

The background of the entire page is a photograph of plant branches with small, yellow, fuzzy flowers and green leaves. The image is split horizontally into two sections: the top half is a lighter, more blurred view of the flowers, and the bottom half is a darker, more focused view of the green leaves and stems. The text is overlaid on the bottom half.

# ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2021

## Executive Summary 2020/21 Annual Financial Statements

### Overview

---

Despite suffering \$9 million of revenue losses as a result of the COVID-19 pandemic, Willoughby City Council recorded an operating surplus of \$1.2 million and generated an increase in cash holdings during the 2020/21 Financial Year.

The 2020/21 Financial Statements find Council in a robust, healthy and sustainable financial position. Council's reserves and ongoing revenue streams will enable us to continue to provide services to the community and to deliver planned projects and capital works.

### Introduction

---

This commentary provides the highlights of Council's 2020/21 Financial Statements. The Financial Statements provide information in relation to Council's financial performance and financial position. The Statements are prepared in accordance with the Australian Accounting Standards, the *Local Government Act 1993, Local Government (General) Regulation 2021* and the *NSW Local Government Code of Accounting Practice and Financial Reporting 2020/21*.

The Financial Statements Comprise:

- General Purpose Financial Statements
- Special Purpose Financial Statements
- Special Schedules

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

### Financial Performance – Summary Results

---

The following table highlights a comparison of financial performance between 2020/21 and 2019/20.

Income Statement	2020/21 \$'000	2019/20 \$'000
Total Income from Continuing Operations	121,142	141,778
Total Expenses from Continuing Operations	(110,909)*	(111,579)
Surplus Operating Result from Continuing Operations (including Capital Grants and Contributions)	10,233	30,199
Grants and Contributions provided for Capital Purposes	(9,055)	(25,299)
Net Operating Result before Capital Grants and Contributions	1,178	4,900

\* Numbers in brackets are minus numbers.

## Operating Result

---

Council has achieved a consolidated operating surplus of \$1.2 million before capital grants and contributions. Council achieved a surplus of \$10.2 million including grants and contributions provided for capital purposes<sup>1</sup>. Council achieved this positive operating result despite:

- Significant financial impacts caused by COVID-19 (refer below);
- A more restrictive interpretation of when software development costs can be capitalised meaning these costs must be immediately expensed
- Changes to the timing of recognising grants, contributions and planning revenue arising from new accounting standards.

## Statement of Financial Position

---

The net value of assets<sup>2</sup> owned by the Willoughby community at 30 June 2021 is \$1.87 billion (\$1.78 billion at 30 June 2020). The majority of this equity is ownership of land, building and infrastructure assets such as roads, stormwater drainage, footpaths, parks and open space. The increase in equity this year relates predominately to the revaluation of land, building and investment properties.

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

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

At 30 June 2021 Council's total cash and investment balance is \$180.8 million. It is important to note that \$164 million (91%) of this cash is restricted for use on specific purposes, leaving \$16.8 million (9%) as healthy and sustainable unrestricted cash to fund day to day operations.

## Key Financial Performance Indicators

Council's 2020/21 financial performance has exceeded five of the six Office of Local Government (OLG) benchmarks for financial performance (refer Note F5-1 in the General Purpose Financial Statements).

Despite recording a surplus, Council did not meet the benchmark for the Operating Performance Ratio. This is because the ratio excludes some revenue items not considered to be operational<sup>3</sup>. This surplus result should be considered in the context of significant revenue losses due to the impact of COVID-19.

Council's achievement of the other five OLG benchmarks for financial performance indicate that Council is in a robust, sustainable financial position with capacity to meet obligations and deliver high levels of service now and into the future.

The following table shows Council's performance against the Office of Local Government (OLG) key financial performance benchmarks in 2020/21.

Performance Measure	Purpose	Benchmark	2020/21 Result	Achieved
<b>Operating Performance Ratio</b>	Measures Council's achievement of containing operating expenditure within operating revenue	>0.00%	<b>-1.26%</b>	
<b>Own Source Operating Revenue Ratio</b>	Measures Council's financial independence and capacity to fund operations without reliance on external grant funding.	>60.00%	<b>87.17%</b>	
<b>Unrestricted Current Ratio</b>	To assess the adequacy of working capital and Council's capacity to satisfy obligations in the short term.	> 1.5 x	<b>3.85 x</b>	
<b>Debt Service Cover Ratio</b>	Measures the availability of operating cash to service debt (including interest, principal and lease payments).	> 2.00 x	<b>4.59 x</b>	
<b>Rates and Annual charges outstanding percentage</b>	To assess the adequacy of recovery efforts and to measure the impact of uncollected rates and charges on Council's liquidity.	<5.00%	<b>2.17%</b>	
<b>Cash Expense Cover Ratio</b>	The number of months Council can continue to pay expenses without additional cash inflow (note however this ratio includes restricted cash that cannot be used on day to day expenses).	> 3 months	<b>21.58 months</b>	

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

## Infrastructure Asset Performance Indicators

---

Council has exceeded all industry benchmarks set by the OLG for building and infrastructure asset management (refer Special Schedule 7). The following table shows Council's performance against the Office of Local Government (OLG) infrastructure asset performance benchmarks in 2020/21.

Performance Measure	Purpose	Benchmark	2020/21 Result	Achieved
<b>Building and Infrastructure Renewals Ratio</b>	Measures the rate at which assets are being renewed relative to the rate at which they are depreciating.	>100.00%	<b>104.34%</b>	
<b>Infrastructure Backlog Ratio</b>	Shows what proportion the asset backlog is against the total value of Council's infrastructure.	<2.00%	<b>1.31%</b>	
<b>Asset Maintenance Ratio</b>	Compares actual versus required annual asset maintenance.	>100.00%	<b>103.02%</b>	
<b>Cost to bring assets to agreed service levels</b>	Provides a snapshot of the proportion of outstanding renewal works compared to the total value of Council's assets.	N/A	<b>1.00%</b>	N/A

## COVID-19 Financial Impact 2020/21

---

Despite the restrictions imposed as a result of the COVID-19 ending in June 2020, the financial impacts arising from changes to consumer behaviour, legislative changes and restrictions to international travel flowed into the 2020/21 financial year and resulted in material revenue shortfalls.

Council estimate that the revenue loss arising from COVID-19 in the 2020/21 financial year was around \$9 million. This was mainly in the areas of paid parking, commercial rent, leisure centre income, children's services income, performing arts income, sporting field rentals, community centres and compliance income.

Council reacted by reducing variable costs, focusing on reducing leave balances and identifying other opportunities to offset this loss. Despite the direct and material impact to the financial results, Council was still able to achieve a modest surplus.

## Prior Year Adjustment

---

In preparation for the migration to a new integrated enterprise asset management system, a reconciliation was performed between the Geographical Information System (Pathway GIS) and the existing Financial Asset Register for land. Council identified rights in five parcels of Land that have not previously been included in the Financial Asset Register.

These land holdings were externally valued at \$14.5 million. This amount represents 0.7% of Council's total asset portfolio and 2.9% of the Operational Land portfolio. The error identified was appropriately corrected retrospectively by restating the balances at 1 July 2019 and taking the adjustment through to accumulated surplus in accordance with AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'. The correction of the error was disclosed in Note F3-2 of the financial statements.

## Change in Accounting Policy

---

Management revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software as a Service (SaaS) arrangements in response to the International Financial Reporting Interpretations Committee (IFRIC) agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements.

Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are now recognised as operating expenses when the services are received instead of being classified as Intangible Assets.

Accordingly, \$2.2 million previously recognised as software within Intangible Assets at 30 June 2020 was restated as an expense for the year ended 30 June 2020. The change in accounting treatment also resulted in a net negative impact of \$907,000 to the 2020/21 operating result. The change in accounting policy was disclosed in Note F3-1 of the financial statements.

## Conclusion

---

The 2020/21 Financial Statements find Council in a robust, healthy and sustainable financial position. Council recorded a small surplus despite significant challenges arising from COVID-19.

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

Council's reserves and ongoing revenue streams will enable us to continue to provide services to the community and to deliver planned projects and capital works.

