years	135,000.00

## Other Statutory Information

### Legal Proceedings and Costs

During 2017/18, Council incurred legal costs in relation to legal proceedings as follows:

#### Land and Environment Court

Legal Matter	Result/Status	Total Costs (\$)	Total Ltd Legal Cost Recovery (\$)
Class 1 Appeal against deemed (then refusal) refusal of a DA for dual occupancy development.	Matter closed	4,029	
Class 4 Appeal - Point of law whether Modification 1 to the Concept Approval required Council consent as a land owner of street (Modification 1 included street in the site area). Determined - 17/8/2017.	Matter resolved	5,758	
Class 1 Appeal against deemed (then refusal) refusal of a DA for childcare centre. Appeal dismissed and development consent refused. Currently negotiating costs order.	Matter ongoing	121,063	
Class 1 Appeal - Statement of Facts and Contentions filed 8 January 2018. Listed for s34AA conciliation conference/hearing on 13 and 14 June 2018. Conciliation on 13 June 2018 and matter terminated with applicant discontinuing. Matter finalised.	Matter resolved	66,680	
Class 1 Appeal - Matter listed for s34 conciliation conference on 17 October 2017. Conciliation conference terminated. After amended plans and information were provided. Amended plans were renotified until 7 December 2017. Matter listed for further conciliation conference before duty commissioner on 22 December 2017 where Agreement was reached and orders made.	Matter ongoing	28,679	
Class 1 Appeal against the issue of an interim heritage order. IHO was modified to exclude the garage and emergency orders were found to be sufficiently complied with. Applicant has appealed under S56A.	Matter ongoing	53,125	
Class1 Appeal against issue of emergency order to cease demolition and make safe. IHO was modified to exclude the garage and emergency orders were found to be sufficiently complied with. Applicant has appealed under S56A.	Matter ongoing	1,496	
Class 2 Appeal against emergency order. IHO was modified to exclude the garage and emergency orders were found to be sufficiently complied with. Applicant has appealed under S56A.	Matter ongoing	1,078	



## Other Statutory Information

Class 4 Challenge to CDC - Proceedings adjourned for further directions on 31 August 2018 so as to await the outcome in the related s56A appeal proceedings 2018/183462, otherwise matter is to return to Class 4 list within 7 days of judgment of 56A appeal (whichever is earlier).	Matter ongoing	2,217	
Class 1 Appeal - Approval with additional condition	Matter resolved	9,771	
Class 1 Appeal - Matter resolved by s34 Agreement on 3 February 2017. Orders sent to Council. Currently negotiating costs order made in favour of Council.	Matter ongoing	35,560	
Class 1 Appeal against deemed refusal. Alterations and additions to dwelling house. Listed for hearing in October.	Matter ongoing	4,204	
Class 4 - Prosecution illegal tree removal.	Matter resolved	42,525	
Class 4 - Appeal - Non-compliance with order. Order complied with in February.	Matter resolved	25,686	
Class 1 Appeal - Refusal of Subdivision. Notice of determination being considered. Council reviewing contentions.	Matter resolved	19,486	
Class 1 Appeal - S56A Appeal.	Matter ongoing	14,368	
Class 1 Appeal Approved by Land and Environment Court.	Matter resolved	11,312	
Class 1 Appeal - Applicant withdrawn the appeal. The application was therefore refused.	Matter resolved	9,675	
Class 5 Appeal - Unauthorised foreshore works. Council commenced prosecution action against owner and builder. Builder entered a plea of guilty to both charges and was sentenced on 16 February 2015. Builder convicted as charged and fined \$67,000. The proceedings against the owner have faced a legal challenge centred on whether the proceedings were commenced on time. The defendant was acquitted on 10 December 2015. Each party ordered to pay own costs.	Matter closed	280,148	
Court of Criminal Appeal - Conviction overturned by the Court and fine to be paid back.	Matter closed	25,084	
Class 5 (Livbuild) - Fine reversal. Works completed.	Matter closed	67,000	
A development and consent history of the property was undertaken.	Matter ongoing	9,720	

## Other Statutory Information

<p>Section 119J Notices have been sent to real estate agents which are currently or have previously managed the property and the responses received indicate a Building Certificate and DA will be lodged on return post 16 January 2018. No applications have been received.</p> <p>New Notices of Intention prepared and reviewed. Council's instructions broadened nature of the enforcement issues. Awaiting instructions as to entire nature of enforcements issues and further draft notices from Council.</p>			
<p>Class 1 Appeal against Council's deemed refusal of childcare centre. S.34 conciliation conference occurred on 14 April 2015.</p> <p>Hearing of the matter took place in December 2015. Expert evidence from traffic, heritage, landscape and arboriculture, and planning experts provided. Judgment delivered on 21 April 2016, and approved granted for 72 children on conditions on 1 July 2016.</p> <p>Council has been awarded two separate 97B costs orders resulting from amendments to plans made by the applicant throughout the life of the proceedings.</p> <p>Letters have been provided to residents informing them of final orders made. Currently considering costs settlement offer. Approved by the Land and Environment Court on 25/7/2016.</p>	Matter resolved	226,240	-31,818
Class 1 Appeal – refusal of DA. Approved by Land and Environment Court.	Matter resolved	9,333	
Class 1 Appeal - Child Care Centre. Matter discontinued by applicant with an order that the applicant pay council's costs in the amount of \$7,000. Costs paid to Council of 5 April 2017.	Matter resolved	56,326	
Class 1 Appeal - mixed use development. Prosecution for non-compliance with development consent.	Matter closed	27,599	
Class 1 Appeal - mixed use development Hearing on 21 December 2017. Judgment delivered on 15 January 2018. Appeal upheld with amended plans and conditions to be provided. Amended plans provided to Commissioner and orders made with approved plans.	Matter resolved	13,535	

## Other Statutory Information

Class 1 Appeal for mixed use. Agreement reached and entered 7 March 2017. Costs thrown away under s.97B still being negotiated.	Matter ongoing	35,899	
Class 1 Appeal - This matter was dealt with by consent orders and has been approved by the Court.	Matter resolved	6,888	
Class 4 - Stop Work Order - unlawful works. Two stop work order appeals were listed for conciliation conference on 16 and 17 February 2016 seeking to regularise unlawful works. Orders made in section 96 appeal approving modified proposal for house pursuant to section 34 agreement with parties. Appeal with respect to Stop Work Order No. 2808 discontinued as a consequence of that approval. Appeal with respect to Stop Work Order No.2804 resolved by way of section 34 agreement. Section 121B orders made by Court requiring resident to carry out works in accordance with plan put forward by Council as acceptable on merits. Order made 24 June 2016.	Matter resolved	19,816	
Class 1 Appeal - deemed refusal of childcare centre. Judgment delivered on 23 January 2018. Appeal upheld and development approved.	Matter resolved	160,894	
Class 1 Appeal - Building certificate. Proceedings resolved through carrying out range of works agreed in section 34 conference. Consent orders hearing listed on 14 December 2017.	Matter resolved	16,956	
Class 1 Appeal - Section 96 appeal - resolved by section 34 agreement entered 7 June 2017 with amendments to development agreed.	Matter resolved	17,828	
Class 1 Appeal - Section 121B order appeal - resolved by section 34 agreement entered 7 June 2017.	Matter resolved	7,466	
Class 1 Appeal against deemed refusal of residential flat building. Judgment delivered on 17 August 2017 where appeal was dismissed.	Matter resolved	75,835	
	<b>Total</b>	<b>1,513,278</b>	<b>-31,818</b>

## Other Statutory Information

### Supreme Court

Legal Matter	Result/Status	Total Costs (\$)	Total Ltd Legal Cost Recovery (\$)
Regarding execution of the Deed of Agreement for the sale of Scott Street, which Council had considered as part of the original Concept Approval. Position taken endorsed by Council 13/3/2017. Discontinued by proponent - 25/9/2017.	Matter resolved	36,699	
<b>Total</b>		<b>36,699</b>	

### Local Court

Legal Matter	Result/Status	Total Costs (\$)	Total Ltd Legal Cost Recovery (\$)
Petco Aimal Supplies Pty Ltd	Completed (Win)	3,920	
Ji Liang Wang	Completed (Win)	2,005	
North Sydney Bus Charter P/L	Completed (Win)	2,485	
PETCO Animal Supplies P/L	Completed (Win)	8,194	
Kuba	Completed (Win)	7,566	-3,750
Latif	Completed (Win)	3,745	
North Shore Smash Repairs Pty Ltd	Completed (Win)	595	
Payne Investments NSW Pty Ltd	Completed (Win)	630	
Datlas Rahme Construction P/L	Completed (Win)	7,957	-12,727
Datlas Rahme Construction P/L	Completed (Win)	560	
Tyre Pro Australia Pty Ltd	Completed (Win)	1,050	
Moubayed	Completed (Win)	1,365	
Oberon Construction Pty Ltd	Completed (Win)	1,330	

## Other Statutory Information

BNT Construction Pty Ltd	Withdrawn and closed	409	
Johnston	Matter closed	1,015	
Breach of Food Act	Completed (Win)	1,088	
TWM Hospitality Group Chatswood 2 Pty	Ongoing matter	1,935	
Miscellaneous ie various legal searches and advice	Completed (Win)	1,881	
<b>Total</b>		<b>47,731</b>	<b>-16,477</b>

## Legal Advice

Legal Matter	Result/Status	Total Costs (\$)
Fire safety order	Matter completed	2,945
Development Standard in LEP. The application has been withdrawn	Matter completed	1,694
Notice of Intention and Order served concerning hours of operation and potential breaches of consent. Documents received and verbal advice provided on enforcement options	Matter completed	1,848
Legal right to obtain access over drainage reserve in West Chatswood	Matter completed	8,562
Powers of Entry onto residential land/search warrants	Matter completed	4,008
Proposed sale of portion of Scott Street in Artarmon	Matter completed	15,584
Parking Restriction on Crown Reserve	Matter completed	2,017
Works on Council land	Matter completed	2,360
Unauthorised works carried out by builder	Matter completed	3,141
<b>Total</b>		<b>42,158</b>

## Other Statutory Information

### Work Carried out on Private Land

Council offers a graffiti removal service to remove reported graffiti on Council on private property at no cost to property owners. In 2017/18 Council received 114 requests and removed 4,680m<sup>2</sup> of graffiti from private properties. The total estimated value of this work is \$101,520.

### Functions Delegated by Council to External Bodies

Council did not delegate functions to any external bodies during 2017/18.

### Partnerships, Cooperatives and Joint Ventures

Partnering with other organisations and groups is an efficient way for Council to offer services and deliver projects.

Council was a party to the following partnerships, cooperatives and joint ventures:

Program	Description
Aboriginal Heritage Management Program	Joint venture between Lane Cove, North Sydney, Ku-ring-gai, Strathfield, Northern Beaches, Ryde, and Willoughby councils, and the Department of the Environment and NSW Heritage Office to effectively manage and preserve Aboriginal heritage sites across the participating government areas.
Civic Place Trust	The Trust is a public fund established to hold donations and bequests and to assist in the construction, maintenance and operation of the various facilities within The Concourse in Civic Place.
Dougherty Apartments Retirement Housing Project	A Company Limited by Guarantee, membership comprising Council and the NSW Department of Housing. The Apartments, which are situated at No 1 Victor Street, Chatswood, provide varying types of accommodation such as: (i) rental housing for clients of the Department of Housing (ii) self-funding retirement housing, and (iii) a 40 bed hostel where rooms are serviced for the occupants.
MOU Harvesting of Treated Water from Lane Cove Tunnel Lane Cove West	Memorandum of Understanding between Council and Connector Motorways P/L to clarify access to the treated groundwater from Lane Cove Tunnel for use in the water harvesting project at Mowbray Park.
North West Metropolitan Region Emergency Management Committee	This committee manages the arrangements for the prevention of, preparation for, response to, and recovery from emergency situations within the North West Emergency Management Region of Sydney.
Northern Sydney Councils Waste Services Alliance	A waste processing and disposal participation agreement between Willoughby, North Sydney, Ku-ring-gai, Lane Cove, Hunters Hill and Ryde councils, setting out how the councils will make decisions in relation to the procurement and management of a joint municipal

## Other Statutory Information

	solid waste processing and disposal contract.
Northern Sydney Regional Organisation of Councils (NSROC)	An organisation representing issues in local government for the Greater Sydney region.
SBS Childcare	The tripartite agreement between Council, SBS Corporation and SBS Child Care Centre was wound up on 12 October 2017.
Shorelink	Council ended its participation on 31 December 2017. Shorelink is a library management network between North Sydney, Mosman, Lane Cove and Northern Beaches (Manly) councils.
StateCover	StateCover is a company providing workers' compensation insurance cover to the NSW local government industry and specifically Council. Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.
Statewide Mutual Insurance Pool	A cooperative of a number of councils with the objective of minimising the insurance premiums payable by member councils and sharing risk strategies.
Sydney Coastal Councils Group (SCCG)	A group of 14 councils formed to promote coordination between member councils on environmental issues relating to the sustainable management of the urban coastal environment.
Willoughby/Lane Cove Family Day Care	Joint scheme to assist home based child care operators. This service provides additional home care for children outside the child care services supplied by Council.
Willoughby/Lane Cove Local Emergency Committee	This committee is responsible for the preparation, response and recovery for emergencies which require a significant and coordinated response at the local level. It operates under the provisions of the <i>State Emergency and Rescue Management Act, 1993</i> .

### Grants and Donations - LG Act s428(2)(l)

Council offers a range of opportunities for groups and individuals who live in and service the municipality to apply for financial assistance.

Council's annual small grants program supports community groups and not-for-profit organisations to deliver services, programs, special events and other activities which meet identified community priorities that benefit the Willoughby City community. During 2017/18 the program allocated \$102,000 to community organisations. The program seeks to align funding support with Council's strategic direction.

## Other Statutory Information

### Controlling Interest in Companies

Council has no controlling interests in any companies.

### Competition Policy

The principle of competitive neutrality requires that government businesses including those significant business functions operated by local government operate without net competitive advantages over the private sector as a result of their public ownership.

The following functions were categorised as being business activities and ones to which the principles of competitive neutrality would be applied:

#### Category 1:

##### Turnover of More than \$2m per Annum

Name	Description of Activity
Willoughby Leisure Centre	Willoughby Leisure Centre includes a public swimming pool, gymnasium, indoor sports hall and other associated facilities.
The Concourse Precinct	The Concourse Precinct includes the Chatswood Library, a Concert Hall, Theatre, Art Space, Urban Screen, restaurants, cafés and other entertainment and parking facilities.

#### Category 2:

##### Turnover of Less than \$2m per Annum

Name	Description of Activity
Devonshire Street Child Care	Provides long day child care services for 59 places
Family Day Care	Arranges day care services for children in need of care between ages 0-12 years at a registered carer's home
Before/After School Care & Vacation Care	<ul style="list-style-type: none"> <li>• Artarmon (BSC &amp; ASC)</li> <li>• Chatswood (ASC)</li> <li>• Bales Park (ASC)</li> </ul> <p>Before school Care hours are from 7.30am to 9.00am and After School Care Hours are from 3.00pm to 6.00pm.</p> <p>In addition Council, in conjunction with the State Government, operates Vacation Care Services at the following centres during school holidays:</p> <ul style="list-style-type: none"> <li>• Artarmon Vacation Care Centre</li> <li>• Bales Park Vacation Care Centre</li> <li>• Chatswood Vacation Care Centre</li> </ul>
Dougherty Food Services	Dougherty Food services is a 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.

The Special Purpose Financial Reports for the year ended 30 June 2018 disclose the operating results for category 1 and category 2 activities.

Council did not receive any competitive neutrality complaints this year.



## Other Statutory Information

All competitive neutrality complaints are dealt with in accordance with Council's Purchasing and Tendering Policy and Complaints Handling Policy. Council's Purchasing and Tendering Policy and Complaints Handling Policy are made publicly available on Council's website.

### Equal Employment Opportunity

Council is an EEO employer committed to providing a workplace that is free from discrimination and harassment and provides equal employment opportunities for current and prospective employees.

Human Resources policies and procedures are continually reviewed to ensure they are consistent with the principles of EEO. These principles are the cornerstone of Council's recruitment, selection and development processes. They are also incorporated into all relevant internal training programs including:

- new staff inductions
- grievance handling
- bullying, harassment and workplace violence prevention
- Code of Conduct
- Performance Planning and Review system
- recruitment and selection
- managing unsatisfactory performance/conduct.

All training methods and materials are reviewed to ensure respect for individual differences, cultures and gender.

Council's commitment to EEO is also extended to members of the public in accessing Council services.

### General Manager and Senior Staff Remuneration

The total amount of money payable in respect to the employment of senior staff, including money payable for salary, the provision of non-cash benefits, and for all other costs associated with their employment, was \$1,204,187.

The total remuneration packages for Council's senior staff for the period 1 July 2017 to 30 June 2018 was:

Position	Total Remuneration (\$)
General Manager	351,884
Senior Staff	852,303
<b>Total</b>	<b>1,204,187</b>

### Special Rates and Levies

2017/18 was the third year of Council's infrastructure levy. 37 projects worth \$4.1m were delivered, including carry forward projects from the previous year.