**Chief Financial Officer**  
**20 October 2021**

# Willoughby City Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2021

---



WILLOUGHBY CITY COUNCIL

# Willoughby City Council

## General Purpose Financial Statements

for the year ended 30 June 2021

---

Contents	Page
<b>Statement by Councillors and Management</b>	<b>3</b>
<b>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>Notes to the Financial Statements</b>	<b>9</b>
<b>Independent Auditor's Reports:</b>	
On the Financial Statements (Sect 417 [2])	86
On the Financial Statements (Sect 417 [3])	89

---

### Overview

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

31 Victor Street  
Chatswood NSW 2067

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

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

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

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

# Willoughby City Council

## General Purpose Financial Statements

for the year ended 30 June 2021

### Statement by Councillors and Management

---

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

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

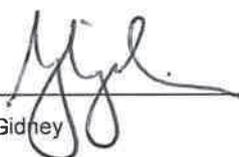
- the *Local Government Act 1993 (NSW)* and the regulations made thereunder,
- the *Australian Accounting Standards* and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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

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

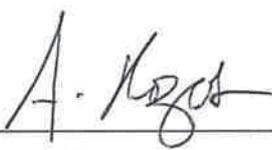
**We are not aware of any matter that would render these statements false or misleading in any way.**

**Signed in accordance with a resolution of Council made on 18th October 2021.**



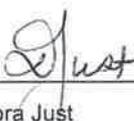
---

Gail Giles-Gidney  
**Mayor**  
18th October 2021



---

Angelo Rozos  
**Deputy Mayor**  
18th October 2021



---

Debra Just  
**Chief Executive Officer**  
18th October 2021



---

Stephen Naven  
**Responsible Accounting Officer**  
18th October 2021



## Willoughby City Council

### Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	Restated 2020
<b>Net operating result for the year – from Income Statement</b>		<b>10,233</b>	<b>30,199</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	<b>74,525</b>	53,620
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>74,525</b>	53,620
<b>Total other comprehensive income for the year</b>		<b>74,525</b>	53,620
<b>Total comprehensive income for the year attributable to Council</b>		<b>84,758</b>	83,819

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

# Willoughby City Council

## Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	Restated 2020	Restated 1 July 2019
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	C1-1	9,727	6,860	5,161
Investments	C1-2	171,051	169,051	149,527
Receivables	C1-4	6,031	4,791	7,838
Inventories	C1-5	–	27	22
Other		1,985	853	822
<b>Total current assets</b>		<b>188,794</b>	<b>181,582</b>	<b>163,370</b>
<b>Non-current assets</b>				
Receivables	C1-4	51	51	51
Infrastructure, property, plant and equipment	C1-6	1,665,019	1,583,449	1,526,741
Investment property	C1-7	92,300	89,628	85,921
Right of use assets	C2-1	621	711	–
Other		831	997	–
<b>Total non-current assets</b>		<b>1,758,822</b>	<b>1,674,836</b>	<b>1,612,713</b>
<b>Total assets</b>		<b>1,947,616</b>	<b>1,856,418</b>	<b>1,776,083</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	C3-1	22,762	19,206	21,934
Income received in advance	C3-1	–	533	1,360
Contract liabilities	C3-2	4,494	–	–
Lease liabilities	C2-1	242	279	–
Borrowings	C3-3	1,432	1,379	1,780
Employee benefit provisions	C3-4	11,515	11,815	11,205
Provisions	C3-5	–	12	–
<b>Total current liabilities</b>		<b>40,445</b>	<b>33,224</b>	<b>36,279</b>
<b>Non-current liabilities</b>				
Lease liabilities	C2-1	272	393	–
Borrowings	C3-3	37,793	38,546	39,396
Employee benefit provisions	C3-4	611	505	490
Provisions	C3-5	–	13	–
<b>Total non-current liabilities</b>		<b>38,676</b>	<b>39,457</b>	<b>39,886</b>
<b>Total liabilities</b>		<b>79,121</b>	<b>72,681</b>	<b>76,165</b>
<b>Net assets</b>		<b>1,868,495</b>	<b>1,783,737</b>	<b>1,699,918</b>
<b>EQUITY</b>				
Accumulated surplus	C4-1	1,238,524	1,228,291	1,198,092
IPPE revaluation reserve	C4-1	629,971	555,446	501,826
<b>Council equity interest</b>		<b>1,868,495</b>	<b>1,783,737</b>	<b>1,699,918</b>
<b>Total equity</b>		<b>1,868,495</b>	<b>1,783,737</b>	<b>1,699,918</b>

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

## Willoughby City Council

### Statement of Changes in Equity

for the year ended 30 June 2021

	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus Restated	IPPE revaluation reserve	Total equity Restated
<b>\$ '000</b>							
Opening balance at 1 July		1,216,006	555,446	1,771,452	1,183,569	501,826	1,685,395
Correction of prior period errors	F3-2	14,523	–	14,523	14,523	–	14,523
Changes in accounting policies	F3-1	(2,238)	–	(2,238)	–	–	–
<b>Restated opening balance</b>		<b>1,228,291</b>	<b>555,446</b>	<b>1,783,737</b>	<b>1,198,092</b>	<b>501,826</b>	<b>1,699,918</b>
Net operating result for the year restated for 30 June 2020		10,233	–	10,233	32,437	–	32,437
Changes in accounting policies	F3-1	–	–	–	(2,238)	–	(2,238)
<b>Net operating result for the period</b>		<b>10,233</b>	<b>–</b>	<b>10,233</b>	<b>30,199</b>	<b>–</b>	<b>30,199</b>
<b>Other comprehensive income</b>							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	74,525	74,525	–	53,620	53,620
<b>Other comprehensive income</b>		<b>–</b>	<b>74,525</b>	<b>74,525</b>	<b>–</b>	<b>53,620</b>	<b>53,620</b>
<b>Total comprehensive income</b>		<b>10,233</b>	<b>74,525</b>	<b>84,758</b>	<b>30,199</b>	<b>53,620</b>	<b>83,819</b>
<b>Closing balance at 30 June</b>		<b>1,238,524</b>	<b>629,971</b>	<b>1,868,495</b>	<b>1,228,291</b>	<b>555,446</b>	<b>1,783,737</b>

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

## Willoughby City Council

### Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Restated Actual 2020
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
68,568	Rates and annual charges		<b>69,208</b>	67,529
13,654	User charges and fees		<b>15,032</b>	16,894
3,447	Investment and interest revenue received		<b>2,590</b>	4,641
9,990	Grants and contributions		<b>18,858</b>	31,243
–	Bonds, deposits and retention amounts received		<b>644</b>	3,023
16,786	Other		<b>22,963</b>	24,549
<i>Payments:</i>				
(45,715)	Employee benefits and on-costs		<b>(41,373)</b>	(41,538)
(31,776)	Materials and services		<b>(47,457)</b>	(42,584)
(2,293)	Borrowing costs		<b>(1,517)</b>	(1,576)
–	Bonds, deposits and retention amounts refunded		<b>–</b>	(3,166)
(13,020)	Other		<b>(8,478)</b>	(17,044)
19,641	<b>Net cash flows from operating activities</b>	F1-1a	<b>30,470</b>	41,971
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
28,872	Sale of investment securities		<b>58,000</b>	62,500
443	Sale of infrastructure, property, plant and equipment		<b>169</b>	457
–	Deferred debtors receipts		<b>15</b>	–
<i>Payments:</i>				
–	Purchase of investment securities		<b>(58,000)</b>	(82,024)
–	Acquisition of term deposits		<b>(2,000)</b>	–
–	Purchase of investment property		<b>(182)</b>	(209)
(39,559)	Purchase of infrastructure, property, plant and equipment		<b>(23,898)</b>	(18,777)
(10,244)	<b>Net cash flows from investing activities</b>		<b>(25,896)</b>	(38,053)
<b>Cash flows from financing activities</b>				
<i>Payments:</i>				
(1,361)	Repayment of borrowings		<b>(1,381)</b>	(1,779)
–	Principal component of lease payments		<b>(326)</b>	(440)
(1,361)	<b>Net cash flows from financing activities</b>		<b>(1,707)</b>	(2,219)
<b>8,036</b>	<b>Net change in cash and cash equivalents</b>		<b>2,867</b>	1,699
6,860	Cash and cash equivalents at beginning of year		<b>6,860</b>	5,161
<b>14,896</b>	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>9,727</b>	6,860
169,051	plus: Investments on hand at end of year	C1-2	<b>171,051</b>	169,051
<b>183,947</b>	<b>Total cash, cash equivalents and investments</b>		<b>180,778</b>	175,911

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

# Willoughby City Council

## Contents for the notes to the Financial Statements for the year ended 30 June 2021

<b>A About Council and these financial statements</b>	<b>11</b>
A1-1 Basis of preparation	11
<b>B Financial Performance</b>	<b>14</b>
<b>B1 Functions or activities</b>	<b>14</b>
B1-1 Functions or activities – income, expenses and assets	14
B1-2 Components of functions or activities	15
<b>B2 Sources of income</b>	<b>16</b>
B2-1 Rates and annual charges	16
B2-2 User charges and fees	17
B2-3 Other revenue	18
B2-4 Grants and contributions	19
B2-5 Interest and investment income	23
B2-6 Other income	23
<b>B3 Costs of providing services</b>	<b>24</b>
B3-1 Employee benefits and on-costs	24
B3-2 Materials and services	25
B3-3 Borrowing costs	26
B3-4 Depreciation, amortisation and impairment of non-financial assets	27
B3-5 Other expenses	28
<b>B4 Gains or losses</b>	<b>29</b>
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	29
<b>B5 Performance against budget</b>	<b>30</b>
B5-1 Material budget variations	30
<b>C Financial position</b>	<b>33</b>
<b>C1 Assets we manage</b>	<b>33</b>
C1-1 Cash and cash equivalents	33
C1-2 Financial investments	34
C1-3 Restricted cash, cash equivalents and investments	35
C1-4 Receivables	37
C1-5 Inventories	39
C1-6 Infrastructure, property, plant and equipment	40
C1-7 Investment properties	44
<b>C2 Leasing activities</b>	<b>45</b>
C2-1 Council as a lessee	45
C2-2 Council as a lessor	48
<b>C3 Liabilities of Council</b>	<b>50</b>
C3-1 Payables	50
C3-2 Contract Liabilities	51
C3-3 Borrowings	52
C3-4 Employee benefit provisions	54
C3-5 Provisions	55
<b>C4 Reserves</b>	<b>56</b>

# Willoughby City Council

## Contents for the notes to the Financial Statements for the year ended 30 June 2021

C4-1 Nature and purpose of reserves	56
<b>D Risks and accounting uncertainties</b>	<b>57</b>
D1-1 Risks relating to financial instruments held	57
D2 Fair value measurement	60
D3-1 Contingencies	69
<b>E People and relationships</b>	<b>72</b>
<b>E1 Related party disclosures</b>	<b>72</b>
E1 Key management personnel (KMP)	72
E1-2 Councillor and Mayoral fees and associated expenses	73
<b>E2 Other relationships</b>	<b>74</b>
E2-1 Audit fees	74
<b>F Other matters</b>	<b>75</b>
F1-1 Statement of Cash Flows information	75
F2-1 Commitments	76
<b>F3 Changes from prior year statements</b>	<b>77</b>
F3-1 Changes in accounting policy	77
F3-2 Correction of errors	78
<b>F4 Statement of developer contributions as at 30 June 2021</b>	<b>79</b>
F4-1 Summary of developer contributions	79
F4-2 Developer contributions by plan	80
F4-3 Contributions not under plans	80
F4-4 S7.4 planning agreements	80
<b>F5 Statement of performance measures</b>	<b>82</b>
F5-1 Statement of performance measures – consolidated results	82
<b>G Additional Council disclosures (unaudited)</b>	<b>83</b>
G1-1 Statement of performance measures – consolidated results (graphs)	83
G1-2 Council information and contact details	85

## A About Council and these financial statements

### A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 18th October 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

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

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

and are clearly marked.

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

Comparatives have been adjusted to reflect prior period adjustments. Refer Note F3-2.

#### Historical cost convention

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

#### Significant accounting estimates and judgements

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

#### Covid 19 Impacts

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

## A1-1 Basis of preparation (continued)

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

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

- (i) Impairment of receivables - Council has made a significant judgement about the impairment of a number of its receivables – refer Note C1-4.
- (ii) Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* - refer to notes B2-2 - B2-4.
- (iii) Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease - refer to Note C2-1.

### Monies and other assets received by Council

#### The Consolidated Fund

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

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

- General purpose operations

#### The Trust Fund

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

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

### Goods and Services Tax (GST)

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

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

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

### Volunteer services

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

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

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

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2021 reporting period.

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

## A1-1 Basis of preparation (continued)

---

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

### **New accounting standards adopted during the year**

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2021.

None of these standards had a material significant impact on Council's financial position or performance.

## B Financial Performance

### B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020 Restated	2021	2020 Restated	2021	2020	2021	2020 Restated
<b>Functions or activities</b>										
A City that is green	21,717	23,155	26,030	24,370	(4,313)	(1,215)	139	269	169,489	167,928
A City that is connected and inclusive	17,823	15,715	18,541	17,018	(718)	(1,303)	10,046	12,465	502,124	501,781
A City that is liveable	13,547	14,113	35,468	33,739	(21,921)	(19,626)	2,994	17,850	681,653	602,258
A City that is prosperous and vibrant	9,695	10,206	7,489	11,956	2,206	(1,750)	240	246	167,368	161,483
A City that is effective and accountable	58,360	78,589	23,381	24,496	34,979	54,093	1,782	1,726	426,982	422,968
<b>Total functions and activities</b>	<b>121,142</b>	<b>141,778</b>	<b>110,909</b>	<b>111,579</b>	<b>10,233</b>	<b>30,199</b>	<b>15,201</b>	<b>32,556</b>	<b>1,947,616</b>	<b>1,856,418</b>

## B1-2 Components of functions or activities

---

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

### A City that is green

- Create and enhance green spaces.
- Promote sustainable lifestyles and practices.
- Enhance, protect and respect waterways, bushland, nature, wildlife and ecological systems.
- Reduce energy, water and resource waste and encourage reuse and recycling.
- Reduce carbon and greenhouse gas emissions.

### A City that is connected and inclusive

- Enhance transport choices and connections throughout the City.
- Respect and celebrate our history and heritage sites.
- Celebrate and encourage our diversity.
- Reduce parking and traffic congestion.
- Create family friendly neighbourhoods that connect people.
- Improve access to digital services in public places.
- Promote accessible services for the community.

### A City that is liveable

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

### A City that is prosperous and vibrant

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

### A City that is effective and accountable

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

## B2 Sources of income

### B2-1 Rates and annual charges

\$ '000	2021	2020
<b>Ordinary rates</b>		
Residential	31,131	30,268
Business	21,812	21,242
Less: pensioner rebates (mandatory)	(184)	(182)
Less: pensioner rebates (Council policy)	(150)	(149)
<b>Rates levied to ratepayers</b>	<b>52,609</b>	<b>51,179</b>
Pensioner rate subsidies received	177	183
<b>Total ordinary rates</b>	<b>52,786</b>	<b>51,362</b>
<b>Special rates</b>		
Stormwater management levy	694	693
<b>Rates levied to ratepayers</b>	<b>694</b>	<b>693</b>
<b>Total special rates</b>	<b>694</b>	<b>693</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	16,181	16,122
Less: pensioner rebates (mandatory)	(64)	(67)
Less: pensioner rebates (Council policy)	(355)	(354)
<b>Annual charges levied</b>	<b>15,762</b>	<b>15,701</b>
Pensioner subsidies received:		
– Domestic waste management	64	67
<b>Total annual charges</b>	<b>15,826</b>	<b>15,768</b>
<b>Total rates and annual charges</b>	<b>69,306</b>	<b>67,823</b>

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

#### Accounting policy

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

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

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

## B2-2 User charges and fees

\$ '000	Timing	2021	2020
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Waste management services (non-domestic)	2	254	263
<b>Total specific user charges</b>		<b>254</b>	<b>263</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	2	1,901	3,133
Section 10.7 certificates (EP&A Act)	2	237	–
Section 603 certificates	2	120	–
Section 611 charges	2	64	69
<b>Total fees and charges – statutory/regulatory</b>		<b>2,322</b>	<b>3,202</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Child care	2	1,164	1,240
Leisure centre	2	2,028	2,085
Parking fees	2	4,798	4,758
Restoration charges	2	1,912	2,161
Building related	2	794	811
Community services	2	1,304	1,076
Other	2	697	709
<b>Total fees and charges – other</b>		<b>12,697</b>	<b>12,840</b>
<b>Total user charges and fees</b>		<b>15,273</b>	<b>16,305</b>
<b>Timing of revenue recognition for user charges and fees</b>			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		15,273	16,305
<b>Total user charges and fees</b>		<b>15,273</b>	<b>16,305</b>

### Accounting policy

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

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

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

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

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

**B2-3 Other revenue**

<b>\$ '000</b>	Timing	<b>2021</b>	2020
Fines	2	<b>4,132</b>	4,173
Legal fees recovery – rates and charges (extra charges)	2	<b>1</b>	66
Legal fees recovery – other	2	<b>48</b>	86
Commissions and agency fees	2	<b>2</b>	2
CDO Investment Recovery	2	<b>–</b>	635
Insurance claims recoveries	2	<b>116</b>	299
Sale of abandoned vehicles	2	<b>–</b>	21
Sales – general	2	<b>–</b>	10
Community development	2	<b>–</b>	94
Council property	2	<b>–</b>	45
General administration	2	<b>–</b>	261
Library services	2	<b>–</b>	21
Melody markets	2	<b>442</b>	603
Other	2	<b>9</b>	349
Merchant fee recovery	2	<b>84</b>	96
Orchestra and choir	2	<b>–</b>	19
Services recovery	2	<b>(14)</b>	61
Sponsorship	2	<b>36</b>	106
Street fair	2	<b>–</b>	93
<b>Total other revenue</b>		<b>4,856</b>	<b>7,040</b>