The following Infrastructure levy projects were undertaken:

- Sporting fields capital works
- Renewal of crib wall at Thomson Park
- John Roche Playground upgrade/renewal Stage 1 and 2
- Naremburn sporting field flood lighting
- Playground inspection reports recommendations implementation
- Playground upgrade Greville Street Reserve

## Other Statutory Information

- Chatswood Park playground renewal
- Willoughby Park perimeter park extension and associated works
- Footpath renewals – various parks
- Furniture renewal at Jersey Road Park
- Playground renewal at Warners Park
- Playground renewal and construction at Cortile Reserve
- Sailors Bay Road – south side no. 296 (Northbridge Public School)
- Albert Ave – south side – adjacent to no 8 West of Olga Street
- High Street culvert renewal
- Carr Street relining
- 49 High Street relining
- Johnson and Stanley St to Fry St relining
- Corner Northcote and Mitchell St relining
- Garland Rd replacement of stormwater pipe and relining
- Flat Rock Creek open channel repairs
- Willoughby Road and Chandos Street investigate flooding and design
- Bridge in Artarmon over creek at Artarmon
- Bridge on Artarmon Rd over Artarmon Reserve bike track
- Kerb and gutter – Devonshire St – east side – no 25-29 to Johnson St
- Kerb and gutter – Barambah Rd – east side – no 23-17
- Kerb and gutter – Dorset Rd – south side – no 23-25
- Bicentennial Reserve Oval flood lighting
- Naremburn Oval 1 and 2 – renew drainage irrigation and oval surface
- Chatswood Oval planning and implement renew pumps, water tanks and irrigation
- Naremburn Park sports courts resheeting of 2 courts
- Mowbray Public School – sports fields lights
- Trumper Pavilion refurbish OOSH space
- Artarmon Kid's Cottage roof replacement
- Willoughby Leisure Centre major upgrade of pool hall
- Willoughby Leisure Centre major refurbishment
- Asset Maintenance Management Planning Services Urban Design

Refer to the Sustainability Action Plan Report Card on Council's website for detailed reporting of environmental levy income and expenditure.

### Government Information Public Access Applications

Section 125 of the *Government Information (Public Access) Act 2009* (GIPA Act) requires Council to report in detail on the handling of access applications. This statement is in accordance with the GIPA reporting requirements.

#### Number of access applications received

During the reporting period, Council received a total of 37 formal access applications.

#### Number of access applications received refused

Number of applications refused	Wholly	Partly	Total
	0	2	2
% of total	0%	100%	

## Other Statutory Information

### Number of applications by type of applicant and outcome\*

	Access Granted in Full	Access Granted in Part	Access Refused in Full	Information not Held	Information Already Available	Refuse to Deal with Application	Refuse to Confirm/ Deny whether information is held	Application Withdrawn	Total
Media	0	0	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0	0
Private sector business	2	0	1	0	0	0	0	0	3
Not for profit organisations or community groups	0	0	0	0	0	0	0	0	0
Members of the public (by legal representative)	6	0	0	0	0	0	0	0	6
Members of the public (other)	24	5	3	0	0	0	0	2	34
<b>Total</b>	<b>32</b>	<b>5</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>43</b>

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

## Other Statutory Information

Number of applications by type of application and outcome\*

	Access Granted in Full	Access Granted in Part	Access Refused in Full	Information not Held	Information Already Available	Refuse to Deal with Application	Refuse to Confirm/Deny whether information is held	Application Withdrawn	Total	% of Total
Personal information applications*	0	2	1	0	0	0	0	0	3	7%
Access applications (other than personal information applications)	32	2	3	0	0	0	0	2	39	91%
Access applications that are partly personal information applications and partly other	0	1	0	0	0	0	0	0	1	2%
<b>Total</b>	<b>32</b>	<b>5</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>43</b>	
<b>% of Total</b>	<b>74%</b>	<b>12%</b>	<b>9%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>5%</b>		

\* More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

## Other Statutory Information

### Invalid applications

Reason for invalidity	No of applications	% of total
Application does not comply with formal requirements (section 41 of the Act)	1	33%
Application is for excluded information of the agency (section 43 of the Act)	0	0%
Application contravenes restraint order (section 110 of the Act)	0	0%
Total number of invalid applications received	1	33%
Invalid applications that subsequently became valid applications	1	33%

### Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 of Act\*

	Number of times consideration used*	% of total
Overriding secrecy laws	0	0%
Cabinet information	0	0%
Executive Council information	0	0%
Contempt	0	0%
Legal professional privilege	2	100%
Excluded information	0	0%
Documents affecting law enforcement and public safety	0	0%
Transport safety	0	0%
Adoption	0	0%
Care and protection of children	0	0%
Ministerial code of conduct	0	0%
Aboriginal and environmental heritage	0	0%
<b>Total</b>	<b>2</b>	

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

### Other public interest considerations against disclosure: matters listed in table to section 14 of Act\*

	Number of times consideration used*	% of total
Responsible and effective government	2	20%
Law enforcement and security	1	10%
Individual rights, judicial processes and natural justice	5	50%
Business interests of agencies and other persons	1	10%
Environment, culture, economy and general matters	1	10%
Secrecy provisions	0	0%
Exempt documents under interstate Freedom of Information legislation	0	0%
<b>Total</b>	<b>10</b>	

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

### Timeliness

	Number of applications*	% of total
Decided within the statutory timeframe (20 days plus any extensions)	39	100%
Decided after 35 days (by agreement with applicant)	0	0%
Not decided within time (deemed refusal)	0	0%
<b>Total</b>	<b>39</b>	

## Other Statutory Information

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

	Decision varied	Decision upheld	Total	% of total
Internal review	0	0	0	0%
Review by Information Commissioner*	0	1	1	25%
Internal review following recommendation under section 93 of Act	0	0	0	0%
Review by NCAT	1	2	3	75%
<b>Total</b>	<b>1</b>	<b>3</b>	<b>4</b>	
<b>% of Total</b>	<b>25%</b>	<b>75%</b>		

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

Applications for review under Part 5 of the Act (by type of applicant)

	No of applications for review	% of total
Applications by access applicants	1	100%
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0	0%
<b>Total</b>	<b>1</b>	

Applications transferred to other agencies

	Number of applications transferred	% of total
Agency-Initiated Transfers	0	0%
Applicant - Initiated Transfers	0	0%
<b>Total</b>	<b>0</b>	

### Public Interest Disclosures

No PIDs were made for the period 1 July to 30 June 2018.

#### Public Interest Disclosures

Corrupt conduct	0
Maladministration	0
Serious and substantial waste of local government money	0
Government information contraventions	0
Local government pecuniary interest contraventions	0
The number of public interest disclosures finalised by Council	0
<b>Total</b>	<b>0</b>

### Fisheries Management Act 1994 and Threatened Species Conservation Act 1995

Council is not identified in any Recovery or Threat Abatement Plan under the Fisheries Management Act 1994.



**FINANCIAL STATEMENTS**

# Willoughby City Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

---

“...the vital hub of the region, where residential, commercial,  
cultural and environmental interests are respected and balanced,  
and our communities enjoy a diversity of lifestyles.”





# Willoughby City Council

## General Purpose Financial Statements for the year ended 30 June 2018

Contents	Page
<b>1. Understanding Council's Financial Statements</b>	2
<b>2. Statement by Councillors and Management</b>	3
<b>3. Primary Financial Statements:</b>	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
<b>4. Notes to the Financial Statements</b>	9
<b>5. Independent Auditor's Reports:</b>	
– On the Financial Statements (Sect 417 [2])	76
– On the Conduct of the Audit (Sect 417 [3])	80

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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).

## Willoughby City Council

### General Purpose Financial Statements

for the year ended 30 June 2018

## Understanding Council's financial statements

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### Introduction

Each year, individual local governments across New South Wales 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 2018.

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 annual 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 2018

### 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 financial 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 24 September 2018.

  
\_\_\_\_\_  
Gail Giles Gidney  
Mayor  
24 October 2018

  
\_\_\_\_\_  
Judith Rutherford  
Deputy mayor  
24 October 2018

  
\_\_\_\_\_  
Debra Just  
General Manager  
24 October 2018

  
\_\_\_\_\_  
Stephen Naven  
Responsible Accounting Officer  
24 October 2018

## Willoughby City Council

## Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
64,152	Rates and annual charges	3a	64,373	62,794
18,719	User charges and fees	3b	18,264	17,909
2,919	Interest and investment revenue	3c	3,310	3,109
19,035	Other revenues	3d	19,587	19,835
5,876	Grants and contributions provided for operating purposes	3e,f	6,619	8,376
8,334	Grants and contributions provided for capital purposes	3e,f	21,845	3,635
<b>Other income:</b>				
164	Net gains from the disposal of assets	5	–	263
–	Fair value increment on investment property	10	3,736	3,400
<b>119,198</b>	<b>Total income from continuing operations</b>		<b>137,734</b>	<b>119,321</b>
<b>Expenses from continuing operations</b>				
42,473	Employee benefits and on-costs	4a	39,750	38,721
1,677	Borrowing costs	4b	2,386	2,450
34,718	Materials and contracts	4c	32,578	31,868
11,540	Depreciation and amortisation	4d	12,805	11,394
14,409	Other expenses	4e	12,597	13,397
–	Net losses from the disposal of assets	5	487	–
5	Net share of interests in joint ventures and associates using the equity method	15	–	1
<b>104,823</b>	<b>Total expenses from continuing operations</b>		<b>100,603</b>	<b>97,831</b>
<b>14,376</b>	<b>Operating result from continuing operations</b>		<b>37,131</b>	<b>21,490</b>
<b>14,376</b>	<b>Net operating result for the year</b>		<b>37,131</b>	<b>21,490</b>
14,376	Net operating result attributable to Council		37,131	21,490
6,042	Net operating result for the year before grants and contributions provided for capital purposes		15,286	17,855

## Willoughby City Council

Statement of Comprehensive Income  
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
<b>Net operating result for the year</b> (as per Income Statement)		<b>37,131</b>	<b>21,490</b>
<b>Other comprehensive income:</b>			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	98,596	13,690
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>98,596</b>	<b>13,690</b>
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>98,596</b>	<b>13,690</b>
<b>Total comprehensive income for the year</b>		<b>135,727</b>	<b>35,180</b>
Total comprehensive income attributable to Council		135,727	35,180

## Willoughby City Council

## Statement of Financial Position

as at 30 June 2018

\$ '000	Notes	2018	Restated 2017	Restated 1 July 2016
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	6a	11,348	6,971	7,326
Investments	6b	135,000	109,088	94,964
Receivables	7	5,867	5,163	4,979
Inventories	8	28	24	24
Other	8	374	345	406
<b>Total current assets</b>		<b>152,617</b>	<b>121,591</b>	<b>107,699</b>
<b>Non-current assets</b>				
Investments	6b	–	–	1,994
Receivables	7	51	52	37
Infrastructure, property, plant and equipment	9	1,451,363	1,348,280	1,328,593
Investment property	10	78,080	74,285	70,885
Investments accounted for using the equity method	15	–	33	34
<b>Total non-current assets</b>		<b>1,529,494</b>	<b>1,422,650</b>	<b>1,401,543</b>
<b>TOTAL ASSETS</b>		<b>1,682,111</b>	<b>1,544,241</b>	<b>1,509,242</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	11	22,883	19,804	17,340
Income received in advance	11	325	513	774
Borrowings	11	1,699	1,621	2,980
Provisions	12	10,421	10,351	10,412
<b>Total current liabilities</b>		<b>35,328</b>	<b>32,289</b>	<b>31,506</b>
<b>Non-current liabilities</b>				
Borrowings	11	41,617	42,589	43,479
Provisions	12	376	300	374
<b>Total non-current liabilities</b>		<b>41,993</b>	<b>42,889</b>	<b>43,853</b>
<b>TOTAL LIABILITIES</b>		<b>77,321</b>	<b>75,178</b>	<b>75,359</b>
<b>Net assets</b>		<b>1,604,790</b>	<b>1,469,063</b>	<b>1,433,883</b>
<b>EQUITY</b>				
Accumulated surplus	13	1,146,067	1,108,936	1,087,446
Revaluation reserves	13	458,723	360,127	346,437
<b>Council equity interest</b>		<b>1,604,790</b>	<b>1,469,063</b>	<b>1,433,883</b>
<b>Total equity</b>		<b>1,604,790</b>	<b>1,469,063</b>	<b>1,433,883</b>

## Willoughby City Council

Statement of Changes in Equity  
for the year ended 30 June 2018

\$ '000	Notes	2018			2017		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Restated Total equity
<b>Opening balance</b>		1,108,936	360,127	<b>1,469,063</b>	1,111,746	348,067	<b>1,459,813</b>
Correction of prior period errors	13 (b)	–	–	–	(24,300)	(1,630)	<b>(25,930)</b>
<b>Restated opening balance</b>		<b>1,108,936</b>	<b>360,127</b>	<b>1,469,063</b>	<b>1,087,446</b>	<b>346,437</b>	<b>1,433,883</b>
<b>Net operating result for the year</b>		<b>37,131</b>	–	<b>37,131</b>	<b>21,490</b>	–	<b>21,490</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	9	–	98,596	<b>98,596</b>	–	13,690	<b>13,690</b>
<b>Other comprehensive income</b>		–	<b>98,596</b>	<b>98,596</b>	–	<b>13,690</b>	<b>13,690</b>
<b>Total comprehensive income</b>		<b>37,131</b>	<b>98,596</b>	<b>135,727</b>	<b>21,490</b>	<b>13,690</b>	<b>35,180</b>
<b>Equity – balance at end of the reporting period</b>		<b>1,146,067</b>	<b>458,723</b>	<b>1,604,790</b>	<b>1,108,936</b>	<b>360,127</b>	<b>1,469,063</b>

## Willoughby City Council

## Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
64,130	Rates and annual charges		64,383	62,746
18,716	User charges and fees		19,624	18,946
2,919	Investment and interest revenue received		3,061	2,927
14,210	Grants and contributions		27,470	11,727
–	Bonds, deposits and retention amounts received		3,653	3,355
19,035	Other		23,500	24,527
<b>Payments:</b>				
(42,087)	Employee benefits and on-costs		(39,688)	(38,941)
(35,499)	Materials and contracts		(33,130)	(33,552)
(1,677)	Borrowing costs		(1,666)	(2,465)
–	Bonds, deposits and retention amounts refunded		(2,683)	(1,738)
(14,409)	Other		(15,601)	(16,356)
<b>25,336</b>	<b>Net cash provided (or used in) operating activities</b>	14b	<b>48,923</b>	<b>31,176</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
60,000	Sale of investment securities		60,088	40,544
420	Sale of infrastructure, property, plant and equipment		482	350
–	Sale of interests in joint ventures and associates		33	–
<b>Payments:</b>				
(61,281)	Purchase of investment securities		(86,008)	(52,683)
–	Purchase of investment property		(59)	–
(22,835)	Purchase of infrastructure, property, plant and equipment		(17,461)	(17,478)
–	Deferred debtors and advances made		–	(15)
<b>(23,696)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(42,925)</b>	<b>(29,282)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
Nil				
<b>Payments:</b>				
(1,604)	Repayment of borrowings and advances		(1,621)	(2,249)
<b>(1,604)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(1,621)</b>	<b>(2,249)</b>
<b>37</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4,377</b>	<b>(355)</b>
14,702	Plus: cash and cash equivalents – beginning of year	14a	6,971	7,326
<b>14,739</b>	<b>Cash and cash equivalents – end of the year</b>	14a	<b>11,348</b>	<b>6,971</b>
Additional Information:				
	plus: Investments on hand – end of year	6b	135,000	109,088
	<b>Total cash, cash equivalents and investments</b>		<b>146,348</b>	<b>116,059</b>

This statement should be read in conjunction with the accompanying notes.

page 8



# Willoughby City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Basis of preparation	10
2(a)	Council functions/activities – financial information	13
2(b)	Council functions/activities – component descriptions	14
3	Income from continuing operations	15
4	Expenses from continuing operations	21
5	Gains or losses from the disposal of assets	26
6(a)	Cash and cash equivalent assets	26
6(b)	Investments	27
6(c)	Restricted cash, cash equivalents and investments – details	28
7	Receivables	30
8	Inventories and other assets	32
9	Infrastructure, property, plant and equipment	33
10	Investment property	36
11	Payables and borrowings	37
12	Provisions	40
13	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	43
14	Statement of cash flows – additional information	45
15	Interests in other entities	46
16	Commitments for expenditure	48
17	Contingencies and other liabilities/assets not recognised	49
18	Financial risk management	52
19	Material budget variations	56
20	Fair value measurement	58
21	Related party transactions	68
22	Statement of developer contributions	69
23(a)	Statement of performance measures – consolidated results	71
<b>Additional council disclosures (unaudited)</b>		
23(b)	Statement of performance measures – consolidated results (graphs)	73
24	Council information and contact details	75

## Willoughby City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 24/09/2018.

Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **Basis of preparation**

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 for the purpose of preparing these financial statements.

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

Full dollars have been used in Note 21 Related party disclosures in relation to the disclosure of specific related party transactions.

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 19 – Material budget variations

and are clearly marked .

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

There have been no new (or amended) accounting standards adopted by Council in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

##### **(b) Historical cost convention**

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

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

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

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

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

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk

## Willoughby City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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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 10,
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (iii) employee benefit provisions – refer Note 12.

#### **Significant judgements in applying the Council's accounting policies**

- (iv) Impairment of receivables

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

#### **Monies and other assets received by Council**

##### **(a) The Consolidated Fund**

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and other assets 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 subject to Council's control have been included in these statements.