**Timing of revenue recognition for other revenue**

Other revenue recognised over time (1)		<b>–</b>	–
Other revenue recognised at a point in time (2)		<b>4,856</b>	7,040
<b>Total other revenue</b>		<b>4,856</b>	<b>7,040</b>

**Accounting policy for other revenue**

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

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

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

## B2-4 Grants and contributions

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>General purpose grants and non-developer contributions (untied)</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	2	829	821	–	–
Financial assistance – local roads component	2	297	294	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	2	887	870	–	–
Financial assistance – local roads component	2	318	312	–	–
<b>Amount recognised as income during current year</b>		<b>2,331</b>	<b>2,297</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>					
<b>Cash contributions</b>					
<b>Previously specific grants:</b>					
<b>Pensioners' rates subsidies:</b>					
Community care	2	1,856	3,162	–	–
Library – per capita	2	207	197	–	–
LIRS subsidy	2	28	36	–	–
Recreation and culture	2	–	57	663	5
Housing and community	2	–	339	–	–
Street lighting	2	194	194	–	–
Traffic route subsidy	2	29	62	–	–
Transport (roads to recovery)	2	273	375	–	–
Transport (other roads and bridges funding)	2	36	–	1,035	4,017
Other specific grants	2	771	62	–	–
<b>Previously contributions:</b>					
Other councils – joint works/services	2	2	37	–	–
Recreation and culture	2	29	47	–	–
Transport for NSW contributions (regional roads, block grant)	2	390	392	–	–
<b>Total special purpose grants and non-developer contributions – cash</b>		<b>3,815</b>	<b>4,960</b>	<b>1,698</b>	<b>4,022</b>
<b>Non-cash contributions</b>					
Housing and community amenities	2	–	–	3,124	1,625
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>3,124</b>	<b>1,625</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>		<b>3,815</b>	<b>4,960</b>	<b>4,822</b>	<b>5,647</b>
<b>Total grants and non-developer contributions</b>		<b>6,146</b>	<b>7,257</b>	<b>4,822</b>	<b>5,647</b>
<b>Comprising:</b>					
– Commonwealth funding		4,428	5,272	829	467
– State funding		1,649	1,434	836	3,555
– Other funding		69	551	3,157	1,625
		<b>6,146</b>	<b>7,257</b>	<b>4,822</b>	<b>5,647</b>

## B2-4 Grants and contributions (continued)

### Developer contributions

\$ '000	Notes	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<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						
		2	–	–	2,650	4,022
S 7.12 – fixed development consent levies						
		2	–	–	1,583	795
Other developer contributions						
		2	–	–	–	14,835
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>4,233</b>	<b>19,652</b>
<b>Total developer contributions</b>			<b>–</b>	<b>–</b>	<b>4,233</b>	<b>19,652</b>
<b>Total contributions</b>			<b>–</b>	<b>–</b>	<b>4,233</b>	<b>19,652</b>
<b>Total grants and contributions</b>			<b>6,146</b>	<b>7,257</b>	<b>9,055</b>	<b>25,299</b>
<b>Timing of revenue recognition for grants and contributions</b>						
Grants and contributions recognised over time (1)						
			–	–	–	–
Grants and contributions recognised at a point in time (2)						
			6,146	7,257	9,055	25,299
<b>Total grants and contributions</b>			<b>6,146</b>	<b>7,257</b>	<b>9,055</b>	<b>25,299</b>

## B2-4 Grants and contributions (continued)

### Unspent grants and contributions

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

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>Unspent grants and contributions</b>				
Unspent funds at 1 July	1,808	1,602	3,568	169
<b>Add:</b> operating grants recognised as income in the current period but not yet spent	1,563	1,527	-	3,490
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(1,491)	(1,321)	(991)	(91)
<b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year	-	-	-	-
<b>Unspent funds at 30 June</b>	<b>1,880</b>	<b>1,808</b>	<b>2,577</b>	<b>3,568</b>

The majority of the unexpended Capital Grants as at 30th June 2021 relates to Active Transport Links 1,2 & 3 of \$2.5M. The majority of the unexpended Operating Grants as at 30th June 2021 is the Financial Assistance Grant of \$1.2M.

### Contributions

Unspent funds at 1 July	60,632	43,680	-	-
<b>Add:</b> contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	6,509	20,633	-	-
<b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year	(4,277)	(3,681)	-	-
<b>Unspent contributions at 30 June</b>	<b>62,864</b>	<b>60,632</b>	<b>-</b>	<b>-</b>

Unexpended contributions as at 30 June 2021 relate to contributions received under s94, s94A, s7.11, s7.12 and voluntary planning agreements.

### Accounting policy

#### Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

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

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

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

#### Capital grants

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

## B2-4 Grants and contributions (continued)

---

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

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

### **Developer contributions**

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

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

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

### **Other grants and contributions**

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

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

**B2-5 Interest and investment income**

\$ '000	2021	2020
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	43	34
– Cash and investments	2,183	3,533
Finance income on the net investment in the lease	–	–
<b>Total interest and investment income (losses)</b>	<b>2,226</b>	<b>3,567</b>
<b>Interest and investment income is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	43	34
General Council cash and investments	1,147	1,837
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	303	504
Site 1 – Cy Pres Scheme	22	54
Site 2 – Cy Pres Scheme	11	20
Other externally restricted assets	531	782
<b>Restricted investments/funds – internal:</b>		
Internally restricted assets	169	336
<b>Total interest and investment income</b>	<b>2,226</b>	<b>3,567</b>

**Accounting policy**

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

**B2-6 Other income**

\$ '000	Notes	2021	2020
<b>Fair value increment on investment properties</b>			
Fair value increment on investment properties		2,490	3,498
<b>Total fair value increment on investment properties</b>	C1-7	<b>2,490</b>	<b>3,498</b>
<b>Rental income</b>			
<b>Investment properties</b>			
Lease income (excluding variable lease payments not dependent on an index or rate)		5,004	4,433
<b>Total Investment properties</b>		<b>5,004</b>	<b>4,433</b>
<b>Other lease income</b>			
Room/Facility Hire		6,617	6,506
<b>Total Other lease income</b>		<b>6,617</b>	<b>6,506</b>
<b>Total rental income</b>	C2-2	<b>11,621</b>	<b>10,939</b>
<b>Total other income</b>		<b>14,111</b>	<b>14,437</b>

## B3 Costs of providing services

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

\$ '000	2021	2020
Salaries and wages	32,362	32,436
Employee leave entitlements (ELE)	4,888	5,165
Superannuation	3,703	3,694
Workers' compensation insurance	1,079	1,181
Fringe benefit tax (FBT)	244	255
Other	80	70
<b>Total employee costs</b>	<b>42,356</b>	<b>42,801</b>
Less: capitalised costs	(735)	(718)
<b>Total employee costs expensed</b>	<b>41,621</b>	<b>42,083</b>
Number of 'full-time equivalent' employees (FTE) at year end	376	369

#### Accounting policy

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

#### *Retirement benefit obligations*

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

#### *Superannuation plans*

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

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

## B3-2 Materials and services

\$ '000	Notes	2021	2020
Raw materials and consumables		2,508	2,312
Contractor and consultancy costs			
– Consultancy costs (assorted)		1,700	1,260
– Cleaning		1,391	1,239
– Waste Collection		7,685	7,230
– Equipment Maintenance		277	399
– Security Services		465	472
– Pay and Display Machine Maintenance		186	304
– Waste Disposal		5,656	4,873
– Management Fees		53	182
– Agency Personnel		1,925	2,287
– Open Space		2,425	2,449
– Infrastructure Works		3,587	2,577
– Street Cleaning		175	93
– Property Services		2,706	2,485
– Engineering Services		513	283
– Plant		215	168
– Environmental Services		1,328	2,356
– Events		29	670
– Willoughby Leisure Centre		63	57
– Chatswood Mall		43	151
– Other		1,622	1,358
Audit committee fees		13	14
Audit Fees	E2-1	89	88
Councillor and Mayoral fees and associated expenses	E1-2	422	336
Advertising		364	423
Bank charges		383	310
Electricity and heating		1,377	1,577
Insurance		1,708	1,863
Printing and stationery		161	–
Street lighting		613	427
Subscriptions and publications		280	191
Telephone and communications		551	489
Valuation fees		106	104
Travel expenses		18	22
Training costs (other than salaries and wages)		365	316
Other expenses		947	672
Child care assistance fee relief		–	570
Commissions and agency fees		545	468
Computer operating expenses		2,567	3,641
Events and community projects		–	50
Orchestra costs		73	145
Planning reform fees		163	760
Vehicle registrations		127	118
Water rates and other services		364	231
<b>Legal expenses:</b>			
– Legal expenses: planning and development		702	370
– Legal expenses: other		397	283
Other		141	332
<b>Total materials and services</b>		<b>47,028</b>	<b>47,005</b>
<b>Total materials and services</b>		<b>47,028</b>	<b>47,005</b>

### Accounting policy

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

**B3-3 Borrowing costs**

<b>\$ '000</b>	<b>2021</b>	<b>2020</b>
<b>(i) Interest bearing liability costs</b>		
Interest on leases	8	11
Interest on loans	1,507	1,560
Fair value adjustment on loans (to Council)	681	528
<b>Total borrowing costs expensed</b>	<b>2,196</b>	<b>2,099</b>

**Accounting policy**

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

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

\$ '000	Notes	2021	2020
<b>Depreciation and amortisation</b>			
Plant and equipment		1,171	1,086
Office equipment		139	157
Furniture and fittings		182	188
Land improvements (depreciable)		93	109
<b>Infrastructure:</b>	C1-6		
– Buildings (specialised)		4,801	4,747
– Other structures		264	248
– Roads		3,472	3,566
– Bridges		164	164
– Footpaths		1,307	1,317
– Stormwater drainage		1,328	1,331
– Swimming pools		39	39
– Other open space/recreational assets		3,187	3,278
– Other infrastructure		260	229
Right of use assets	C2-1	258	401
<b>Other assets:</b>			
– Library books		446	448
<b>Total gross depreciation and amortisation costs</b>		<b>17,111</b>	<b>17,308</b>
<b>Total depreciation and amortisation costs</b>		<b>17,111</b>	<b>17,308</b>
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>17,111</b>	<b>17,308</b>

### Accounting policy

#### Depreciation and amortisation

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

#### Impairment of non-financial assets

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

Intangible assets not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

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

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

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

**B3-5 Other expenses**

<b>\$ '000</b>	Notes	<b>2021</b>	2020
<b>Impairment of receivables</b>			
Other		<b>102</b>	317
<b>Total impairment of receivables</b>	C1-4	<b>102</b>	<b>317</b>
<b>Other</b>			
Contributions/levies to other levels of government			
– EPA levy		<b>253</b>	248
– NSW fire brigade levy		<b>1,978</b>	1,782
– Parking space levy		<b>354</b>	437
Donations, contributions and assistance to other organisations (Section 356)		<b>266</b>	300
<b>Total other</b>		<b>2,851</b>	<b>2,767</b>
<b>Total other expenses</b>		<b>2,953</b>	<b>3,084</b>

**Accounting policy**

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

Impairment expenses are recognised when identified.

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

\$ '000	Notes	2021	2020
<b>Gain (or loss) on disposal of property (excl. investment property)</b>			
Proceeds from disposal – property		–	254
Less: carrying amount of property assets sold/written off		–	(25)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>229</b>
<b>Gain (or loss) on disposal of plant and equipment</b>			
	C1-6		
Proceeds from disposal – plant and equipment		169	203
Less: carrying amount of plant and equipment assets sold/written off		–	(57)
<b>Gain (or loss) on disposal</b>		<b>169</b>	<b>146</b>
<b>Gain (or loss) on disposal of infrastructure</b>			
	C1-6		
Less: carrying amount of infrastructure assets sold/written off		–	(325)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>(325)</b>
<b>Gain (or loss) on disposal of investments</b>			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		58,000	62,500
Less: carrying amount of investments sold/redeemed/matured		(58,000)	(62,500)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Gain (or loss) on disposal of term deposits</b>			
	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		–	–
Less: carrying amount of term deposits sold/redeemed/matured		–	–
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Net gain (or loss) on disposal of assets</b>		<b>169</b>	<b>50</b>

**Accounting policy**

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

## B5 Performance against budget

### B5-1 Material budget variations

Council's original budget was adopted by the Council on 27 July 2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, the COVID-19 pandemic, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----		
<b>REVENUES</b>					
<b>Rates and annual charges</b>	69,024	69,306	282	0%	<b>F</b>
<b>User charges and fees</b>	13,473	15,273	1,800	13%	<b>F</b>
Positive variance due to:					
<ul style="list-style-type: none"> <li>• Higher than anticipated Restoration charges (\$900k higher than budget), and</li> <li>• Faster than anticipated recovery for some COVID affected revenue streams such as Paid Parking, Leisure Centre and Child Care.</li> </ul>					
<b>Other revenues</b>	4,354	4,856	502	12%	<b>F</b>
Faster than anticipated recovery from COVID for compliance revenue. The budget factored in a longer disruption to this revenue stream.					
<b>Operating grants and contributions</b>	6,529	6,146	(383)	(6)%	<b>U</b>
Minor negative variance due to:					
<ul style="list-style-type: none"> <li>• Operating Grants being at the discretion of other levels of Government after the budget is adopted.</li> <li>• \$162k of the difference relates to the classification of one specific operating grant as Income in Advance (Contract Liability).</li> </ul>					
<b>Capital grants and contributions</b>	3,462	9,055	5,593	162%	<b>F</b>
Positive variance due to:					
<ul style="list-style-type: none"> <li>• Stronger than anticipated receipt of s7.12 developer contributions.</li> <li>• Receipt of income from a newly agreed Voluntary Planning Agreement (VPA)</li> <li>• Unanticipated non-cash contribution for affordable housing.</li> <li>• Stronger Capital Grants revenue as a result of the Federal Government's Local Roads and Community Infrastructure (LRCI) program.</li> </ul>					
<b>Interest and investment revenue</b>	3,447	2,226	(1,221)	(35)%	<b>U</b>
Ongoing lower interest rate returns resulting from COVID uncertainty and subdued general economic activity.					
<b>Net gains from disposal of assets</b>	131	169	38	29%	<b>F</b>
Positive variance due to higher than anticipated returns on the sale of plant and equipment.					
<b>Other income</b>	13,432	14,111	679	5%	<b>F</b>
Positive variance due to:					
<ul style="list-style-type: none"> <li>• Higher than anticipated fair value adjustment on investment properties (\$1.5m over budget).</li> <li>• Offset by lower Rental Revenue due to COVID related rental relief (\$800k under budget).</li> </ul>					
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	46,353	41,621	4,732	10%	<b>F</b>

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----		
Positive variance due to:					
• Full time equivalent staff vacancies not factored into the budget.					
• Lower casual costs resulting from COVID restrictions.					
• Higher leave taken.					
<b>Materials and services</b>	<b>44,767</b>	<b>47,028</b>	<b>(2,261)</b>	<b>(5)%</b>	<b>U</b>
Negative variance due to:					
• Change in accounting treatment for system implementation and licence costs (refer Note F3-1)					
• Higher contractor costs in some areas to offset staff vacancies					
<b>Borrowing costs</b>	<b>2,293</b>	<b>2,196</b>	<b>97</b>	<b>4%</b>	<b>F</b>
<b>Depreciation, amortisation and impairment of non-financial assets</b>	<b>16,814</b>	<b>17,111</b>	<b>(297)</b>	<b>(2)%</b>	<b>U</b>
<b>Other expenses</b>	<b>3,132</b>	<b>2,953</b>	<b>179</b>	<b>6%</b>	<b>F</b>
Positive variance due to lower than budget expense for the Parking Space Levy.					

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
---------	----------------	----------------	------------------------------	--

**STATEMENT OF CASH FLOWS**

<b>Cash flows from operating activities</b>	<b>19,641</b>	<b>30,470</b>	<b>10,829</b>	<b>55%</b>	<b>F</b>
---	---------------	---------------	---------------	------------	----------

The positive variance of \$10.8m in cash-flows from operating activities can primarily be attributed to:

- Higher than anticipated Capital Grants and Contributions revenue (\$5.6m)
- Higher user charges and fee income (\$1.8m)
- Lower than budget employee expenses (\$4.7m).
- Higher than expected Other revenues (\$502k).

Offset by

- Lower than budget interest revenue (down \$1.2m)
- Higher than budget materials and services costs (\$2.3m)

<b>Cash flows from investing activities</b>	<b>(10,244)</b>	<b>(25,896)</b>	<b>(15,652)</b>	<b>153%</b>	<b>U</b>
---	-----------------	-----------------	-----------------	-------------	----------

The budget for cash flow from investments envisaged lower cash flow from operations and higher spend on Infrastructure, Property, Plant and Equipment (IPP&E) which would have required a net sale of investment securities to fund cash-flow. Due to higher than anticipated cash flow from operations, and lower spend on IPP&E, operating cash flow was able to fund IPP&E purchases without a net sell down of Investment Securities.