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 which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

## Willoughby City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

##### **Effective for annual reporting periods beginning on or after 1 July 2018**

- **AASB 9 Financial Instruments**

This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

##### **Effective for annual reporting periods beginning on or after 1 July 2019**

- **AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities**

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- **AASB 16 Leases**

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

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

## Willoughby City Council

Notes to the Financial Statements  
for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Community and Cultural Life	12,536	13,013	27,173	24,887	(14,637)	(11,874)	2,608	2,973	711,589	671,803
Natural Environment	21,276	21,500	17,848	18,263	3,428	3,237	501	663	6,031	5,206
Homes	2,888	2,310	4,777	4,314	(1,889)	(2,004)	–	–	20,563	16,834
Infrastructure	21,040	18,338	22,059	22,300	(1,019)	(3,962)	4,857	1,763	580,065	539,283
Economic Activity	6,375	6,091	1,590	1,730	4,785	4,361	–	–	131,908	127,926
Governance	73,619	58,069	27,156	26,337	46,463	31,732	1,819	2,552	231,955	183,189
<b>Total functions and activities</b>	<b>137,734</b>	<b>119,321</b>	<b>100,603</b>	<b>97,831</b>	<b>37,131</b>	<b>21,490</b>	<b>9,785</b>	<b>7,951</b>	<b>1,682,111</b>	<b>1,544,241</b>

## Willoughby City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

##### Community and Cultural Life

- Diversity and Spirit: To be a cohesive and inclusive community where all people can actively participate in community life.
- Services and Facilities: To provide a range of community services and facilities.
- Health and Wellbeing: To be a healthy, educated, safe and interactive regional community with open space, sport and recreational facilities and programs which promote healthy lifestyles and contribute to the social, spiritual, emotional and physical wellbeing of the community.

##### Natural Environment

- Ecosystems and Environmental Health: Conserve the natural ecosystem for its intrinsic ecological, educational, scientific and recreational value.
- Sustainable Practices: To work with the community to reduce our environmental and Climate Change impacts and mitigate their effects.

##### Homes

- Housing Choice, Quality and Character: To be a place with housing that is liveable, sustainable and enhances urban character.

##### Infrastructure

- Efficient Asset Management: To provide financially sustainable physical infrastructure that meets the needs of the community without burdening future generations.
- Transport and Mobility: To manage the transport needs of the community in a sustainable manner by reducing car dependence and promoting public transport use, walking and cycling.

##### Economic Activity

- Sustainable Business Activity: To maintain and promote the City's employment opportunities and the range and quality of businesses, industry and services.

##### Governance

- Open Government: To ensure transparency and ethical practices in everything that we do.
- Community Engagement: To have participatory informed community.
- Business Efficiency and Service Delivery: To provide strong financial management and a high quality of service delivery.

## Willoughby City Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 3. Income from continuing operations

\$ '000	2018	2017
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	28,383	27,525
Business	20,159	19,702
<b>Total ordinary rates</b>	<b>48,542</b>	<b>47,227</b>
<b>Special rates</b>		
Stormwater management levy	687	681
<b>Total special rates</b>	<b>687</b>	<b>681</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	15,144	14,886
<b>Total annual charges</b>	<b>15,144</b>	<b>14,886</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>64,373</b>	<b>62,794</b>

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

**Accounting policy for rates and annual charges**

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. 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.

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

\$ '000	2018	2017
<b>(b) User charges and fees</b>		
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)		
Waste management services (non-domestic)	267	273
<b>Total specific user charges</b>	<b>267</b>	<b>273</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	3,176	2,607
Section 611 charges	76	76
<b>Total fees and charges – statutory/regulatory</b>	<b>3,252</b>	<b>2,683</b>

## Willoughby City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>(b) User charges and fees (continued)</b>		
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Building related	1,024	1,056
Child care	1,956	2,051
Community services	1,770	2,048
Leisure centre	2,804	2,832
Parking fees	5,919	5,886
Restoration charges	553	337
Other	719	743
<b>Total fees and charges – other</b>	<b>14,745</b>	<b>14,953</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>18,264</b>	<b>17,909</b>

**Accounting policy for user charges and fees**

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

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

– Overdue rates and annual charges (incl. special purpose rates)	40	45
– Cash and investments	3,278	3,073

**Fair value adjustments**

– Fair valuation movements in investments (at fair value or held for trading)	(8)	(9)
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**TOTAL INTEREST AND INVESTMENT REVENUE**

<b>3,310</b>	<b>3,109</b>
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**Interest revenue is attributable to:****Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	40	45
General Council cash and investments	1,886	1,604

**Restricted investments/funds – external:**

Development contributions		
– Section 7.11	462	443
Site 1 – Cy Pres Scheme	118	140
Site 2 – Cy Pres Scheme	25	27
Other externally restricted assets	420	444

**Restricted investments/funds – internal:**

Internally restricted assets	359	406
<b>Total interest and investment revenue recognised</b>	<b>3,310</b>	<b>3,109</b>

**Accounting policy for interest and investment revenue**

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



## Willoughby City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Notes	2018	2017
<b>(d) Other revenues</b>			
Rental income – investment property	10	5,508	5,327
Rental income – other council properties		6,987	6,511
Fines		4,748	5,332
Legal fees recovery – rates and charges (extra charges)		36	39
Legal fees recovery – other		48	21
Arts and culture		15	2
Carbon Tax Refund		–	319
Community development		279	130
Council property		242	315
Commissions and agency fees		3	3
Fire and Emergency Services Levy Implementation		–	126
General administration		106	7
Insurance claim recoveries		178	86
Library services		34	33
Melody markets		544	536
Merchant fee recovery		103	94
Orchestra and choir		–	1
Sale of abandoned vehicles		33	16
Sales – general		18	28
Services recovery		13	35
Sponsorship		489	541
Street fair		42	39
Other		161	294
<b>TOTAL OTHER REVENUE</b>		<b>19,587</b>	<b>19,835</b>

**Accounting policy for other revenue**

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

Parking fees and fines are recognised at the point of receipt. Management has assessed the difference between cash and accrual accounting as immaterial.

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

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

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

## Willoughby City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	1,616	2,318	–	–
Financial assistance – local roads component	580	859	–	–
<b>Other</b>				
Pensioners' rates subsidies – general component	178	201	–	–
<b>Total general purpose</b>	<b>2,374</b>	<b>3,378</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Domestic waste management	67	76	–	–
Community care	2,167	2,245	–	–
Housing and community	434	557	–	–
Library – per capita	144	141	–	–
LIRS subsidy	56	60	–	–
Recreation and culture	68	71	3,695	478
Street lighting	191	191	–	–
Traffic route subsidy	–	24	–	–
Transport (roads to recovery)	540	629	–	–
Other	49	101	–	–
<b>Total specific purpose</b>	<b>3,716</b>	<b>4,095</b>	<b>3,695</b>	<b>478</b>
<b>Total grants</b>	<b>6,090</b>	<b>7,473</b>	<b>3,695</b>	<b>478</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	4,775	5,932	3,495	18
– State funding	1,042	1,281	200	435
– Other funding	273	260	–	25
	<b>6,090</b>	<b>7,473</b>	<b>3,695</b>	<b>478</b>
<b>(f) 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	–	–	17,314	3,012
<b>Total developer contributions – cash</b>	<b>–</b>	<b>–</b>	<b>17,314</b>	<b>3,012</b>
<b>Total developer contributions</b>	<b>–</b>	<b>–</b>	<b>17,314</b>	<b>3,012</b>

22

## Willoughby City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(f) Contributions (continued)</b>				
<b>Other contributions:</b>				
<b>Cash contributions</b>				
Housing and community amenities	–	–	36	145
Other councils – joint works/services	36	34	–	–
Recreation and culture	28	5	–	–
RMS contributions (regional roads, block grant)	465	864	–	–
<b>Total other contributions – cash</b>	<b>529</b>	<b>903</b>	<b>36</b>	<b>145</b>
<b>Non-cash contributions</b>				
Housing and community amenities	–	–	800	–
<b>Total other contributions – non-cash</b>	<b>–</b>	<b>–</b>	<b>800</b>	<b>–</b>
<b>Total other contributions</b>	<b>529</b>	<b>903</b>	<b>836</b>	<b>145</b>
<b>Total contributions</b>	<b>529</b>	<b>903</b>	<b>18,150</b>	<b>3,157</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>6,619</b>	<b>8,376</b>	<b>21,845</b>	<b>3,635</b>

**Accounting policy for contributions**

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(G).

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.

## Willoughby City Council

Notes to the Financial Statements  
for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	1,517	485
Add: operating grants recognised in the current period but not yet spent	1,318	1,170
Less: operating grants recognised in a previous reporting period now spent	(1,259)	(138)
<b>Unexpended and held as restricted assets (operating grants)</b>	<b>1,576</b>	<b>1,517</b>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	37	37
Add: capital grants recognised in the current period but not yet spent	200	-
<b>Unexpended and held as restricted assets (capital grants)</b>	<b>237</b>	<b>37</b>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	22,212	21,193
Add: contributions recognised in the current period but not yet spent	17,911	3,630
Less: contributions recognised in a previous reporting period now spent	(1,822)	(2,611)
<b>Unexpended and held as restricted assets (contributions)</b>	<b>38,301</b>	<b>22,212</b>

## Willoughby City Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 4. Expenses from continuing operations

\$ '000	2018	2017
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	30,554	29,768
Travel expenses	42	48
Employee leave entitlements (ELE)	4,554	4,416
Superannuation	3,481	3,505
Workers' compensation insurance	873	848
Fringe benefit tax (FBT)	282	317
Training costs (other than salaries and wages)	291	324
Other	74	53
<b>Total employee costs</b>	<b>40,151</b>	<b>39,279</b>
Less: capitalised costs	(401)	(558)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>39,750</b>	<b>38,721</b>
Number of 'full-time equivalent' employees (FTE) at year end	369	356

**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, when 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 17 for more information.

(b) Borrowing costs	2018	2017
<b>(i) Interest bearing liability costs</b>		
Interest on loans	2,386	2,450
<b>Total interest bearing liability costs expensed</b>	<b>2,386</b>	<b>2,450</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>2,386</b>	<b>2,450</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.

## Willoughby City Council

Notes to the Financial Statements  
for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>(c) Materials and contracts</b>		
Raw materials and consumables	2,558	2,643
Contractor and consultancy costs		
– Consultancy costs (assorted)	2,100	2,035
– Cleaning	950	996
– Waste Collection	5,578	5,873
– Equipment Maintenance	595	709
– Security Services	403	344
– Pay and Display Machine Maintenance	254	249
– Waste Disposal	5,541	5,599
– Management Fees	195	346
– Agency Personnel	2,069	1,455
– Open Space	1,587	1,479
– Infrastructure Works	1,780	1,548
– Street Cleaning	22	310
– Property Services	2,127	2,677
– Engineering Services	346	241
– Plant	122	130
– Environmental Services	1,564	1,569
– Events	967	940
– Concourse Urban Screen	–	4
– Willoughby Leisure Centre	237	135
– Chatswood Mall	250	123
– Election Expenses	357	–
– Other	1,286	1,025
Auditors remuneration <sup>(2)</sup>	87	70
Audit committee fees	4	3
Legal expenses:		
– Legal expenses: planning and development	485	361
– Legal expenses: other	447	414
Operating lease rentals: minimum lease payments <sup>(1)</sup>	383	325
Other	284	265
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>32,578</b>	<b>31,868</b>

**Operating leases**

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

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

Computers	287	240
Other	96	85
	<b>383</b>	<b>325</b>

## Willoughby City Council

Notes to the Financial Statements  
for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>(c) Materials and contracts (continued)</b>		
<b>2. Auditor remuneration</b>		
During the year the following fees were paid or payable 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	84	70
<b>Remuneration for audit and other assurance services</b>	<b>84</b>	<b>70</b>
<b>Total Auditor-General remuneration</b>	<b>84</b>	<b>70</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>3</b>	<b>-</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>3</b>	<b>-</b>
<b>Total Auditor remuneration</b>	<b>87</b>	<b>70</b>

## Willoughby City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>(d) Depreciation, amortisation and impairment</b>		
<b>Depreciation and amortisation</b>		
Plant and equipment	1,403	1,055
Office equipment	163	200
Furniture and fittings	170	182
Land improvements (depreciable)	78	43
<b>Infrastructure:</b>		
– Buildings (non-specialised)	123	123
– Buildings (specialised)	1,496	1,373
– Other structures	244	441
– Roads	3,071	2,791
– Bridges	272	236
– Footpaths	783	815
– Stormwater drainage	1,098	1,158
– Swimming pools	47	47
– Other open space/recreational assets	3,201	2,291
– Other infrastructure	217	189
<b>Other assets:</b>		
– Library books	439	450
<b>Total depreciation and amortisation costs</b>	<b>12,805</b>	<b>11,394</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</b>	<b>12,805</b>	<b>11,394</b>

**Accounting policy for depreciation, amortisation and impairment expenses****Depreciation and amortisation**

Depreciation and amortisation on Furniture, Plant & equipment, Other structures and Building Assets are calculated using the straight line method with the remainder of the asset classes depreciated using the consumption based method to allocate their cost over their useful lives. Useful lives are included in Note 9 for IPPE assets.

**Impairment of non-financial assets**

Other assets 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.



## Willoughby City Council

### Notes to the Financial Statements for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>(e) Other expenses</b>		
Advertising	459	370
Bad and doubtful debts (Net)	(119)	113
Bank charges	337	315
Child care assistance fee relief	519	635
Commissions and agency fees	589	831
Computer operating expenses	1,183	1,176
Concourse venue management	357	595
Contributions/levies to other levels of government		
– EPA levy	237	232
– NSW fire brigade levy	1,652	1,599
– Parking space levy	449	481
Councillor expenses – mayoral fee	42	64
Councillor expenses – councillors' fees	290	327
Donations, contributions and assistance to other organisations (Section 356)	307	291
Electricity and heating	1,239	1,194
Events and community projects	1	99
Insurance	1,711	1,863
Orchestra costs	165	149
Planning reform fees	395	331
Street lighting	1,082	1,132
Subscriptions and publications	156	107
Telephone and communications	404	409
Valuation fees	126	113
Vehicle registrations	121	117
Water rates and other services	368	393
Other	527	461
<b><u>TOTAL OTHER EXPENSES</u></b>	<b><u>12,597</u></b>	<b><u>13,397</u></b>

#### **Accounting policy for other expenses**

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

## Willoughby City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
<b>Property</b> (excl. investment property)	9		
Proceeds from disposal – property		55	175
Less: carrying amount of property assets sold/written off		(877)	(25)
<b>Net gain/(loss) on disposal</b>		<b>(822)</b>	<b>150</b>
<b>Plant and equipment</b>	9		
Proceeds from disposal – plant and equipment		427	175
Less: carrying amount of plant and equipment assets sold/written off		(92)	(62)
<b>Net gain/(loss) on disposal</b>		<b>335</b>	<b>113</b>
<b>Financial assets</b> <sup>(1)</sup>	6		
Proceeds from disposal/redemptions/maturities – financial assets		60,088	40,544
Less: carrying amount of financial assets sold/redeemed/matured		(60,088)	(40,544)
<b>Net gain/(loss) on disposal</b>		<b>-</b>	<b>-</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(487)</b>	<b>263</b>

**Accounting policy for disposal of assets**

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 derecognised.

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

\$ '000	2018	2017
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	141	116
Cash-equivalent assets		
– Deposits at call	11,207	6,855
<b>Total cash and cash equivalents</b>	<b>11,348</b>	<b>6,971</b>

**Accounting policy for cash and cash equivalents**

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes 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.

## Willoughby City Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 6(b). Investments

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Investments</b>				
'Held to maturity'	135,000	–	109,088	–
<b>Total investments</b>	<b>135,000</b>	<b>–</b>	<b>109,088</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>146,348</b>	<b>–</b>	<b>116,059</b>	<b>–</b>
<b>Held to maturity investments</b>				
Long term deposits	135,000	–	107,080	–
NCD's, FRN's (with maturities > 3 months)	–	–	2,008	–
<b>Total</b>	<b>135,000</b>	<b>–</b>	<b>109,088</b>	<b>–</b>

**Accounting policy for investments****Classification**

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

**Held to maturity investments**

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

**Recognition and de-recognition**

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

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

## Willoughby City Council

Notes to the Financial Statements  
for the year ended 30 June 2018

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Total cash, cash equivalents and investments</b>	<b>146,348</b>	<b>–</b>	<b>116,059</b>	<b>–</b>
<b>attributable to:</b>				
External restrictions (refer below)	65,099	–	45,635	–
Internal restrictions (refer below)	66,766	–	56,565	–
Unrestricted	14,483	–	13,859	–
	<b>146,348</b>	<b>–</b>	<b>116,059</b>	<b>–</b>

\$ '000	2018	2017
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## Details of restrictions

**External restrictions – included in liabilities**

Specific purpose unexpended loans – general	92	78
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<b>External restrictions – included in liabilities</b>	<b>92</b>	<b>78</b>
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**External restrictions – other**

Developer contributions – general	38,276	22,166
RMS contributions	25	46
Specific purpose unexpended grants	1,813	1,554
Domestic waste management	6,207	4,365
Affordable housing	11,832	11,286
Infrastructure levy reserve	1,003	402
Site 1 – CY pres scheme	4,810	4,722
Site 2 – CY pres scheme	1,041	1,016

<b>External restrictions – other</b>	<b>65,007</b>	<b>45,557</b>
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<b>Total external restrictions</b>	<b>65,099</b>	<b>45,635</b>
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continued on next page (Internal restrictions)

## Willoughby City Council

Notes to the Financial Statements  
for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>Internal restrictions</b>		
Plant and vehicle replacement	2,790	2,790
Employees leave entitlement	2,271	2,248
Artarmon redevelopment	–	62
Asset improvement	2,058	2,105
Car park management	1,806	1,184
CBD event activities	184	223
CBD property	750	750
Community facilities	–	20
Depot	2,921	1,054
Election	50	200
Employee overheads	1,123	1,060
Environmental development plan	5,417	5,032
Flood Investigation	39	42
Information technology	2,277	446
Innovation	1,004	1,002
Insurance claims	–	179
Leisure and Recreational Projects	6,494	10,409
Paid parking	1,593	1,629
Property plan	7,285	7,059
Regency leisure centre lease	4,112	3,326
Repair to damage-road and footway	987	1,044
Stormwater management	212	21
The Concourse	15,065	12,785
Victor St Property redevelopment	2,000	1,000
Open space	766	895
Precinct Upgrade	5,562	–
<b>Total internal restrictions</b>	<b>66,766</b>	<b>56,565</b>
<b>TOTAL RESTRICTIONS</b>	<b>131,865</b>	<b>102,200</b>