<b>Cash flows from financing activities</b>	<b>(1,361)</b>	<b>(1,707)</b>	<b>(346)</b>	<b>25%</b>	<b>U</b>
---	----------------	----------------	--------------	------------	----------

The negative variance is due to the lease liability not being budgeted for under this category.

## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

\$ '000	2021	2020
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	(45)	557
Cash-equivalent assets		
– Deposits at call	9,772	6,303
<b>Total cash and cash equivalents</b>	<b>9,727</b>	<b>6,860</b>

#### Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	9,727	6,860
<b>Balance as per the Statement of Cash Flows</b>	<b>9,727</b>	<b>6,860</b>

#### Accounting policy

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

## C1-2 Financial investments

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
<b>Debt securities at amortised cost</b>				
Long term deposits	171,051	–	169,051	–
<b>Total</b>	<b>171,051</b>	<b>–</b>	<b>169,051</b>	<b>–</b>
<b>Total financial investments</b>	<b>171,051</b>	<b>–</b>	<b>169,051</b>	<b>–</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>180,778</b>	<b>–</b>	<b>175,911</b>	<b>–</b>

### Accounting policy

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

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

### Financial assets

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

### Classification

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

- amortised cost

Financial assets are not reclassified subsequent to their initial recognition.

### Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

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

\$ '000	2021		2020	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	<b>180,778</b>	<b>–</b>	<b>175,911</b>	<b>–</b>
<b>attributable to:</b>				
External restrictions	<b>99,347</b>	<b>–</b>	94,947	–
Internal restrictions	<b>64,663</b>	<b>–</b>	68,315	–
Unrestricted	<b>16,768</b>	<b>–</b>	12,649	–
	<b>180,778</b>	<b>–</b>	<b>175,911</b>	<b>–</b>

\$ '000	2021	2020
---------	------	------

### External restrictions – included in liabilities

Specific purpose unexpended loans – general	<b>99</b>	114
---	-----------	-----

<b>External restrictions – included in liabilities</b>	<b>99</b>	<b>114</b>
--	-----------	------------

### External restrictions – other

External restrictions included in cash, cash equivalents and investments above comprise:

Developer contributions – general	<b>61,307</b>	60,620
Transport for NSW contributions	<b>–</b>	52
Specific purpose unexpended grants (recognised as revenue) – general fund	<b>4,457</b>	5,335
Affordable housing	<b>14,168</b>	13,593
Infrastructure levy reserve	<b>3,462</b>	2,024
Site 1 – CY pres scheme	<b>1,193</b>	2,765
Site 2 – CY pres scheme	<b>1,017</b>	1,006
Domestic waste management	<b>9,987</b>	9,438
Grants & Contributions Received in Advance	<b>3,657</b>	–
<b>External restrictions – other</b>	<b>99,248</b>	<b>94,833</b>
<b>Total external restrictions</b>	<b>99,347</b>	<b>94,947</b>

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

<b>\$ '000</b>	<b>2021</b>	<b>2020</b>
<b>Internal restrictions</b>		
Council has internally restricted cash, cash equivalents and investments as follows:		
Plant and vehicle replacement	2,780	2,780
Employees leave entitlement	2,425	2,355
Asset improvement	1,127	1,199
Car park management	3,645	3,007
CBD event activities	89	89
CBD property	160	160
Depot	79	456
Election	525	525
Employee overheads	1,084	1,171
Environmental development plan	4,733	4,994
Flood Investigation	39	39
Information technology	2,556	3,583
Innovation/Digital Hub	905	905
Leisure and Recreational Projects	5,682	5,686
Paid parking	1,572	1,721
Property plan	7,850	7,973
Regency leisure centre lease	6,015	5,668
Repair to damage-road and footway	558	558
Stormwater management	242	84
The Concourse	12,338	16,272
Victor St Property redevelopment	5,802	3,732
Open space	717	802
Precinct Upgrade	3,740	4,556
<b>Total internal restrictions</b>	<b>64,663</b>	<b>68,315</b>
<b>Total restrictions</b>	<b>164,010</b>	<b>163,262</b>

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

## C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Purpose</b>				
Rates and annual charges	1,500	36	1,370	36
User charges and fees	2,547	–	1,900	–
Accrued revenues				
– Interest on investments	916	–	1,280	–
– Other income accruals	2,263	–	932	–
Deferred debtors	–	–	–	15
Other debtors	(669)	15	(267)	–
<b>Total</b>	<b>6,557</b>	<b>51</b>	<b>5,215</b>	<b>51</b>
<b>Less: provision of impairment</b>				
User charges and fees	(526)	–	(424)	–
<b>Total provision for impairment – receivables</b>	<b>(526)</b>	<b>–</b>	<b>(424)</b>	<b>–</b>
<b>Total net receivables</b>	<b>6,031</b>	<b>51</b>	<b>4,791</b>	<b>51</b>

\$ '000	2021	2020
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	424	107
+ new provisions recognised during the year	102	317
<b>Balance at the end of the year</b>	<b>526</b>	<b>424</b>

### Accounting policy

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

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

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

## C1-4 Receivables (continued)

---

### **Impairment**

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

When estimating ECL, Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

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

When considering the ECL for rates and annual charges debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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

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

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

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

## C1-5 Inventories

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>(i) Inventories at cost</b>				
Stores and materials	-	-	27	-
<b>Total inventories at cost</b>	-	-	27	-
<b>Total inventories</b>	-	-	27	-

### Accounting policy

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

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

## C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period								At 30 June 2021		
	Gross carrying amount Restated	Accumulated depreciation and impairment	Net carrying amount Restated	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>														
Capital work in progress	2,815	–	2,815	4,548	1,282	–	–	(2,392)	(66)	–	–	6,186	–	6,186
Plant and equipment	13,734	(8,064)	5,670	45	770	(192)	(1,171)	–	–	–	–	14,099	(8,808)	5,291
Office equipment	2,920	(2,355)	565	60	–	–	(139)	–	–	–	–	2,981	(2,494)	487
Furniture and fittings	3,011	(1,750)	1,261	–	4	–	(182)	–	–	–	–	3,016	(1,933)	1,083
<b>Land:</b>														
– Operational land	512,463	–	512,463	–	160	–	–	–	1,769	(5,758)	–	508,634	–	508,634
– Community land	267,303	–	267,303	–	–	–	–	–	(1,769)	–	68,784	334,318	–	334,318
Land improvements – depreciable	5,621	(748)	4,873	–	44	–	(93)	–	–	–	–	5,665	(841)	4,824
<b>Infrastructure:</b>														
– Buildings – non-specialised	23,620	–	23,620	55	2,760	–	–	5	–	–	270	26,710	–	26,710
– Buildings – specialised	343,464	(71,503)	271,961	2,283	–	–	(4,801)	1,978	–	–	12,844	356,775	(72,512)	284,263
– Other structures	9,314	(1,793)	7,521	–	141	–	(264)	5	(11)	(288)	–	9,719	(2,616)	7,103
– Roads	290,141	(88,924)	201,217	3,642	817	–	(3,472)	–	–	(1,047)	–	291,827	(90,671)	201,156
– Bridges	11,070	(2,034)	9,036	–	–	–	(164)	–	–	–	–	11,070	(2,198)	8,872
– Footpaths	80,964	(15,958)	65,006	1,014	515	–	(1,307)	–	–	(190)	–	82,131	(17,094)	65,037
– Bulk earthworks (non-depreciable)	22,284	–	22,284	–	3	–	–	–	–	–	–	22,287	–	22,287
– Stormwater drainage	153,447	(33,433)	120,014	1,395	632	–	(1,328)	–	–	–	287	155,006	(34,006)	121,000
– Swimming pools	4,719	(1,139)	3,580	–	–	–	(39)	–	–	–	75	4,940	(1,324)	3,616
– Other open space/recreational assets	70,529	(22,870)	47,659	2,529	1,064	–	(3,187)	404	11	(452)	–	71,533	(23,504)	48,029
– Other infrastructure	19,368	(4,096)	15,272	–	10	–	(260)	–	–	–	–	19,342	(4,320)	15,022
<b>Other assets:</b>														
– Library books	10,003	(8,674)	1,329	217	–	–	(446)	–	–	–	–	10,220	(9,119)	1,101
<b>Total infrastructure, property, plant and equipment <sup>2</sup></b>	<b>1,846,790</b>	<b>(263,341)</b>	<b>1,583,449</b>	<b>15,788</b>	<b>8,202</b>	<b>(192)</b>	<b>(16,853)</b>	<b>–</b>	<b>(66)</b>	<b>(7,735)</b>	<b>82,260</b>	<b>1,936,459</b>	<b>(271,440)</b>	<b>1,665,019</b>

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

(2) The opening balances for Land have been adjusted in line with the correction of error of (\$14.523M). The details of this correction can be found at Note F3-2.