## Willoughby City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Purpose</b>				
Rates and annual charges	836	36	845	37
User charges and fees	1,239	–	1,934	–
Accrued revenues				
– Interest on investments	1,438	–	1,181	–
– Other income accruals	1,317	–	563	–
Amounts due from other councils	151	–	108	–
Deferred debtors	–	15	–	15
Government grants and subsidies	645	–	422	–
Net GST receivable	674	–	618	–
Other debtors	(7)	–	37	–
<b>Total</b>	<b>6,293</b>	<b>51</b>	<b>5,708</b>	<b>52</b>
<b>Less: provision for impairment</b>				
User charges and fees	(426)	–	(545)	–
<b>Total provision for impairment – receivables</b>	<b>(426)</b>	<b>–</b>	<b>(545)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>5,867</u></b>	<b><u>51</u></b>	<b><u>5,163</u></b>	<b><u>52</u></b>
<b>Externally restricted receivables</b>				
<b>Domestic waste management</b>	<b>768</b>	<b>–</b>	<b>640</b>	<b>–</b>
<b>Total external restrictions</b>	<b>768</b>	<b>–</b>	<b>640</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>5,099</b>	<b>51</b>	<b>4,523</b>	<b>52</b>
<b>TOTAL NET RECEIVABLES</b>	<b>5,867</b>	<b>51</b>	<b>5,163</b>	<b>52</b>
<b>Movement in provision for impairment of receivables</b>			<b>2018</b>	<b>2017</b>
Balance at the beginning of the year			545	432
+ new provisions recognised during the year			–	113
– amounts already provided for and written off this year			(28)	–
– amounts provided for but recovered during the year			(91)	–
<b>Balance at the end of the year</b>			<b>426</b>	<b>545</b>

**Accounting policy for receivables****Recognition and measurement**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

## Willoughby City Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 7. Receivables (continued)

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##### **Accounting policy for receivables** (continued)

##### **Impairment**

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

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

## Willoughby City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Stores and materials	28	–	24	–
<b>Total inventories at cost</b>	<b>28</b>	<b>–</b>	<b>24</b>	<b>–</b>
<b>TOTAL INVENTORIES</b>	<b>28</b>	<b>–</b>	<b>24</b>	<b>–</b>
<b>(b) Other assets</b>				
Prepayments	374	–	345	–
<b>TOTAL OTHER ASSETS</b>	<b>374</b>	<b>–</b>	<b>345</b>	<b>–</b>

**Externally restricted assets**

There are no restrictions applicable to the above assets.

**Accounting policy****Raw materials and stores, work in progress and finished goods**

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

**Inventory held for distribution**

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

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

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

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



## Willoughby City Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 9. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2017			Asset movements during the reporting period									as at 30/6/2018			
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) investment property	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	
<b>\$ '000</b>																
Capital work in progress	3,746	–	3,746	4,209	285	–	–	(3,165)	–	(21)	–	–	5,054	–	5,054	
Plant and equipment	12,853	6,679	6,174	–	1,116	(92)	(1,403)	280	–	–	–	–	13,178	7,103	6,075	
Office equipment	2,543	1,870	673	19	96	–	(163)	–	–	–	–	–	2,657	2,032	625	
Furniture and fittings	2,545	1,210	1,335	–	72	–	(170)	–	–	–	–	–	2,617	1,380	1,237	
<b>Land:</b>																
– Operational land	345,223	–	345,223	–	–	–	–	–	(4,729)	–	–	109,107	449,601	–	449,601	
– Community land	262,574	–	262,574	–	–	–	–	–	4,729	–	–	–	267,303	–	267,303	
Land improvements – depreciable	2,608	259	2,349	99	173	–	(78)	–	–	–	1,922	–	4,998	533	4,465	
<b>Infrastructure:</b>																
– Buildings – non-specialised	14,110	1,951	12,159	–	800	–	(123)	–	–	–	–	474	13,440	130	13,310	
– Buildings – specialised	290,092	13,670	276,422	1,378	83	(877)	(1,496)	335	107	–	(14,157)	–	321,924	60,129	261,795	
– Other structures	13,193	2,191	11,002	–	–	–	(244)	–	(3,193)	–	–	251	8,988	1,172	7,816	
– Roads	271,765	71,405	200,360	3,230	101	–	(3,071)	–	–	–	(418)	–	282,051	81,849	200,202	
– Bridges	10,558	1,378	9,180	113	–	–	(272)	–	–	–	(223)	–	10,296	1,498	8,798	
– Footpaths	70,926	10,076	60,850	1,093	40	–	(783)	–	–	–	(2,505)	–	71,592	12,897	58,695	
– Bulk earthworks (non-depreciable)	20,824	–	20,824	–	–	–	–	–	–	–	–	1,108	21,932	–	21,932	
– Stormwater drainage	116,714	30,512	86,202	1,629	12	–	(1,098)	–	–	–	–	86	117,654	30,823	86,831	
– Swimming pools	4,216	1,009	3,207	52	–	–	(47)	–	–	–	–	188	4,470	1,070	3,400	
– Other open space/recreational assets	45,694	14,072	31,622	3,100	74	–	(3,201)	2,550	3,086	–	–	1,674	56,723	17,818	38,905	
– Other infrastructure	16,595	3,547	13,048	57	–	–	(217)	–	–	–	–	1,089	18,122	4,145	13,977	
<b>Other assets:</b>																
– Library books	8,673	7,343	1,330	–	451	–	(439)	–	–	–	–	–	9,125	7,783	1,342	
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>1,515,452</b>	<b>167,172</b>	<b>1,348,280</b>	<b>14,979</b>	<b>3,303</b>	<b>(989)</b>	<b>(12,805)</b>	<b>–</b>	<b>–</b>	<b>(21)</b>	<b>(17,303)</b>	<b>115,899</b>	<b>1,681,725</b>	<b>230,362</b>	<b>1,451,363</b>	

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

## Willoughby City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 9. Infrastructure, property, plant and equipment (continued)

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

Infrastructure, property, plant and equipment are held at fair value. Valuations are performed at least every five years, however the carrying amount of assets is assessed 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 asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

Land is not depreciated. Depreciation on Furniture, Plant & equipment, Other Structures and Building assets is calculated using the straight line method to allocate their cost over their estimated useful lives. Depreciation on the remainder of the asset classes is calculated using the consumption based method to allocate their cost over their useful lives.

<b>Furniture, Plant and equipment</b>	<b>Years</b>	<b>Other infrastructure assets</b>	<b>Years</b>
Office equipment	5 to 10	Other infrastructure	60 to 100
Furniture & fittings	5 to 20	Land improvements	5 to 50
Computer equipment	5	Other structures	10 to 100
Vehicles & Plant	5		
Plant & equipment	5 to 20		
<b>Open Space/Recreational Assets</b>		<b>Stormwater assets</b>	
Playground equipment	15 to 20	Drains	40 to 150
Park Furniture & equipment	10 to 20	Culverts	100 to 150
Playing surfaces	40 to 100		
Natural assets (garden beds/turf)	10 to 100		
<b>Transportation assets</b>		<b>Buildings</b>	
Sealed roads: surface	25 to 40	Envelope	40 to 150
Sealed roads: pavement	100	Roof	40 to 90
Major bridges	15 to 100	Floors	60 to 150
Major culverts	20 to 50	Floor Coverings	15 to 80
Minor structures	60 to 100	Internal fit-out	20 to 45
Kerb & gutter concrete	100	Mechanical	25 to 35
Footpaths concrete	80	Transportation	25
Footpaths bitumen	30	Fire protection	40
Carparks: pavement	40 to 100		

## Willoughby City Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 9. Infrastructure, property, plant and equipment (continued)

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##### **Accounting policy for infrastructure, property, plant and equipment (continued)**

The asset values and useful lives are reviewed and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

##### **Land under roads**

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

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

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 fire fighting 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 fire fighting 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.

## Willoughby City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 10. Investment property

\$ '000	2018	2017
<b>(a) Investment property at fair value</b>		
<b>Investment property on hand</b>	<b>78,080</b>	<b>74,285</b>
<b>Reconciliation of annual movement:</b>		
Opening balance	74,285	70,885
– Capitalised expenditure – this year	38	–
– Net gain/(loss) from fair value adjustments	3,736	3,400
– Transfers from/(to) owner occupied (Note 10)	21	–
<b>CLOSING BALANCE – INVESTMENT PROPERTY</b>	<b>78,080</b>	<b>74,285</b>

**(b) Valuation basis**

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

The 2018 revaluations were based on independent assessments made by:  
Daniel Atherton - Registered Valuer B Bsus (RE & Dev) GAPI - APV Valuers and Asset Management.

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

The investment property 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	4,742	5,398
Later than 1 year but less than 5 years	13,500	12,243
Later than 5 years	5,809	9,579
<b>Total minimum lease payments receivable</b>	<b>24,051</b>	<b>27,220</b>

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

<b>Rental income from investment property:</b>		
– Minimum lease payments	5,508	5,327
<b>Direct operating expenses on investment property:</b>		
– that did not generate rental income	(306)	(300)
<b>Net revenue contribution from investment property</b>	<b>5,202</b>	<b>5,027</b>
plus:		
<b>Fair value movement for year</b>	<b>3,736</b>	<b>3,400</b>
<b>Total income attributable to investment property</b>	<b>8,938</b>	<b>8,427</b>

**Accounting policy for investment property**

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the income statement as part of other income.

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

## Willoughby City Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Payables</b>				
Goods and services – operating expenditure	10,735	–	8,630	–
Accrued expenses:				
– Borrowings	102	–	109	–
– Other expenditure accruals	31	–	34	–
Security bonds, deposits and retentions	11,747	–	10,777	–
Other	268	–	254	–
<b>Total payables</b>	<b>22,883</b>	<b>–</b>	<b>19,804</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	325	–	513	–
<b>Total income received in advance</b>	<b>325</b>	<b>–</b>	<b>513</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	1,624	40,902	1,546	41,798
Deferred payment liabilities	75	715	75	791
<b>Total borrowings</b>	<b>1,699</b>	<b>41,617</b>	<b>1,621</b>	<b>42,589</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>24,907</b>	<b>41,617</b>	<b>21,938</b>	<b>42,589</b>

## (a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Domestic waste management	80	–	78	–
<b>Payables and borrowings relating to externally restricted assets</b>	<b>80</b>	<b>–</b>	<b>78</b>	<b>–</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>24,827</b>	<b>41,617</b>	<b>21,860</b>	<b>42,589</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>24,907</b>	<b>41,617</b>	<b>21,938</b>	<b>42,589</b>

<sup>1</sup> 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 18.

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

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

	2018	2017
Payables – security bonds, deposits and retentions	9,220	8,620
	<b>9,220</b>	<b>8,620</b>

## Willoughby City Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 11. Payables and borrowings (continued)

\$ '000						
<b>(c) Changes in liabilities arising from financing activities</b>						
Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	43,344	(1,545)	–	727	–	42,526
Deferred payment liabilities	866	(76)	–	–	–	790
<b>TOTAL</b>	<b>44,210</b>	<b>(1,621)</b>	<b>–</b>	<b>727</b>	<b>–</b>	<b>43,316</b>

\$ '000		
	2018	2017

**(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>
<b>Undrawn facilities as at balance date:</b>		
– Bank overdraft facilities	1,200	1,200
<b>Total undrawn financing arrangements</b>	<b>1,200</b>	<b>1,200</b>

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****Payables**

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

**Borrowings**

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

## Willoughby City Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 11. Payables and borrowings (continued)

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##### **Borrowings** (continued)

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

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

##### **Finance leases**

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

## Willoughby City Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Provisions</b>				
<b>Employee benefits:</b>				
Annual leave	2,643	–	2,486	–
Long service leave	6,886	175	7,010	152
Gratuities	–	154	–	112
ELE on-costs	812	–	761	–
<b>Sub-total – aggregate employee benefits</b>	<b>10,341</b>	<b>329</b>	<b>10,257</b>	<b>264</b>
<b>Other provisions:</b>				
Public liability claims	80	47	94	36
<b>Sub-total – other provisions</b>	<b>80</b>	<b>47</b>	<b>94</b>	<b>36</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>10,421</u></b>	<b><u>376</u></b>	<b><u>10,351</u></b>	<b><u>300</u></b>

**(a) Provisions relating to restricted assets**

There are no restricted assets (external or internal) applicable to the above provisions

\$ '000	2018	2017
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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	7,430	7,572
	<b><u>7,430</u></b>	<b><u>7,572</u></b>



## Willoughby City Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 12. Provisions (continued)

\$ '000

## (c) Description of and movements in provisions

2018	ELE provisions				Total
	Annual leave	Gratuities	Long service leave	ELE on-costs	
At beginning of year	2,486	112	7,162	761	10,521
Additional provisions	2,161	42	591	51	2,845
Amounts used (payments)	(2,004)	–	(692)	–	(2,696)
<b>Total ELE provisions at end of year</b>	<b>2,643</b>	<b>154</b>	<b>7,061</b>	<b>812</b>	<b>10,670</b>

2017	ELE provisions				Total
	Annual leave	Gratuities	Long service leave	ELE on-costs	
At beginning of year	2,681	112	7,175	690	10,658
Additional provisions	1,859	2	317	71	2,249
Amounts used (payments)	(2,054)	–	(330)	–	(2,384)
Other	–	(2)	–	–	(2)
<b>Total ELE provisions at end of year</b>	<b>2,486</b>	<b>112</b>	<b>7,162</b>	<b>761</b>	<b>10,521</b>

2018	Other provisions		Total
	Public liability claims		
At beginning of year	130		130
<b>Changes to provision:</b>			
Unused amounts reversed	(3)		(3)
<b>Total other provisions at end of year</b>	<b>127</b>		<b>127</b>

2017	Other provisions		Total
	Public liability claims		
At beginning of year	130		130
<b>Total other provisions at end of year</b>	<b>130</b>		<b>130</b>

## Willoughby City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. Provisions (continued)

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

##### **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.

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.

## Willoughby City Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 13. 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

###### Nature of prior-period error

Council identified a \$25.9 million overstatement in Operational Land Assets during the revaluation of the operational land portfolio at 30 June 2018. The overstatement was due to the recognition of land under a long term (99 year) lease. Under AASB 117 Leases, this lease should be classified as a Finance lease and the related land should be derecognised at lease inception.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2016) and taking the adjustment through infrastructure, property, plant and equipment, retained earnings and revaluation reserve at that date.

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

###### Changes to the opening Statement of Financial Position at 1 July 2016

	Original Balance 1 July, 2016	Impact Increase/ (decrease)	Restated Balance 1 July, 2016
<b>Statement of Financial Position</b>			
Infrastructure, property plant and equipment	1,354,523	(25,930)	1,328,593
Current Assets	107,699	-	107,699
Other Non Current Assets	72,950	-	72,950
<b>Total Assets</b>	<b>1,535,172</b>	<b>(25,930)</b>	<b>1,509,242</b>
Retained earnings	1,111,746	(24,300)	1,087,446
Asset revaluation reserve	348,067	(1,630)	346,437
<b>Total equity</b>	<b>1,459,813</b>	<b>(25,930)</b>	<b>1,433,883</b>

## Willoughby City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

**Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

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**\$ '000**


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**(b) Correction of errors relating to a previous reporting period (continued)****Adjustments to the comparative figures for the year ended 30 June 2017**

	<b>Original Balance 30 June, 2017</b>	<b>Impact Increase/ (decrease)</b>	<b>Restated Balance 30 June, 2017</b>
<b>Statement of Financial Position</b>			
Infrastructure, property plant and equipment	1,374,210	(25,930)	1,348,280
Current Assets	121,591	-	121,591
Other Non Current Assets	74,370	-	74,370
<b>Total assets</b>	<b>1,570,171</b>	<b>(25,930)</b>	<b>1,544,241</b>
Retained earnings	1,133,236	(24,300)	1,108,936
Asset revaluation reserve	361,757	(1,630)	360,127
<b>Total equity</b>	<b>1,494,993</b>	<b>(25,930)</b>	<b>1,469,063</b>

## Willoughby City Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 14. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	11,348	6,971
Less bank overdraft	11	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>11,348</b>	<b>6,971</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>37,131</b>	<b>21,490</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		12,805	11,394
Net losses/(gains) on disposal of assets		487	(263)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		8	9
– investment property		(3,736)	(3,400)
Fair revaluation of borrowings		727	–
Share of net (profits) or losses of associates/joint ventures		–	1
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(584)	(297)
Increase/(decrease) in provision for doubtful debts		(119)	113
Decrease/(increase) in inventories		(4)	–
Decrease/(increase) in other assets		(29)	61
Increase/(decrease) in payables		2,105	872
Increase/(decrease) in accrued interest payable		(7)	(15)
Increase/(decrease) in other accrued expenses payable		(3)	5
Increase/(decrease) in other liabilities		796	1,341
Increase/(decrease) in employee leave entitlements		149	(135)
Increase/(decrease) in other provisions		(3)	–
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>48,923</b>	<b>31,176</b>
<b>(c) Non-cash investing and financing activities</b>			
Contributed Assets - Building		800	–
<b>Total non-cash investing and financing activities</b>		<b>800</b>	<b>–</b>

## Willoughby City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 15. Interests in other entities

\$ '000

	Council's share of net income		Council's share of net assets	
	2018	2017	2018	2017
Joint ventures	–	(1)	–	33
<b>Total</b>	<b>–</b>	<b>(1)</b>	<b>–</b>	<b>33</b>

## Interest in Joint arrangements

## Joint ventures

## (a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2018	2017
Shorelink Library Network	Joint Venture	Equity Method	–	33
<b>Total carrying amounts – material joint ventures</b>			<b>–</b>	<b>33</b>

## (b) Details

Name of entity	Principal activity	Place of business
Shorelink Library Network	Public Library Services	North Shore

## (c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership	
	2018	2017	2018	2017	2018	2017
Shorelink Library Network	n/a	n/a	0%	37%	0%	24%

## (d) Summarised financial information for joint ventures

	Shorelink Library Network	
Statement of financial position	2018	2017
<b>Current assets</b>		
Cash and cash equivalents	–	231
<b>Non-current assets</b>	–	8
<b>Current liabilities</b>		
Other current liabilities	–	102
<b>Net assets</b>	<b>–</b>	<b>137</b>
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	137	139
Profit/(loss) for the period	–	(2)
Dividends paid	(137)	–
<b>Closing net assets</b>	<b>–</b>	<b>137</b>
<b>Council's share of net assets (%)</b>	<b>0.0%</b>	<b>24.3%</b>
<b>Council's share of net assets (\$)</b>	<b>–</b>	<b>33</b>

## Willoughby City Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 15. Interests in other entities (continued)

\$ '000

#### Joint ventures (continued)

#### (d) Summarised financial information for joint ventures (continued)

	Shorelink Library Network	
	2018	2017
<b>Statement of comprehensive income</b>		
Income	–	642
Interest income	–	3
Depreciation and amortisation	–	(5)
Other expenses	–	(642)
<b>Profit/(loss) from continuing operations</b>	<b>–</b>	<b>(2)</b>
<b>Total comprehensive income</b>	<b>–</b>	<b>(2)</b>
<b>Share of income – Council (%)</b>	<b>0.0%</b>	<b>37.3%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>–</b>	<b>(1)</b>
<b>Total comprehensive income – Council (\$)</b>	<b>–</b>	<b>(1)</b>
<b>Dividends received by Council</b>	<b>33</b>	<b>–</b>

#### Accounting policy for joint arrangements

Council has determined that it has a joint venture in the Shorelink Library Network. Council has removed itself from the Shorelink Library Network during 2017/2018.