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

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period								At 30 June 2020		
	Gross carrying amount Restated	Accumulated depreciation and impairment	Net carrying amount Restated	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreci- ation expense	WIP transfers	Adjust- ments and transfers	Reval- uation decrements to equity (ARR)	Reval- uation increments to equity (ARR)	Gross carrying amount Restated	Accumulated depreciation and impairment	Net carrying amount Restated
<b>\$ '000</b>														
Capital work in progress	1,219	–	1,219	2,514	123	–	–	(916)	(125)	–	–	2,815	–	2,815
Plant and equipment	12,993	(7,472)	5,521	–	1,132	(57)	(1,086)	160	–	–	–	13,734	(8,064)	5,670
Office equipment	2,872	(2,199)	673	–	49	–	(157)	–	–	–	–	2,920	(2,355)	565
Furniture and fittings	2,797	(1,563)	1,234	–	215	–	(188)	–	–	–	–	3,011	(1,750)	1,261
<b>Land:</b>														
– Operational land	479,336	–	479,336	–	160	(25)	–	–	–	–	32,992	512,463	–	512,463
– Community land	267,303	–	267,303	–	–	–	–	–	–	–	–	267,303	–	267,303
Land improvements – depreciable	5,445	(639)	4,806	107	–	–	(109)	–	–	–	69	5,621	(748)	4,873
<b>Infrastructure:</b>														
– Buildings – non-specialised	22,167	(138)	22,029	–	1,465	–	–	–	(110)	–	236	23,620	–	23,620
– Buildings – specialised	333,706	(66,209)	267,497	514	–	(123)	(4,747)	286	110	–	8,424	343,464	(71,503)	271,961
– Other structures	9,420	(1,528)	7,892	–	221	–	(248)	–	(487)	–	143	9,314	(1,793)	7,521
– Roads	282,610	(85,357)	197,253	3,312	80	–	(3,566)	–	–	–	4,138	290,141	(88,924)	201,217
– Bridges	10,728	(1,870)	8,858	180	218	–	(164)	–	–	(56)	–	11,070	(2,034)	9,036
– Footpaths	76,294	(14,140)	62,154	1,904	72	–	(1,317)	–	593	–	1,600	80,964	(15,958)	65,006
– Bulk earthworks (non-depreciable)	22,281	–	22,281	–	–	–	–	–	–	–	3	22,284	–	22,284
– Stormwater drainage	146,510	(32,102)	114,408	1,547	1,527	–	(1,331)	–	–	–	3,863	153,447	(33,433)	120,014
– Swimming pools	4,582	(1,048)	3,534	–	–	–	(39)	–	–	–	85	4,719	(1,139)	3,580
– Other open space/recreational assets	63,980	(19,565)	44,415	2,791	1,588	(202)	(3,278)	470	(81)	–	1,956	70,529	(22,870)	47,659
– Other infrastructure	19,345	(4,376)	14,969	51	339	–	(229)	–	(25)	–	167	19,368	(4,096)	15,272
<b>Other assets:</b>														
– Library books	9,585	(8,226)	1,359	–	418	–	(448)	–	–	–	–	10,003	(8,674)	1,329
<b>Total infrastructure, property, plant and equipment <sup>2</sup></b>	<b>1,773,173</b>	<b>(246,432)</b>	<b>1,526,741</b>	<b>12,920</b>	<b>7,607</b>	<b>(407)</b>	<b>(16,907)</b>	<b>–</b>	<b>(125)</b>	<b>(56)</b>	<b>53,676</b>	<b>1,846,790</b>	<b>(263,341)</b>	<b>1,583,449</b>

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

(2) The opening balances for Land have been adjusted in line with the correction of error of (\$14.523M). The details of this correction can be found at Note F3-2.

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

### Accounting policy

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

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

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

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

#### Useful lives of IPPE

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

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

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

#### Revaluation model

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

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

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

---

### **Land under roads**

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

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

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

### **Crown reserves**

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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

## C1-7 Investment properties

\$ '000	2021	2020
<b>Owned investment property</b>		
Investment property on hand at fair value	92,300	89,628
<b>Total owned investment property</b>	<b>92,300</b>	<b>89,628</b>
<b>Owned investment property</b>		
<b>At fair value</b>		
Opening balance at 1 July	89,628	85,921
Capitalised subsequent expenditure	182	209
Net gain/(loss) from fair value adjustments	2,490	3,498
<b>Closing balance at 30 June</b>	<b>92,300</b>	<b>89,628</b>

### Accounting policy

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

## C2 Leasing activities

### C2-1 Council as a lessee

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

#### Buildings

Council does not lease any buildings.

#### Vehicles

Council does not lease any vehicles.

#### Office and IT equipment

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

#### Extension options

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

#### (a) Right of use assets

\$ '000	Computers & Photocopiers	Total
<b>2021</b>		
Opening balance at 1 July	711	711
Additions to right-of-use assets	168	168
Depreciation charge	(258)	(258)
<b>Balance at 30 June</b>	<b>621</b>	<b>621</b>
<b>2020</b>		
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	1,112	1,112
Additions to right-of-use assets	–	–
Depreciation charge	(401)	(401)
<b>Balance at 30 June</b>	<b>711</b>	<b>711</b>

#### (b) Lease liabilities

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Lease liabilities	242	272	279	393
<b>Total lease liabilities</b>	<b>242</b>	<b>272</b>	<b>279</b>	<b>393</b>

## C2-1 Council as a lessee (continued)

### (c) (i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
<b>2021</b>					
Cash flows	254	296	–	550	514
<b>2020</b>					
Cash flows	279	393	–	672	672

### (d) Income Statement

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

\$ '000	2021	2020
Interest on lease liabilities	8	11
Depreciation of right of use assets	258	401
	<b>266</b>	<b>412</b>

### (e) Statement of Cash Flows

Total cash outflow for leases	333	412
	<b>333</b>	<b>412</b>

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

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

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

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

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

### Accounting policy

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

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

## C2-1 Council as a lessee (continued)

---

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

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

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

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

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

### **Exceptions to lease accounting**

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

### **Leases at significantly below market value / Concessionary leases**

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

## C2-2 Council as a lessor

### Operating leases

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

- investment property – where the asset is held predominantly for rental or capital growth purposes (refer note C1-7)
- property, plant and equipment – where the rental is incidental, or the asset is held to meet Councils service delivery objective (refer note C1-6).

\$ '000	2021	2020
---------	------	------

#### (i) Assets held as investment property

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

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

Lease income (excluding variable lease payments not dependent on an index or rate)	5,004	4,433
<b>Total income relating to operating leases for investment property assets</b>	<b>5,004</b>	<b>4,433</b>

#### Operating lease expenses

Direct operating expenses that generated rental income	164	510
<b>Total expenses relating to operating leases</b>	<b>164</b>	<b>510</b>

#### (ii) Assets held as property, plant and equipment

Council provides operating leases on Council buildings for the purpose of community or commercial activities. The table below relates to operating leases on assets disclosed in C1-6.

Lease income (excluding variable lease payments not dependent on an index or rate)	6,617	6,506
<b>Total income relating to operating leases for Council assets</b>	<b>6,617</b>	<b>6,506</b>

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

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

< 1 year	5,416	6,549
1–2 years	3,831	4,637
2–3 years	3,595	3,824
3–4 years	2,896	3,426
4–5 years	2,360	2,857
> 5 years	90,090	92,407
<b>Total undiscounted lease payments to be received</b>	<b>108,188</b>	<b>113,700</b>

### Accounting policy

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

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

## C2-2 Council as a lessor (continued)

---

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

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

## C3 Liabilities of Council

### C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	6,673	–	7,129	–
Prepaid rates	32	–	–	–
Accrued expenses:				
– Borrowings	88	–	90	–
– Salaries and wages	442	–	–	–
– Other expenditure accruals	2,860	–	39	–
Security bonds, deposits and retentions	12,271	–	11,627	–
Other	396	–	321	–
<b>Total payables</b>	<b>22,762</b>	<b>–</b>	<b>19,206</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	–	–	533	–
<b>Total income received in advance</b>	<b>–</b>	<b>–</b>	<b>533</b>	<b>–</b>
<b>Total payables</b>	<b>22,762</b>	<b>–</b>	<b>19,739</b>	<b>–</b>

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

\$ '000	2021	2020
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	10,105	9,042
<b>Total payables</b>	<b>10,105</b>	<b>9,042</b>

#### Accounting policy

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

#### Payables

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

## C3-2 Contract Liabilities

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Grants and contributions received in advance:</b>					
Unexpended capital grants (to construct Council controlled assets)	(i)	1,938	-	-	-
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	162	-	-	-
Unexpended capital contributions (to construct Council controlled assets)	(i)	1,557	-	-	-
<b>Total grants received in advance</b>		<b>3,657</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>User fees and charges received in advance:</b>					
Other	(iii)	837	-	-	-
<b>Total user fees and charges received in advance</b>		<b>837</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total contract liabilities</b>		<b>4,494</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Notes

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

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

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

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

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

### Significant changes in contract liabilities

Contract liabilities have increased significantly this year, primarily due to new Grants received from the Local Roads and Community Infrastructure Contribution (LRCI) scheme.