#### Joint ventures

Interests in joint ventures are accounted for using the equity method in accordance with AASB128 Investments in *Associates and Joint Ventures*. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purpose of the consolidated financial statements.

## Willoughby City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 16. Commitments for expenditure

\$ '000	2018	2017
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	355	301
Plant and equipment	–	118
Other Structures	5	235
Other Assets	23	–
Roads	404	300
Carparks	7	392
Drainage	75	–
Open Space	7,596	6,205
<b>Total commitments</b>	<b>8,465</b>	<b>7,551</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	8,465	7,551
<b>Total payable</b>	<b>8,465</b>	<b>7,551</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	259	395
Future grants and contributions	7,173	4,766
Sect 64 and 94 funds/reserves	211	1,138
Unexpended grants	26	93
Other reserves	796	1,081
Other revenue	–	78
<b>Total sources of funding</b>	<b>8,465</b>	<b>7,551</b>

**Details of capital commitments**

Council has committed to the redevelopment of Gore Hill Park and recreation facilities which is currently in place.

**(b) Operating lease commitments (non-cancellable)****a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

	2018	2017
Within the next year	317	287
Later than one year and not later than 5 years	498	445
<b>Total non-cancellable operating lease commitments</b>	<b>815</b>	<b>732</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 operating leases:**

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.



## Willoughby City Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 17. Contingencies and other assets/liabilities not recognised

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

##### **LIABILITIES NOT RECOGNISED:**

##### **1. Guarantees**

##### **(i) Defined benefit superannuation contribution plans**

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The scheme's most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purpose of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

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

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2017.

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

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

However, there is no relief under the Fund's trust deed for employers to walk away from their defined

## Willoughby City Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 17. Contingencies and other assets/liabilities not recognised (continued)

##### **LIABILITIES NOT RECOGNISED:** (continued)

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 entity.

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

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

The plan is a defined benefit plan. However, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$526,962.40.

The last valuation of the scheme was performed by Mr Richard Boyfield FIAA (AFS Licence # 411770) on 12/12/17 and covers the period ended 30/06/17.

Council's expected contribution to the Fund for the next annual reporting period is \$538,751.64.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

<b>Employer reserves only *</b>	<b>\$millions</b>	<b>Asset Coverage</b>
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

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

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

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	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.

## Willoughby City Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 17. Contingencies and other assets/liabilities not recognised (continued)

##### **LIABILITIES NOT RECOGNISED:** (continued)

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

Council's additional lump sum contribution per annum 2.16% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub- group.

##### **(ii) Statewide Limited**

Council's 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 realization and finalization 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 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.

## **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. The amount of the liability that may arise in relation to these disputes cannot be measured reliably at this time.

## Willoughby City Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 18. Financial risk management

\$ '000

##### 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.

	Carrying value		Fair value	
	2018	2017	2018	2017
<b>Financial assets</b>				
Cash and cash equivalents	11,348	6,971	11,348	6,971
Investments				
– 'Held to maturity'	135,000	109,088	135,000	109,088
Receivables	5,244	4,597	5,244	4,597
<b>Total financial assets</b>	<b>151,592</b>	<b>120,656</b>	<b>151,592</b>	<b>120,656</b>
<b>Financial liabilities</b>				
Payables	22,883	19,804	22,883	19,804
Borrowings	43,316	44,210	43,316	44,210
<b>Total financial liabilities</b>	<b>66,199</b>	<b>64,014</b>	<b>66,199</b>	<b>64,014</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.

## Willoughby City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 18. Financial risk management (continued)

\$ '000

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

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there 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.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of values/rates		Decrease of values/rates	
	Net Result	Equity	Net Result	Equity
<b>2018</b>				
Possible impact of a 1% movement in interest rates	1,462	1,462	(1,462)	(1,462)
<b>2017</b>				
Possible impact of a 1% movement in interest rates	1,157	1,157	(1,157)	(1,157)

## Willoughby City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 18. Financial risk management (continued)

\$ '000

**(b) Credit risk**

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

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

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.

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.

A profile of Council's receivables credit risk at balance date follows:

	2018	2018	2017	2017
	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	0%	71%	0%	70%
Overdue	100%	29%	100%	30%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**(ii) Ageing of receivables – value****Rates and annual charges**

	2018	2017
< 1 year overdue	715	719
1 – 2 years overdue	55	53
2 – 5 years overdue	47	46
> 5 years overdue	55	64
	<b>872</b>	<b>882</b>

**Other receivables**

Current	4,334	3,314
0 – 30 days overdue	319	224
31 – 60 days overdue	133	333
61 – 90 days overdue	313	274
> 91 days overdue	373	733
	<b>5,472</b>	<b>4,878</b>

## Willoughby City Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 18. Financial risk management (continued)

\$ '000

##### (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.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
<b>2018</b>							
Trade/other payables		11,747	11,136	-	-	22,883	22,883
Borrowings	4.44%	-	3,352	14,149	68,230	85,731	43,316
<b>Total financial liabilities</b>		<b>11,747</b>	<b>14,488</b>	<b>14,149</b>	<b>68,230</b>	<b>108,614</b>	<b>66,199</b>
<b>2017</b>							
Trade/other payables		10,777	9,027	-	-	19,804	19,804
Borrowings	4.03%	-	3,295	12,607	74,263	90,165	44,210
<b>Total financial liabilities</b>		<b>10,777</b>	<b>12,322</b>	<b>12,607</b>	<b>74,263</b>	<b>109,969</b>	<b>64,014</b>

##### Loan agreement breaches

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

## Willoughby City Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 19. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 26 June 2017 and is not required to be audited.

While the Income Statement included in this General Purpose Financial Report 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.

**Note that for variations\* of budget to actual :**

Material variations represent those variances that amount to **10%** or more of the original budgeted figure.

**F** = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2018 Budget	2018 Actual	2018 Variance*		
<b>REVENUES</b>					
<b>Rates and annual charges</b>	<b>64,152</b>	<b>64,373</b>	<b>221</b>	<b>0%</b>	<b>F</b>
<b>User charges and fees</b>	<b>18,719</b>	<b>18,264</b>	<b>(455)</b>	<b>(2%)</b>	<b>U</b>
<b>Interest and investment revenue</b>	<b>2,919</b>	<b>3,310</b>	<b>391</b>	<b>13%</b>	<b>F</b>
The positive variance can be attributed to a greater than anticipated principal amount invested over the 12 months.					
<b>Other revenues</b>	<b>19,035</b>	<b>19,587</b>	<b>553</b>	<b>3%</b>	<b>F</b>
<b>Operating grants and contributions</b>	<b>5,876</b>	<b>6,619</b>	<b>743</b>	<b>13%</b>	<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.					
<b>Capital grants and contributions</b>	<b>8,334</b>	<b>21,845</b>	<b>13,511</b>	<b>162%</b>	<b>F</b>
The positive variance can be attributed to unbudgeted developer contributions of \$14.7M.					
<b>Net gains from disposal of assets</b>	<b>164</b>	<b>–</b>	<b>(164)</b>	<b>(100%)</b>	<b>U</b>
The net gain from the disposal of Plant and Equipment of \$335K was offset against the loss on disposal of property Assets (Buildings) of \$822K which is covered in the net loss on sale of assets variation explanation.					
<b>Fair value increment on investment property</b>	<b>–</b>	<b>3,736</b>	<b>3,736</b>	<b>0%</b>	<b>F</b>
The positive variance can be attributed to an unbudgeted fair value increment on investment properties.					



## Willoughby City Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 19. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
<b>EXPENSES</b>					
Employee benefits and on-costs	42,473	39,750	2,723	6%	F
Borrowing costs	1,677	2,386	(709)	(42%)	U
The negative variance can be attributed to an unbudgeted amortisation cost for the CPI Linked loan of \$728K.					
Materials and contracts	34,718	32,578	2,140	6%	F
Depreciation and amortisation	11,540	12,805	(1,265)	(11%)	U
An increase in Depreciation of Park Assets of \$909k was made and an item of Plant and Equipment carried at \$280k was written down to zero.					
Other expenses	14,409	12,597	1,812	13%	F
The positive variance is attributed to less than anticipated expenses including child care (\$316K), commissions and agency Fees (\$310K) and Concourse venue management (\$242K)					
Net losses from disposal of assets	-	487	(487)	0%	U
The net gain from the disposal of Plant and Equipment of \$335K was offset against the loss on disposal of property Assets (Buildings) of \$822K which is covered in the net loss on sale of assets of \$487K which was not budgeted for.					
Joint ventures and associates – net losses	5	-	5	100%	F
The positive variance is attributed to Council's exit from the Shorelink Joint Venture in December 2017.					

## Budget variations relating to Council's Cash Flow Statement include:

Cash flows from operating activities	25,336	48,923	23,587	93.1%	F
The positive variance can be mainly to attributed to the following increases and decreases over budget: An extra \$13.2M was received in Grants and contributions and an extra \$4.5M was received in Other income. Employee benefits and oncost expenditure was down by \$2.4M and Materials and Contracts was also down by \$2.4M. Other expenditure was up by \$1.1M and user charges and fee income was up by \$900K.					
Cash flows from investing activities	(23,696)	(42,925)	(19,229)	81.1%	U
The variance is based on a greater than anticipated purchase of investments during the year of \$24.7M and the purchase of Infrastructure, property plant and equipment was down by \$5.4M against budget.					
Cash flows from financing activities	(1,604)	(1,621)	(17)	1.1%	U

## Willoughby City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 20. Fair value measurement

\$ '000

The 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) The following table presents all assets and liabilities that have been measured and recognised at fair values:**

2018	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>Recurring fair value measurements</b>					
<b>Investment property</b>					
Retail & Commercial Premises	30/06/18	–	39,080	39,000	78,080
<b>Total investment property</b>		<b>–</b>	<b>39,080</b>	<b>39,000</b>	<b>78,080</b>
<b>Infrastructure, property, plant and equipment</b>					
Operational Land	30/06/18	–	449,601	–	449,601
Community Land	30/06/17	–	–	267,303	267,303
Land Improvements Depreciable	30/06/18	–	–	4,465	4,465
Buildings-Non Specialised	30/06/18	–	–	13,310	13,310
Buildings-Specialised	30/06/18	–	–	261,795	261,795
Other Structures	30/06/18	–	–	7,816	7,816
Roads	30/06/18	–	–	200,202	200,202
Bridges	30/06/18	–	–	8,798	8,798
Footpaths	30/06/18	–	–	58,695	58,695
Bulk Earthworks	30/06/18	–	–	21,932	21,932
Stormwater Drainage	30/06/18	–	–	86,831	86,831
Swimming Pools	30/06/18	–	–	3,400	3,400
Other Open Space/Recreational	30/06/18	–	–	38,905	38,905
Other Infrastructure Assets	30/06/18	–	–	13,977	13,977
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>449,601</b>	<b>987,429</b>	<b>1,437,030</b>

## Willoughby City Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 20. Fair value measurement (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values (continued):

2017	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>Recurring fair value measurements</b>					
<b>Investment property</b>					
Retail & Commercial Premises	30/06/17	–	37,260	37,025	74,285
<b>Total investment property</b>		<b>–</b>	<b>37,260</b>	<b>37,025</b>	<b>74,285</b>
<b>Infrastructure, property, plant and equipment</b>					
Operational Land	30/06/13	–	345,223	–	345,223
Community Land	30/06/16	–	–	262,574	262,574
Land Improvements Depreciable	30/06/17	–	–	2,349	2,349
Buildings-Non Specialised	30/06/13	–	–	12,159	12,159
Buildings-Specialised	30/06/13	–	–	276,422	276,422
Other Structures	30/06/17	–	–	11,002	11,002
Roads	30/06/17	–	–	200,360	200,360
Bridges	30/06/17	–	–	9,180	9,180
Footpaths	30/06/17	–	–	60,850	60,850
Bulk Earthworks	30/06/17	–	–	20,824	20,824
Stormwater Drainage	30/06/17	–	–	86,202	86,202
Swimming Pools	30/06/16	–	–	3,207	3,207
Other Open Space/Recreational	30/06/17	–	–	31,622	31,622
Other Infrastructure Assets	30/06/17	–	–	13,048	13,048
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>345,223</b>	<b>989,799</b>	<b>1,335,022</b>

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

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

## Willoughby City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 20. Fair value measurement (continued)

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##### **(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values**

Where Council is unable to derive a Fair Valuation 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 Properties**

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

Daniel Atherton – Registered Valuer NSW : VAL 015214 – APV Valuers and Asset Management undertook the valuation for the year ended 30 June 2018. The following method was used to determine the fair value measurements.

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

Buildings – Level 3 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 & Equipment**

##### **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 2018 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 30<sup>th</sup> June 2017.

## Willoughby City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 20. Fair value measurement (continued)

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##### **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 & Specialised**

Buildings were valued by APV Valuers and Asset Management in June 2018 using the cost approach. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres could be supported from market evidence (Level 2), other inputs (such as estimates of useful lives, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value.

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

##### **Other Structures**

This asset class includes assets such as The Chatswood Solar Farm, Public Art structures and The Water Treatment Tank at The Concourse were valued by APV Valuers and Asset Management in June 2016 with a desktop valuation in June 2018 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 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.

## Willoughby City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 20. Fair value measurement (continued)

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##### **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.

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**

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 2018. 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.

## Willoughby City Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 20. Fair value measurement (continued)

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##### **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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## Willoughby City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Fair value measurement (continued)

\$ '000

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

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

	Investment Properties Buildings	Community Land	Land Improvements Depreciable	Buildings Non Specialised	Total
<b>Opening balance – 1/7/16</b>	35,375	250,071	2,017	12,240	299,703
Transfers from/(to) another asset class	–	–	249	–	249
Purchases (GBV)	–	–	–	42	42
Depreciation and impairment	–	–	(43)	(123)	(166)
FV gains – other comprehensive income	–	12,503	126	–	12,629
FV gains – Income Statement <sup>1</sup>	1,650	–	–	–	1,650
<b>Closing balance – 30/6/17</b>	<b>37,025</b>	<b>262,574</b>	<b>2,349</b>	<b>12,159</b>	<b>314,107</b>
Transfers from/(to) another asset class	–	4,729	–	–	4,729
Purchases (GBV)	–	–	272	–	272
Depreciation and impairment	–	–	(78)	(123)	(201)
FV gains – other comprehensive income	–	–	1,922	1,274	3,196
FV gains – Income Statement <sup>1</sup>	1,975	–	–	–	1,975
<b>Closing balance – 30/6/18</b>	<b>39,000</b>	<b>267,303</b>	<b>4,465</b>	<b>13,310</b>	<b>324,078</b>
<sup>1</sup> FV gains recognised in the Income Statement relating to assets still on hand at year end total:					
YE 16/17	1,650	–	–	–	1,650
YE 17/18	1,975	–	–	–	1,975

	Buildings Specialised	Other Structures	Roads	Bridges	Total
<b>Opening balance – 1/7/16</b>	274,686	10,650	200,139	8,888	494,363
Transfers from/(to) another asset class	1,747	–	–	–	1,747
Purchases (GBV)	1,362	256	3,417	–	5,035
Depreciation and impairment	(1,373)	(441)	(2,791)	(236)	(4,841)
FV gains – other comprehensive income	–	537	(405)	528	660
<b>Closing balance – 30/6/17</b>	<b>276,422</b>	<b>11,002</b>	<b>200,360</b>	<b>9,180</b>	<b>496,964</b>
Transfers to & from Other Category	442	(3,193)	–	–	(2,751)
Purchases (GBV)	1,461	–	3,331	113	4,905
Disposals (WDV)	(877)	–	–	–	(877)
Depreciation and impairment	(1,496)	(244)	(3,071)	(272)	(5,083)
FV gains – other comprehensive income	–	251	–	–	251
FV losses - other comprehensive income	(14,157)	–	(418)	(223)	(14,798)
<b>Closing balance – 30/6/18</b>	<b>261,795</b>	<b>7,816</b>	<b>200,202</b>	<b>8,798</b>	<b>478,611</b>



## Willoughby City Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 20. Fair value measurement (continued)

\$ '000

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

## a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Footpaths	Bulk Earthworks Non Dep	Stormwater Drainage	Swimming Pools	Total
<b>Opening balance – 1/7/16</b>	60,005	20,815	85,335	2,930	169,085
Transfers from/(to) another asset class	–	–	–	133	133
Purchases (GBV)	1,321	–	1,996	191	3,508
Depreciation and impairment	(815)	–	(1,158)	(47)	(2,020)
FV gains – other comprehensive income	339	9	29	–	377
<b>Closing balance – 30/6/17</b>	<b>60,850</b>	<b>20,824</b>	<b>86,202</b>	<b>3,207</b>	<b>171,083</b>
Purchases (GBV)	1,133	–	1,641	52	2,826
Depreciation and impairment	(783)	–	(1,098)	(47)	(1,928)
FV gains – other comprehensive income	–	1,108	86	188	1,382
FV losses - other comprehensive income	(2,505)	–	–	–	(2,505)
<b>Closing balance – 30/6/18</b>	<b>58,695</b>	<b>21,932</b>	<b>86,831</b>	<b>3,400</b>	<b>170,858</b>
	Other Open Space Recreational	Other Infrastructure Assets			Total
<b>Opening balance – 1/7/16</b>	30,078	13,129			43,207
Transfers from/(to) another asset class	646	–			646
Purchases (GBV)	3,165	108			3,273
Depreciation and impairment	(2,291)	(189)			(2,480)
FV gains – other comprehensive income	24	–			24
<b>Closing balance – 30/6/17</b>	<b>31,622</b>	<b>13,048</b>			<b>44,670</b>
Transfers from/(to) another asset class	5,636	–			5,636
Purchases (GBV)	3,174	57			3,231
Depreciation and impairment	(3,201)	(217)			(3,418)
FV gains – other comprehensive income	1,674	1,089			2,763
<b>Closing balance – 30/6/18</b>	<b>38,905</b>	<b>13,977</b>			<b>52,882</b>

## Willoughby City Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 20. Fair value measurement (continued)

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##### **(4). Fair value measurements using significant unobservable inputs (Level 3)**

##### **(b) Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.**

Unobservable valuation inputs are disclosed in the note relating to Valuation techniques in Note 20.

##### **(c) 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

## Willoughby City Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 20. Fair value measurement (continued)

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- 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.

#### **(3) Highest and best use**

All of Council's non - financial assets are considered to be 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 or development goals.

## Willoughby City Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 21. Related party transactions

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**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:

<b>Compensation:</b>	<b>2018</b>	<b>2017</b>
Short-term benefits	1,747,872	1,530,062
Other long-term benefits	30,529	40,082
Termination benefits	44,341	181,992
Post Retirement Benefits	110,380	68,930
<b>Total</b>	<b><u>1,933,122</u></b>	<b><u>1,821,066</u></b>

**b. Other related party transactions**

It is noted that Council had an association with Shorelink Library Network until December 2017 as disclosed in Note 15 of the financial statements.

No other transactions with KMP and their related parties.

## Willoughby City Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 22. Statement of developer contributions

\$ '000

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**

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	319	-	-	8	-	-	327	-
Traffic facilities	2,575	-	-	64	(36)	-	2,603	-
Parking	936	-	-	23	(2)	-	957	-
Child Care	4,280	-	-	107	-	-	4,387	-
(R/A) Inc Non CBD	7,546	2,255	-	208	(717)	-	9,292	-
(R/A) Inc CBD	1,885	374	-	51	(79)	-	2,231	-
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>17,541</b>	<b>2,629</b>	<b>-</b>	<b>461</b>	<b>(834)</b>	<b>-</b>	<b>19,797</b>	<b>-</b>
S7.11 not under plans	26	-	-	1	-	-	27	-
S7.4 planning agreements	4,599	14,685	-	135	(967)	-	18,452	-
<b>Total contributions</b>	<b>22,166</b>	<b>17,314</b>	<b>-</b>	<b>597</b>	<b>(1,801)</b>	<b>-</b>	<b>38,276</b>	<b>-</b>

## Willoughby City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22. Statement of developer contributions (continued)

\$ '000

## S7.11 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN NUMBER 1 - WILLOUGHBY CITY COUNCIL

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	319	-	-	8	-	-	327	-
Traffic facilities	2,575	-	-	64	(36)	-	2,603	-
Parking	936	-	-	23	(2)	-	957	-
Child Care	4,280	-	-	107	-	-	4,387	-
(R/A) Inc Non CBD	7,546	2,255	-	208	(717)	-	9,292	-
(R/A) Inc CBD	1,885	374	-	51	(79)	-	2,231	-
<b>Total</b>	<b>17,541</b>	<b>2,629</b>	<b>-</b>	<b>461</b>	<b>(834)</b>	<b>-</b>	<b>19,797</b>	<b>-</b>

## S7.11 CONTRIBUTIONS – NOT UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities	24	-	-	1	-	-	25	-
Parking	2	-	-	-	-	-	2	-
<b>Total</b>	<b>26</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>27</b>	<b>-</b>

## Willoughby City Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>12,045</b>	<b>10.74%</b>	12.68%	8.98%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>112,161</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<b>105,542</b>	<b>78.76%</b>	89.62%	77.49%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>	<b>134,006</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<b>86,750</b>	<b>4.66x</b>	4.70x	4.27x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<b>18,598</b>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>27,236</b>	<b>6.80x</b>	5.97x	3.74x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>4,007</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>872</b>	<b>1.33%</b>	1.38%	1.35%	< 5% metro
Rates, annual and extra charges collectible	<b>65,331</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>146,348</b>	<b>18.61 mths</b>	14.4 mths	12.1 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<b>7,866</b>				

## Notes

<sup>(1)</sup> Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.

<sup>(2)</sup> Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

<sup>(3)</sup> Refer to Notes 11 and 12.

<sup>(4)</sup> Refer to Note 11(b) and 12(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

**END OF AUDITED FINANCIAL STATEMENTS**



# Willoughby City Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 23(b). Statement of performance measures – consolidated results (graphs)



**Purpose of operating performance ratio**

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

**Commentary on 2017/18 result**

**2017/18 ratio 10.74%**

Council continues to trend positively against the industry benchmark of 0%

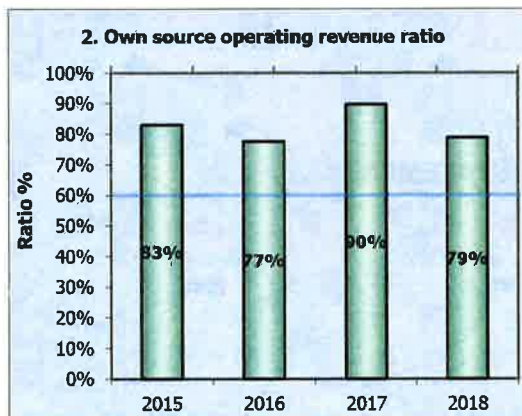
Benchmark: ——— Minimum  $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26



Ratio achieves benchmark

Ratio is outside benchmark



**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 2017/18 result**

**2017/18 ratio 78.76%**

The Ratio compares adequately to the Industry Benchmark of 60%

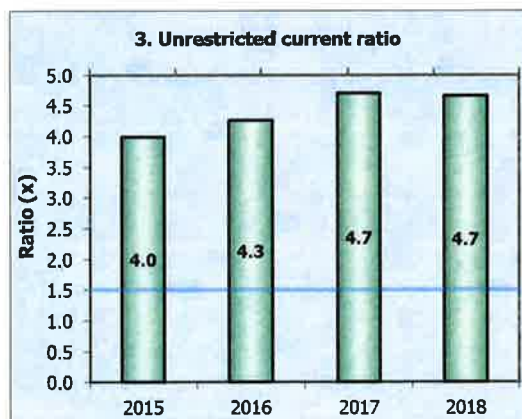
Benchmark: ——— Minimum  $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26



Ratio achieves benchmark

Ratio is outside benchmark



**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 2017/18 result**

**2017/18 ratio 4.66x**

Council continues to compare very well to the Industry Benchmark of 1.5:1

Benchmark: ——— Minimum  $\geq 1.50$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26



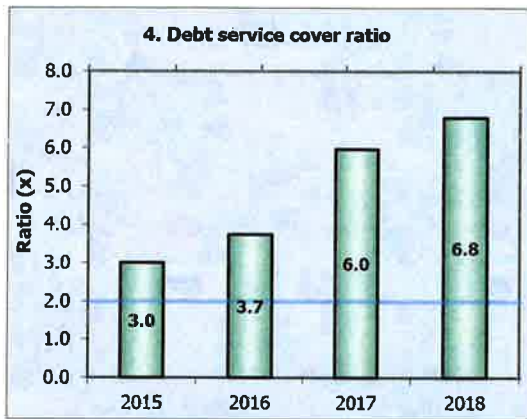
Ratio achieves benchmark

Ratio is outside benchmark

Willoughby City Council

Notes to the Financial Statements  
for the year ended 30 June 2018

Note 23(b). Statement of performance measures – consolidated results (graphs)



**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 2017/18 result**

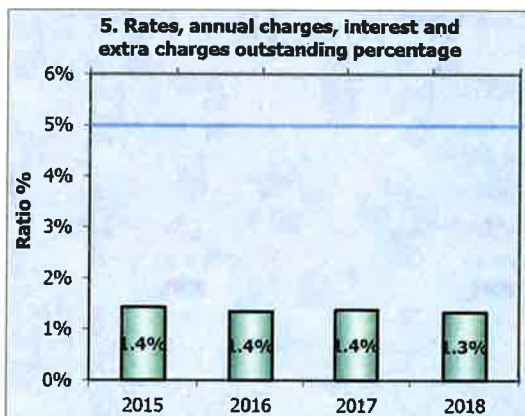
2017/18 ratio 6.80x

This indicator emphasises Council's defined Operating result maintains the capacity to meet its annual debt requirements. The 17/18 result exceeds the Industry Benchmark of 2.0

Benchmark: ——— Minimum >=2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

 Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of rates and annual charges outstanding ratio**

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


**Commentary on 2017/18 result**

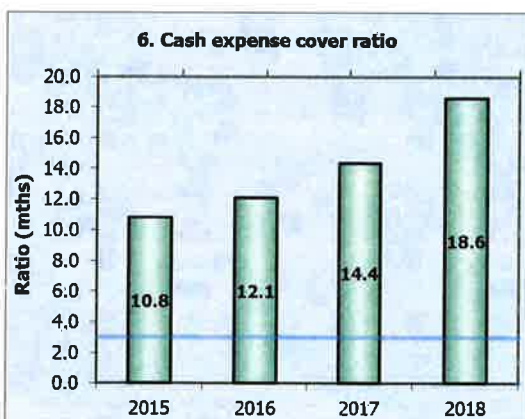
2017/18 ratio 1.33%

The result can be linked to both the capacity to pay and internal recovery policy. It compares favourably to the Industry benchmark of 5%.

Benchmark: ——— Maximum <5.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

 Ratio is within Benchmark  
 Ratio is outside Benchmark



**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 2017/18 result**

2017/18 ratio 18.61 mths

Council's indicator compares very favourably to the Industry Benchmark of 3 months

Benchmark: ——— Minimum >=3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

 Ratio achieves benchmark  
 Ratio is outside benchmark

## Willoughby City Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 24. 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

**Opening hours:**

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

**Telephone:** 02 9777 1000

**Facsimile:** 02 9411 8309

**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**

**GENERAL MANAGER**

Debra Just

**RESPONSIBLE ACCOUNTING OFFICER**

Stephen Naven

**PUBLIC OFFICER**

Todd Hopwood

**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 report

#### Willoughby City Council

To the Councillors of Willoughby City Council

### Opinion

I have audited the accompanying financial report of Willoughby City Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial report:
  - has been presented, in all material respects, in accordance with the requirements of this Division
  - is consistent with the Council's accounting records
  - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, 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 report 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 Report' section of my report.

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

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

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

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

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

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

### **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report 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 report 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 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 Report**

The Councillors are responsible for the preparation and fair presentation of the financial report 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 report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

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

My objectives are to:

- obtain reasonable assurance about whether the financial report 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 financial report.

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Somaiya Ahmed  
Director, Financial Audit Services

30 October 2018  
SYDNEY



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

Contact: Somaiya Ahmed  
Phone no: 02 9275 7424  
Our ref: D1825857/1808

30 October 2018

Dear Cr Gidney

**Report on the Conduct of the Audit  
for the year ended 30 June 2018  
Willoughby City Council**

I have audited the general purpose financial statements of Willoughby City Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

**INCOME STATEMENT**

**Operating result**

	<b>2018</b>	<b>2017</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
<b>Rates and annual charges revenue</b>	64.4	62.8	↑ 2.5
<b>Grants and contributions revenue</b>	28.5	12.0	↑ 138
<b>Operating result for the year</b>	37.1	21.5	↑ 72.6
<b>Net operating result before capital amounts</b>	15.3	17.9	↓ 14.5



Council's operating result (\$37.1 million including the effect of depreciation and amortisation expense of \$12.8 million) was \$15.6 million higher than the 2016–17 result. This was mainly due to an increase in grants and contributions of \$16.5 million in 2017–18.

The net operating result before capital grants and contributions (\$15.3 million) was \$2.6 million lower than the 2016–17 result. This is due to an increase in operating expenses by \$2.8 million.

Rates and annual charges revenue (\$64.4 million) increased by \$1.6 million (2.5 per cent) in 2017–18 due to:

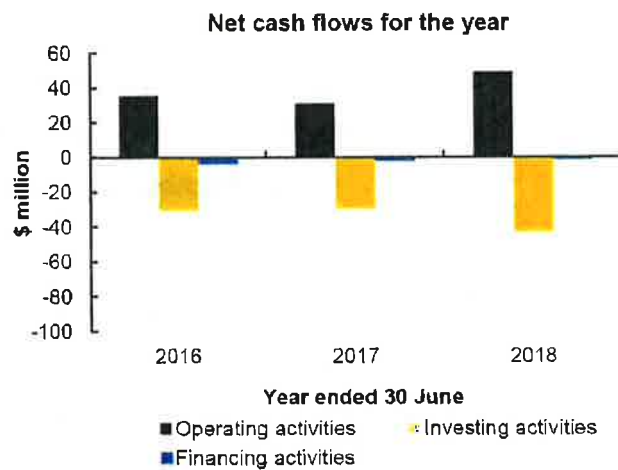
- rate peg of 1.5 per cent for the year ended 30 June 2018
- An increase of \$258,000 million collected in domestic waste charges.

Grants and contributions revenue (\$28.5 million) increased by \$16.5 million (138 per cent) in 2017–18 mainly due to additional \$14.3 million of developer contributions towards amenities and services.

## STATEMENT OF CASH FLOWS

Cash inflows from operating activities grow in line with increases in grants and contributions received in 2017–18.

Council has increased investments in financial securities.



## FINANCIAL POSITION

### Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	65.1	45.6	• Cash and investments increased by \$30.3 million largely due to increase in grants and contributions of \$16.5 million and net purchase of investments of \$25.9 million.
Internal restrictions	66.8	56.6	
Unrestricted	14.5	13.9	
<b>Cash and Investments</b>	<b>146.4</b>	<b>116.1</b>	<ul style="list-style-type: none"> <li>• Significant externally restricted cash and investments include \$38.3 million in developer contributions and \$11.8 million for affordable housing.</li> <li>• Significant internally restricted cash and investments include \$15.1 million for The Concourse and \$6.5 million for Leisure and Recreational Projects.</li> </ul>

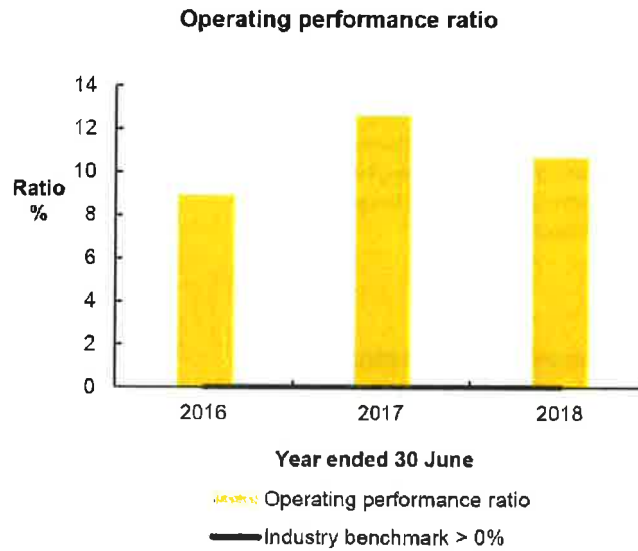
## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 23 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

### Operating performance ratio

- Council exceeded the benchmark of greater than zero percent in 2017–18.
- The ratio decreased slightly over the previous year in line with the increased grants and contribution revenue in 2017–18.

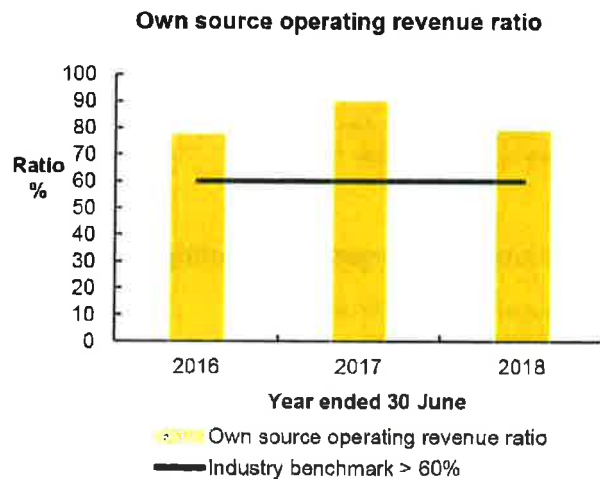
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



### Own source operating revenue ratio

- Council has met the benchmark of greater than 60 per cent for the last three years.
- The decrease in the ratio is attributable to the increase in grants and contribution revenue received in 2017–18.

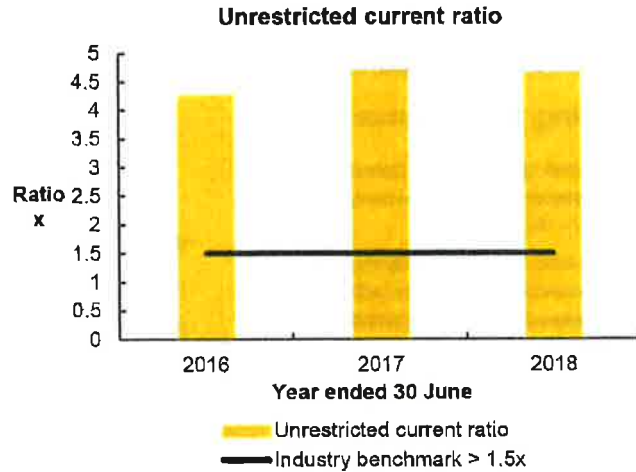
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



### Unrestricted current ratio

- Council continues to exceed the benchmark due to high cash and investment balances.
- Council has sufficient liquid assets to meet its creditors payments as and when they fall due.

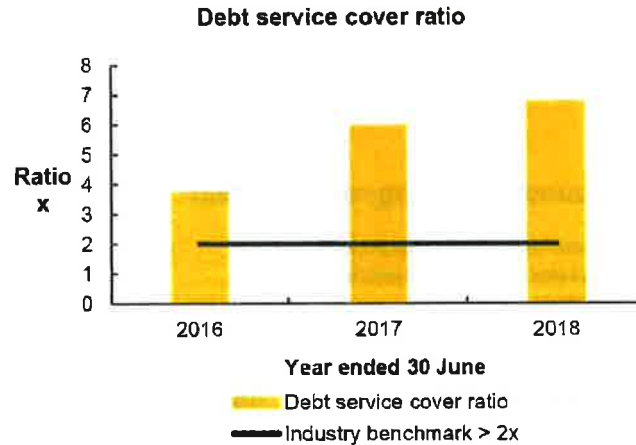
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



### Debt service cover ratio

- Council has exceeded the benchmark of greater than two times in 2017–18.
- The ratio increased from previous year in line with the reduction in principal repayments and borrowing costs of \$692,000 in 2017–18.

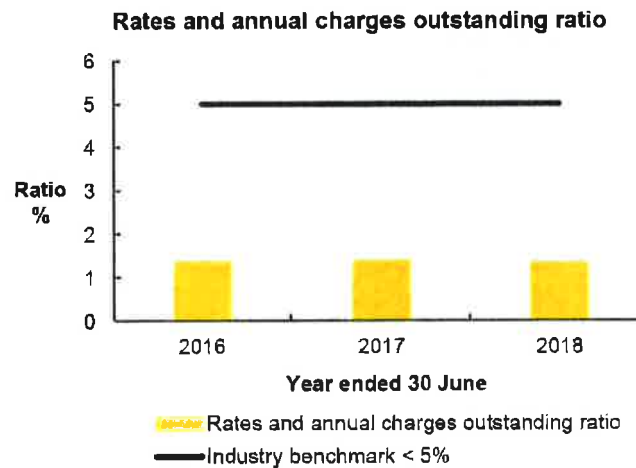
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



### Rates and annual charges outstanding ratio

Council has consistently met the rates and annual charges outstanding benchmark of less than 5 per cent.

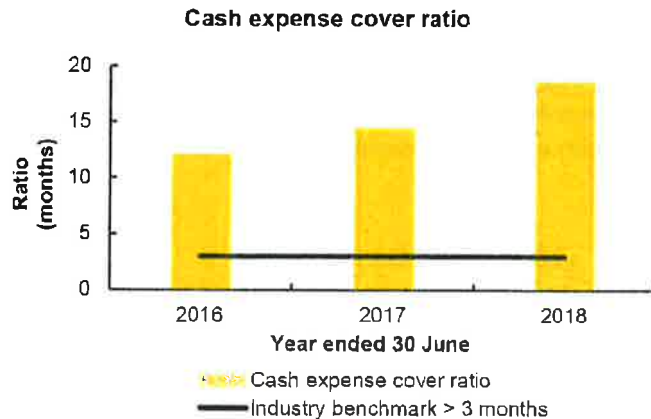
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



### Cash expense cover ratio

- Council has consistently exceeded the benchmark of greater than three months.
- This has increased slightly from prior year due to higher levels of cash from operations.

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.

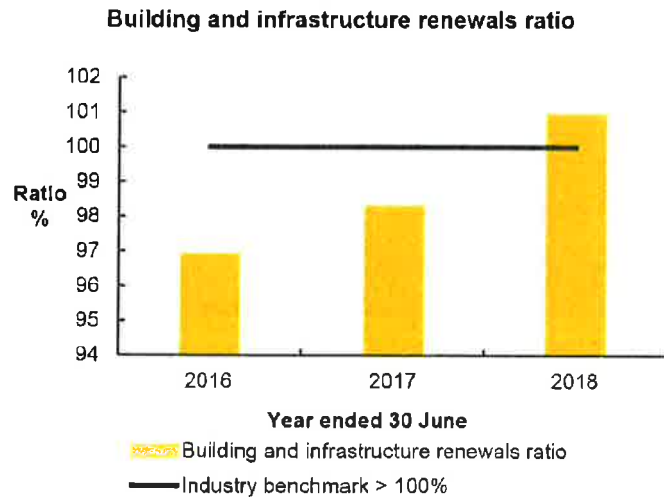


### Building and infrastructure renewals ratio (unaudited)

- Council met the building and infrastructure renewals ratio in 2017-18
- Council reported an increase in asset renewals of \$2.9 million in 2017-18.

The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from council's Special Schedule 7 which has not been audited.



## OTHER MATTERS

### New accounting standards implemented

#### AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

Effective for annual reporting periods beginning on or after 1 January 2017

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 11.

## 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 reports. The Council's:

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



Somaiya Ahmed  
Director, Financial Audit Services

# Willoughby City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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“...the vital hub of the region, where residential, commercial,  
cultural and environmental interests are respected and balanced,  
and our communities enjoy a diversity of lifestyles.”



## Willoughby City Council

### Special Purpose Financial Statements for the year ended 30 June 2018

Contents	Page
<b>1. Statement by Councillors and Management</b>	2
<b>2. Special Purpose Financial Statements:</b>	
Income Statement – Other Business Activities	3
Statement of Financial Position – Other Business Activities	6
<b>3. Notes to the Special Purpose Financial Statements</b>	9
<b>4. Auditor's Report</b>	14

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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 2018

### 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 financial 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 24 September 2018.**

  
 \_\_\_\_\_  
 Gail Giles Gidney  
 Mayor  
 24 October 2018

  
 \_\_\_\_\_  
 Judith Rutherford  
 Deputy mayor  
 24 October 2018

  
 \_\_\_\_\_  
 Debra Just  
 General manager  
 24 October 2018

  
 \_\_\_\_\_  
 Stephen Naven  
 Responsible accounting officer  
 24 October 2018



## Willoughby City Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

\$ '000	The Concourse Precinct Category 1		Willoughby Leisure Centre Category 1	
	2018	2017	2018	2017
<b>Income from continuing operations</b>				
Fees	7,063	6,884	2,509	2,642
Interest	347	341	–	–
Grants and contributions provided for non-capital purposes	207	224	–	12
Other income	7,624	6,603	879	782
<b>Total income from continuing operations</b>	<b>15,241</b>	<b>14,052</b>	<b>3,388</b>	<b>3,436</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	6,466	6,228	2,415	2,460
Borrowing costs	2,233	2,249	–	–
Materials and contracts	2,048	2,246	365	255
Depreciation, amortisation and impairment	1,785	1,640	922	109
Other expenses	4,409	4,342	1,012	1,009
<b>Total expenses from continuing operations</b>	<b>16,941</b>	<b>16,705</b>	<b>4,714</b>	<b>3,833</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(1,700)</b>	<b>(2,653)</b>	<b>(1,326)</b>	<b>(397)</b>
Grants and contributions provided for capital purposes	36	88	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(1,664)</b>	<b>(2,565)</b>	<b>(1,326)</b>	<b>(397)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(1,664)</b>	<b>(2,565)</b>	<b>(1,326)</b>	<b>(397)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–	–	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(1,664)</b>	<b>(2,565)</b>	<b>(1,326)</b>	<b>(397)</b>
Plus opening retained profits	258,819	255,271	(2,600)	(2,203)
<b>Add:</b>				
– Subsidy paid/contribution to operations	4,684	6,113	–	–
<b>Closing retained profits</b>	<b>261,839</b>	<b>258,819</b>	<b>(3,926)</b>	<b>(2,600)</b>
<b>Return on capital %</b>	<b>0.2%</b>	<b>-0.2%</b>	<b>-14.5%</b>	<b>-4.4%</b>
<b>Subsidy from Council</b>	<b>6,442</b>	<b>6,284</b>	<b>1,566</b>	<b>613</b>

## Willoughby City Council

**Income Statement of Council's Other Business Activities**  
for the year ended 30 June 2018

\$ '000	Devonshire Child Care Category 2		Family Day Care Category 2	
	2018	2017	2018	2017
<b>Income from continuing operations</b>				
Fees	925	1,017	266	305
Grants and contributions provided for non-capital purposes	564	523	485	622
<b>Total income from continuing operations</b>	<b>1,489</b>	<b>1,540</b>	<b>751</b>	<b>927</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	1,403	1,307	298	292
Materials and contracts	54	94	5	5
Depreciation, amortisation and impairment	204	27	6	12
Other expenses	357	359	622	765
<b>Total expenses from continuing operations</b>	<b>2,018</b>	<b>1,787</b>	<b>931</b>	<b>1,074</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(529)</b>	<b>(247)</b>	<b>(180)</b>	<b>(147)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(529)</b>	<b>(247)</b>	<b>(180)</b>	<b>(147)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(529)</b>	<b>(247)</b>	<b>(180)</b>	<b>(147)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	-	-	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(529)</b>	<b>(247)</b>	<b>(180)</b>	<b>(147)</b>
<b>Plus opening retained profits</b>	<b>(2,723)</b>	<b>(2,476)</b>	<b>(1,684)</b>	<b>(1,537)</b>
<b>Closing retained profits</b>	<b>(3,252)</b>	<b>(2,723)</b>	<b>(1,864)</b>	<b>(1,684)</b>
<b>Return on capital %</b>	<b>-53.5%</b>	<b>-24.2%</b>	<b>-514.3%</b>	<b>-612.5%</b>
<b>Subsidy from Council</b>	<b>555</b>	<b>271</b>	<b>181</b>	<b>148</b>

## Willoughby City Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

\$ '000	Before/After School Care Category 2		Dougherty Food Services Category 2	
	2018	2017	2018	2017
<b>Income from continuing operations</b>				
Fees	972	979	314	364
Grants and contributions provided for non-capital purposes	465	374	–	12
Other income	–	9	106	97
<b>Total income from continuing operations</b>	<b>1,437</b>	<b>1,362</b>	<b>420</b>	<b>473</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	744	672	323	381
Materials and contracts	97	90	163	194
Depreciation, amortisation and impairment	–	–	3	3
Other expenses	182	199	63	48
<b>Total expenses from continuing operations</b>	<b>1,023</b>	<b>961</b>	<b>552</b>	<b>626</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>414</b>	<b>401</b>	<b>(132)</b>	<b>(153)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>414</b>	<b>401</b>	<b>(132)</b>	<b>(153)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>414</b>	<b>401</b>	<b>(132)</b>	<b>(153)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(124)	(120)	–	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>290</b>	<b>281</b>	<b>(132)</b>	<b>(153)</b>
Plus opening retained profits	1,452	1,051	(1,584)	(1,431)
Plus adjustments for amounts unpaid:				
– Corporate taxation equivalent	124	120	–	–
<b>Closing retained profits</b>	<b>1,866</b>	<b>1,452</b>	<b>(1,716)</b>	<b>(1,584)</b>
Return on capital %	n/a	n/a	-4.0%	-24.9%
Subsidy from Council	–	–	219	168

## Willoughby City Council

## Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

\$ '000	The Concourse Precinct		Willoughby Leisure Centre	
	Category 1		Category 1	
	2018	2017	2018	2017
<b>ASSETS</b>				
<b>Current assets</b>				
Investments	15,065	12,785	–	–
Receivables	–	178	42	–
Inventories	–	–	–	549
Other	64	27	–	–
<b>Total Current Assets</b>	<b>15,129</b>	<b>12,990</b>	<b>42</b>	<b>549</b>
<b>Non-current assets</b>				
Infrastructure, property, plant and equipment	265,204	247,058	9,120	9,084
Investment property	43,908	41,280	–	–
<b>Total non-current assets</b>	<b>309,112</b>	<b>288,338</b>	<b>9,120</b>	<b>9,084</b>
<b>TOTAL ASSETS</b>	<b>324,241</b>	<b>301,328</b>	<b>9,162</b>	<b>9,633</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	395	312	49	3,091
Borrowings	999	962	–	8,840
Provisions	917	850	92	151
<b>Total current liabilities</b>	<b>2,311</b>	<b>2,124</b>	<b>141</b>	<b>12,082</b>
<b>Non-current liabilities</b>				
Borrowings	39,518	39,789	12,927	–
Provisions	21	18	20	151
<b>Total non-current liabilities</b>	<b>39,539</b>	<b>39,807</b>	<b>12,947</b>	<b>151</b>
<b>TOTAL LIABILITIES</b>	<b>41,850</b>	<b>41,931</b>	<b>13,088</b>	<b>12,233</b>
<b>NET ASSETS</b>	<b>282,391</b>	<b>259,397</b>	<b>(3,926)</b>	<b>(2,600)</b>
<b>EQUITY</b>				
Accumulated surplus	261,839	258,819	(3,926)	(2,600)
Revaluation reserves	20,552	578	–	–
Council equity interest	<b>282,391</b>	<b>259,397</b>	<b>(3,926)</b>	<b>(2,600)</b>
<b>TOTAL EQUITY</b>	<b>282,391</b>	<b>259,397</b>	<b>(3,926)</b>	<b>(2,600)</b>

## Willoughby City Council

Statement of Financial Position – Council's Other Business Activities  
as at 30 June 2018

\$ '000	Devonshire Child Care Category 2		Family Day Care Category 2	
	2018	2017	2018	2017
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	–	113	–	698
<b>Total Current Assets</b>	<b>–</b>	<b>113</b>	<b>–</b>	<b>698</b>
<b>Non-current assets</b>				
Receivables	–	704	–	1,290
Infrastructure, property, plant and equipment	988	1,020	35	24
<b>Total non-current assets</b>	<b>988</b>	<b>1,724</b>	<b>35</b>	<b>1,314</b>
<b>TOTAL ASSETS</b>	<b>988</b>	<b>1,837</b>	<b>35</b>	<b>2,012</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	11	4,121	1	3,588
Provisions	195	218	60	47
<b>Total current liabilities</b>	<b>206</b>	<b>4,339</b>	<b>61</b>	<b>3,635</b>
<b>Non-current liabilities</b>				
Borrowings	4,022	–	1,838	–
Provisions	7	221	–	61
Other Liabilities	5	–	–	–
<b>Total non-current liabilities</b>	<b>4,034</b>	<b>221</b>	<b>1,838</b>	<b>61</b>
<b>TOTAL LIABILITIES</b>	<b>4,240</b>	<b>4,560</b>	<b>1,899</b>	<b>3,696</b>
<b>NET ASSETS</b>	<b>(3,252)</b>	<b>(2,723)</b>	<b>(1,864)</b>	<b>(1,684)</b>
<b>EQUITY</b>				
Accumulated surplus	(3,252)	(2,723)	(1,864)	(1,684)
Council equity interest	(3,252)	(2,723)	(1,864)	(1,684)
<b>TOTAL EQUITY</b>	<b>(3,252)</b>	<b>(2,723)</b>	<b>(1,864)</b>	<b>(1,684)</b>

## Willoughby City Council

## Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

\$ '000	Before/After School Care Category 2		Dougherty Food Services Category 2	
	2018	2017	2018	2017
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	–	2,011	–	–
Receivables	4	–	–	–
<b>Total Current Assets</b>	<b>4</b>	<b>2,011</b>	<b>–</b>	<b>–</b>
<b>Non-current assets</b>				
Investments	–	1,777	–	–
Receivables	2,006	114	–	956
Infrastructure, property, plant and equipment	–	–	3,313	615
<b>Total non-current assets</b>	<b>2,006</b>	<b>1,891</b>	<b>3,313</b>	<b>1,571</b>
<b>TOTAL ASSETS</b>	<b>2,010</b>	<b>3,902</b>	<b>3,313</b>	<b>1,571</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	12	2,190	19	520
Borrowings	–	9	–	2,565
Provisions	131	124	32	25
<b>Total current liabilities</b>	<b>143</b>	<b>2,323</b>	<b>51</b>	<b>3,110</b>
<b>Non-current liabilities</b>				
Borrowings	–	–	4,291	–
Provisions	1	127	–	45
<b>Total non-current liabilities</b>	<b>1</b>	<b>127</b>	<b>4,291</b>	<b>45</b>
<b>TOTAL LIABILITIES</b>	<b>144</b>	<b>2,450</b>	<b>4,342</b>	<b>3,155</b>
<b>NET ASSETS</b>	<b>1,866</b>	<b>1,452</b>	<b>(1,029)</b>	<b>(1,584)</b>
<b>EQUITY</b>				
Accumulated surplus	1,866	1,452	(1,716)	(1,584)
Revaluation reserves	–	–	687	–
Council equity interest	<b>1,866</b>	<b>1,452</b>	<b>(1,029)</b>	<b>(1,584)</b>
<b>TOTAL EQUITY</b>	<b>1,866</b>	<b>1,452</b>	<b>(1,029)</b>	<b>(1,584)</b>

# Willoughby City Council

## Special Purpose Financial Statements for the year ended 30 June 2018

### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10

## Willoughby City Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

#### 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 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, 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.*



## Willoughby City Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

#### Note 1. Significant accounting policies (continued)

---

##### **b. Willoughby Leisure Centre**

Provision of leisure facilities including a Gymnasium & Pool. A council owned facility previously managed by a private company.

##### **Category 2**

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

##### **c. Devonshire Street Child Care Centre**

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

##### **d. 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 (BSC & ASC)
- Naremburn (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
- Beauchamp Park 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 currency and rounded to the nearest 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.

## Willoughby City Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

#### Note 1. Significant accounting policies (continued)

---

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

##### **Notional rate applied (%)**

##### Corporate income tax rate – 30%

Land tax – the first \$629,000 of combined land values attracts 0%. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,846,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$750,000.

##### **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 30%.

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

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

The rate applied of 30% is/is not 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.

## Willoughby City Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

#### Note 1. Significant accounting policies (continued)

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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 2.63% at 30/6/18.

#### *(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 report**  
**Willoughby City Council**

To the Councillors of Willoughby City Council

**Opinion**

I have audited the accompanying special purpose financial report (the financial report) of Willoughby City Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, notes comprising a summary of Significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

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 report presents fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2018, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (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 Report' section of my report.

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

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

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

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 report.

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

My opinion does not provide assurance:

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



Somaiya Ahmed  
Director, Financial Audit Services

30 October 2018  
SYDNEY

# Willoughby City Council

SPECIAL SCHEDULES

for the year ended 30 June 2018

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“...the vital hub of the region, where residential, commercial,  
cultural and environmental interests are respected and  
balanced,  
and our communities enjoy a diversity of lifestyles.”



# Willoughby City Council

## Special Schedules

for the year ended 30 June 2018

Contents		Page
<b>Special Schedules <sup>1</sup></b>		
<b>Special Schedule 1</b>	Net Cost of Services	2
<b>Special Schedule 2</b>	Permissible income for general rates	4
<b>Special Schedule 2</b>	Independent Auditors Report	5
<b>Special Schedule 3</b>	Water Supply Operations – incl. Income Statement	n/a
<b>Special Schedule 4</b>	Water Supply – Statement of Financial Position	n/a
<b>Special Schedule 5</b>	Sewerage Service Operations – incl. Income Statement	n/a
<b>Special Schedule 6</b>	Sewerage Service – Statement of Financial Position	n/a
<b>Notes to Special Schedules 3 and 5</b>		n/a
<b>Special Schedule 7</b>	Report on Infrastructure Assets	8

<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 2).

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### **Background**

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
  - the Australian Bureau of Statistics (ABS),
  - the NSW Office of Water (NOW), and
  - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
  - the incorporation of Local Government financial figures in national statistics,
  - the monitoring of loan approvals,
  - the allocation of borrowing rights, and
  - the monitoring of the financial activities of specific services.

## Willoughby City Council

Special Schedule 1 – Net Cost of Services  
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>2,322</b>	<b>413</b>	<b>–</b>	<b>(1,909)</b>
<b>Administration</b>	<b>20,972</b>	<b>3,327</b>	<b>800</b>	<b>(16,845)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	1,659	5	–	(1,654)
Beach control	–	–	–	–
Enforcement of local government regulations	3,133	4,952	–	1,819
Animal control	2	36	–	34
Other	68	–	–	(68)
<b>Total public order and safety</b>	<b>4,862</b>	<b>4,993</b>	<b>–</b>	<b>131</b>
<b>Health</b>	<b>213</b>	<b>138</b>	<b>–</b>	<b>(75)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	2,988	–	–	(2,988)
Solid waste management	12,964	15,692	–	2,728
Street cleaning	1,680	4	–	(1,676)
Drainage	1,472	–	–	(1,472)
Stormwater management	376	363	–	(13)
<b>Total environment</b>	<b>19,480</b>	<b>16,059</b>	<b>–</b>	<b>(3,421)</b>
<b>Community services and education</b>				
Administration and education	2,122	670	–	(1,452)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	754	788	–	34
Children's services	3,700	3,765	–	65
<b>Total community services and education</b>	<b>6,576</b>	<b>5,223</b>	<b>–</b>	<b>(1,353)</b>
<b>Housing and community amenities</b>				
Public cemeteries	–	–	–	–
Public conveniences	–	–	–	–
Street lighting	1,115	196	–	(919)
Town planning	4,072	2,753	–	(1,319)
Other community amenities	1,104	1,037	263	196
<b>Total housing and community amenities</b>	<b>6,291</b>	<b>3,986</b>	<b>263</b>	<b>(2,042)</b>
<b>Water supplies</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Sewerage services</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>



## Willoughby City Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	4,568	427	–	(4,141)
Museums	–	–	–	–
Art galleries	56	38	–	(18)
Community centres and halls	1,997	675	–	(1,322)
Performing arts venues	1,156	622	–	(534)
Other performing arts	–	–	–	–
Other cultural services	2,028	1,118	–	(910)
Sporting grounds and venues	3,398	1,181	18,179	15,962
Swimming pools	2,737	2,930	–	193
Parks and gardens (lakes)	5,816	155	200	(5,461)
Other sport and recreation	4,704	650	1,052	(3,002)
<b>Total recreation and culture</b>	<b>26,460</b>	<b>7,796</b>	<b>19,431</b>	<b>767</b>
<b>Fuel and energy</b>	–	–	–	–
<b>Agriculture</b>	–	–	–	–
<b>Mining, manufacturing and construction</b>				
Building control	1,152	417	–	(735)
Other mining, manufacturing and construction	–	–	–	–
<b>Total mining, manufacturing and const.</b>	<b>1,152</b>	<b>417</b>	–	<b>(735)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	6,242	1,260	526	(4,456)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	276	–	–	(276)
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	2,030	6,374	36	4,380
Footpaths	1,362	168	526	(668)
Aerodromes	–	–	–	–
Other transport and communication	1,766	1,580	263	77
<b>Total transport and communication</b>	<b>11,676</b>	<b>9,382</b>	<b>1,351</b>	<b>(943)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	599	10,954	–	10,355
<b>Total economic affairs</b>	<b>599</b>	<b>10,954</b>	–	<b>10,355</b>
<b>Totals – functions</b>	<b>100,603</b>	<b>62,688</b>	<b>21,845</b>	<b>(16,070)</b>
<b>General purpose revenues</b> <sup>(1)</sup>		<b>53,201</b>		<b>53,201</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	–	–	–	–
<b>NET OPERATING RESULT</b> <sup>(2)</sup>	<b>100,603</b>	<b>115,889</b>	<b>21,845</b>	<b>37,131</b>

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

(2) As reported in the Income Statement

## Willoughby City Council

## Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	49,104	48,248
Plus or minus adjustments <sup>(2)</sup>	b	164	(224)
<b>Notional general income</b>	<b>c = (a + b)</b>	<b>49,268</b>	<b>48,024</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	1,133	720
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>50,401</b>	<b>48,744</b>
Plus (or minus) last year's carry forward total	l	–	(2)
Less valuation objections claimed in the previous year	m	(364)	(3)
<b>Sub-total</b>	<b>n = (l + m)</b>	<b>(364)</b>	<b>(5)</b>
<b>Total permissible income</b>	<b>o = k + n</b>	<b>50,037</b>	<b>48,740</b>
Less notional general income yield	p	50,091	49,104
<b>Catch-up or (excess) result</b>	<b>q = o – p</b>	<b>(54)</b>	<b>(364)</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	54	364
Less unused catch-up <sup>(5)</sup>	s	–	–
<b>Carry forward to next year</b>	<b>t = q + r – s</b>	<b>0</b>	<b>–</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*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 2 in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule 2 - Permissible Income for general rates

#### Willoughby City Council

To the Councillors of Willoughby City Council

### Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Willoughby City Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), 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' (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 had 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**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than 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 the Special Schedules excluding Special Schedule 2 (the other Schedules).

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Schedule**

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

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

## **Auditor's Responsibilities for the Audit of the Schedule**

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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

A handwritten signature in black ink, appearing to read 'Somaiya', written in a cursive style.

Somaiya Ahmed  
Director, Financial Audit Services

30 October 2018  
SYDNEY

## Willoughby City Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Council offices	–	–	346	346	2,179	2,630	0%	100%	0%	0%	0%
	Council Works Depot	–	–	206	206	20,871	23,972	98%	2%	0%	0%	0%
	Council Halls	2	2	239	239	644	998	0%	34%	65%	1%	0%
	Libraries	11	11	107	107	5,111	6,506	73%	20%	6%	1%	0%
	Council Houses	24	24	331	331	13,310	13,440	73%	26%	0%	1%	0%
	Commercial Buildings	–	–	439	439	64,271	79,466	47%	12%	38%	3%	0%
	Childcare Centres	–	–	158	158	7,475	10,076	0%	79%	21%	0%	0%
	Community Centres	326	326	2,326	2,326	153,181	186,284	63%	36%	0%	1%	0%
	Amenities/Toilets	42	42	472	472	8,063	11,993	4%	32%	62%	2%	0%
	<b>Sub-total</b>	<b>405</b>	<b>405</b>	<b>4,624</b>	<b>4,624</b>	<b>275,105</b>	<b>335,365</b>	<b>57.6%</b>	<b>28.8%</b>	<b>12.2%</b>	<b>1.4%</b>	<b>0.0%</b>
<b>Other structures</b>	Other structures	–	–	177	177	7,816	8,988	6%	84%	10%	0%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>177</b>	<b>177</b>	<b>7,816</b>	<b>8,988</b>	<b>6.0%</b>	<b>84.0%</b>	<b>10.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads	3,227	3,227	2,522	2,522	115,540	180,668	7%	46%	40%	6%	1%
	Bridges	117	117	103	103	8,799	10,296	78%	14%	3%	4%	1%
	Footpaths	901	901	1,432	1,432	58,696	71,592	49%	27%	19%	5%	0%
	Kerb and Gutter	1,146	1,146	1,890	1,890	80,342	94,517	47%	32%	15%	5%	1%
	Carparks	83	83	30	30	4,318	6,866	5%	33%	55%	7%	0%
	Bulk Earthworks	–	–	–	–	21,932	21,932	100%	0%	0%	0%	0%
	<b>Sub-total</b>	<b>5,474</b>	<b>5,474</b>	<b>5,977</b>	<b>5,977</b>	<b>289,627</b>	<b>385,871</b>	<b>31.7%</b>	<b>35.3%</b>	<b>27.0%</b>	<b>5.2%</b>	<b>0.7%</b>

## Willoughby City Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Pipes and Pits	2,733	2,733	685	685	85,840	116,433	31%	29%	29%	11%	0%
	Gross Pollutant Traps	–	–	18	18	991	1,221	46%	40%	14%	0%	0%
	<b>Sub-total</b>	<b>2,733</b>	<b>2,733</b>	<b>703</b>	<b>703</b>	<b>86,831</b>	<b>117,654</b>	<b>31.2%</b>	<b>29.1%</b>	<b>28.8%</b>	<b>10.9%</b>	<b>0.0%</b>
Open space/recreational assets	Swimming pools	94	94	35	35	3,400	4,470	0%	0%	88%	12%	0%
	Parks & Playgrounds	284	284	1,516	1,516	23,488	30,904	17%	18%	49%	14%	2%
	Sporting Fields	904	904	1,059	1,059	12,481	20,250	40%	18%	8%	25%	9%
	Bushland Assets	–	–	20	20	705	1,054	5%	68%	20%	7%	0%
	Tennis Courts	50	50	64	64	2,231	4,515	49%	29%	18%	3%	1%
<b>Sub-total</b>	<b>1,332</b>	<b>1,332</b>	<b>2,694</b>	<b>2,694</b>	<b>42,305</b>	<b>61,193</b>	<b>25.5%</b>	<b>18.4%</b>	<b>35.5%</b>	<b>16.6%</b>	<b>4.1%</b>	
Other infrastructure assets	Land Improvements Depreciable	–	–	102	102	4,465	4,998	0%	84%	16%	0%	0%
	Other – Retaining Walls	105	105	6	6	13,977	18,122	3%	68%	25%	3%	1%
	<b>Sub-total</b>	<b>105</b>	<b>105</b>	<b>108</b>	<b>108</b>	<b>13,977</b>	<b>23,120</b>	<b>2.4%</b>	<b>71.5%</b>	<b>23.1%</b>	<b>2.4%</b>	<b>0.8%</b>
<b>TOTAL – ALL ASSETS</b>	<b>10,049</b>	<b>10,049</b>	<b>14,283</b>	<b>14,283</b>	<b>715,661</b>	<b>932,191</b>	<b>39.6%</b>	<b>32.5%</b>	<b>22.2%</b>	<b>5.2%</b>	<b>0.6%</b>	

## Notes:

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

## Infrastructure asset condition assessment 'key'

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

## Willoughby City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Buildings and infrastructure renewals ratio <sup>(1)</sup></b>					
Asset renewals <sup>(2)</sup>	<b>10,652</b>	<b>100.95%</b>	98.30%	96.92%	>= 100%
Depreciation, amortisation and impairment	<b>10,552</b>				
<b>2. Infrastructure backlog ratio <sup>(1)</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<b>10,049</b>	<b>1.40%</b>	1.42%	1.48%	< 2.00%
Net carrying amount of infrastructure assets	<b>720,126</b>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<b>14,283</b>	<b>100.00%</b>	100.01%	100.34%	> 100%
Required asset maintenance	<b>14,283</b>				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>10,049</b>	<b>1.08%</b>	1.17%	1.22%	
Gross replacement cost	<b>932,191</b>				

## Notes

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

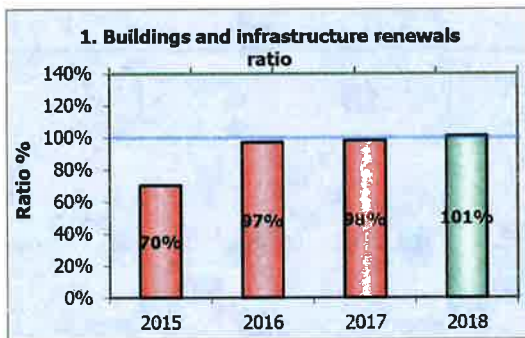
<sup>(1)</sup> Excludes Work In Progress (WIP)

<sup>(2)</sup> 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 Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2018



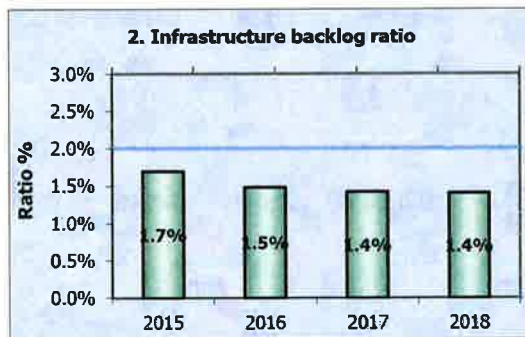
Benchmark: ——— Minimum  $\geq 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

**Purpose of asset renewals ratio**

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

Commentary on 2017/18 result	
2017/18 Ratio	100.95%
This indicator exceeds the industry benchmark of 100%.	

Ratio achieves benchmark  
 Ratio is outside benchmark



Benchmark: ——— Maximum  $< 2.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

**Purpose of infrastructure backlog ratio**

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

Commentary on 2017/18 result	
2017/18 Ratio	1.40%
This indicator is currently being met and has slightly improved over last year.	

Ratio achieves benchmark  
 Ratio is outside benchmark



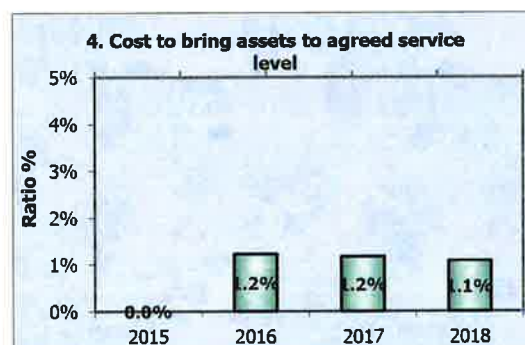
Benchmark: ——— Minimum  $> 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

**Purpose of asset maintenance ratio**

Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2017/18 result	
2017/18 Ratio	100.00%
This indicator is currently being met.	

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of agreed service level ratio**

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 2017/18 result	
2017/18 Ratio	1.08%
This indicator shows a slight decrease on 2017 which was 1.17%. There is currently no benchmark assigned to this measure.	



WILLOUGHBY  
CITY COUNCIL

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