### Accounting policy

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

## C3-3 Borrowings

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Loans – secured <sup>1</sup>	1,357	37,304	1,304	37,981
Deferred payment liabilities	75	489	75	565
<b>Total borrowings</b>	<b>1,432</b>	<b>37,793</b>	<b>1,379</b>	<b>38,546</b>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note D1-1.

### (a) Changes in liabilities arising from financing activities

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	39,285	(624)	–	–	–	–	38,661
Lease liability (Note C2-1b)	672	(158)	–	–	–	–	514
Deferred payment liabilities	640	(76)	–	–	–	–	564
<b>Total liabilities from financing activities</b>	<b>40,597</b>	<b>(858)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>39,739</b>

\$ '000	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	40,461	(1,704)	–	528	–	–	39,285
Lease liability (Note C2-1b)	–	672	–	–	–	–	672
Deferred payment liabilities	715	(75)	–	–	–	–	640
<b>Total liabilities from financing activities</b>	<b>41,176</b>	<b>(1,107)</b>	<b>–</b>	<b>528</b>	<b>–</b>	<b>–</b>	<b>40,597</b>

### (b) Financing arrangements

\$ '000	2021	2020
<b>Total facilities</b>		
Bank overdraft facilities <sup>1</sup>	1,200	1,200
Credit cards/purchase cards	91	–
<b>Total financing arrangements</b>	<b>1,291</b>	<b>1,200</b>
<b>Drawn facilities</b>		
– Credit cards/purchase cards	3	–
<b>Total drawn financing arrangements</b>	<b>3</b>	<b>–</b>
<b>Undrawn facilities</b>		
– Bank overdraft facilities	1,200	1,200
– Credit cards/purchase cards	88	–
<b>Total undrawn financing arrangements</b>	<b>1,288</b>	<b>1,200</b>

### Additional financing arrangements information

#### Breaches and defaults

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

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

### C3-3 Borrowings (continued)

---

#### **Accounting policy**

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

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

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

### C3-4 Employee benefit provisions

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Annual leave	3,535	–	3,215	–
Long service leave	7,074	400	7,630	318
Gratuities	–	183	–	163
ELE on-costs	906	28	970	24
<b>Total employee benefit provisions</b>	<b>11,515</b>	<b>611</b>	<b>11,815</b>	<b>505</b>

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

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	7,460	8,138
	<b>7,460</b>	<b>8,138</b>

#### Accounting policy

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

#### Short-term obligations

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

#### Other long-term employee benefit obligations

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

#### On-costs

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

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

## C3-5 Provisions

\$ '000	2021 Current	2021 Non-Current	2020 Current	2020 Non-Current
<b>Other provisions</b>				
Public liability claims	-	-	12	13
<b>Sub-total – other provisions</b>	-	-	12	13
<b>Total provisions</b>	-	-	12	13

### Description of and movements in provisions

\$ '000	Other provisions	
	Public liability claims	Net carrying amount
<b>2021</b>		
At beginning of year	25	25
Remeasurement effects	(25)	(25)
Total other provisions at end of year	-	-
<b>2020</b>		
At beginning of year	38	38
Remeasurement effects	(13)	(13)
Total other provisions at end of year	25	25

### Nature and purpose of provisions

#### Insurance

To recognise provision of potential payment of excess to Council's insurer in relation to unsettled public liability claims as at 30th June. No provision is required as at 30th June 2021.

#### Accounting policy

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

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

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

## C4 Reserves

### C4-1 Nature and purpose of reserves

---

#### **Infrastructure, property, plant and equipment revaluation reserve**

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

## D Risks and accounting uncertainties

### D1-1 Risks relating to financial instruments held

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

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

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

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

Fair value is determined as follows:

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

The risks associated with the financial instruments held are:

- interest rate risk – the risk that movements in interest rates could affect returns
- liquidity risk – the risk that Council will not be able to pay its debts as and when they fall due.
- credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument, resulting in a financial loss to the Council.

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

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

\$ '000	2021	2020
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	1,711	1,758
Impact of a 10% movement in price of investments		
– Equity / Income Statement	–	–

#### (b) Credit risk

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

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

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

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

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

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

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

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

### Credit risk profile

#### Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2021</b>						
Gross carrying amount	–	1,143	188	74	134	1,539
<b>2020</b>						
Gross carrying amount	1,406	–	–	–	–	1,406

#### Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2021</b>						
Gross carrying amount	948	370	1,093	(424)	1,423	3,410
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	–	–
<b>2020</b>						
Gross carrying amount	2,470	82	75	569	664	3,860
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	–	–

### (c) Liquidity risk

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

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2021</b>							
Trade/other payables	0.00%	12,271	10,491	–	–	22,762	22,730
Borrowings	4.16%	–	1,432	6,821	30,972	39,225	39,225
<b>Total financial liabilities</b>		<b>12,271</b>	<b>11,923</b>	<b>6,821</b>	<b>30,972</b>	<b>61,987</b>	<b>61,955</b>
<b>2020</b>							
Trade/other payables	0.00%	11,627	7,579	–	–	19,206	19,206
Borrowings	4.16%	–	2,913	11,545	68,080	82,538	39,925
<b>Total financial liabilities</b>		<b>11,627</b>	<b>10,492</b>	<b>11,545</b>	<b>68,080</b>	<b>101,744</b>	<b>59,131</b>

**Loan agreement breaches**

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

## D2 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Investment property

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020 Restated	2021	2020	2021	2020 Restated
<b>Recurring fair value measurements</b>							
<b>Investment property</b> C1-7							
Retail & Commercial Premises		92,300	89,629	–	–	92,300	89,629
<b>Total investment property</b>		<b>92,300</b>	<b>89,629</b>	<b>–</b>	<b>–</b>	<b>92,300</b>	<b>89,629</b>
<b>Infrastructure, property, plant and equipment</b> C1-6							
Operational Land		508,634	512,463	–	–	508,634	512,463
Community Land		–	–	334,318	267,303	334,318	267,303
Land Improvements Depreciable		–	–	4,824	4,873	4,824	4,873
Buildings-Non Specialised		26,710	23,620	–	–	26,710	23,620
Buildings-Specialised		–	–	284,263	271,961	284,263	271,961
Other Structures		–	–	7,103	7,521	7,103	7,521
Roads		–	–	201,156	201,217	201,156	201,217
Bridges		–	–	8,872	9,036	8,872	9,036
Footpaths		–	–	65,037	65,006	65,037	65,006
Bulk Earthworks		–	–	22,287	22,284	22,287	22,284
Stormwater Drainage		–	–	121,000	120,014	121,000	120,014
Swimming Pools		–	–	3,616	3,580	3,616	3,580
Other Open Space/Recreational		–	–	48,029	47,659	48,029	47,659
Other Infrastructure Assets		–	–	15,022	15,272	15,022	15,272
<b>Total infrastructure, property, plant and equipment</b>		<b>535,344</b>	<b>536,083</b>	<b>1,115,527</b>	<b>1,035,726</b>	<b>1,650,871</b>	<b>1,571,809</b>

### Non-recurring fair value measurements

A correction of error was made to address the understatement of Assets from a prior year. The details of this \$14.523M correction can be found in Note F3-2.

### Valuation techniques

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

## D2 Fair value measurement (continued)

---

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

### Investment property

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

Daniel Atherton - Registered Valuer NSW : VAL 015214 - APV Valuers and Asset Management undertook the valuation for the year ended 30 June 2021. 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 2 valuation inputs were used to determine the fair value of a range of properties. These have been generally derived using a combination of a sales direct comparison approach and a capitalisation of income approach. Fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are rental yields and price per square metre. There has been no change in the valuation process during the reporting period.

---

### Infrastructure, property, plant and equipment (IPPE)

#### Operational Land

This asset class incorporates all of Council's land classified as "Operational" under the NSW Local Government Act 1993. The key unobservable input to the valuation is price per square metre. The last valuation was undertaken on 30 June 2021 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 revalued at 30th June 2021 using the Valuer General's most current valuation data from 30th June 2019.

#### Land Improvements - Depreciable

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

#### Buildings - Non Specialised

Buildings were valued by APV Valuers and Asset Management in June 2021 using the market approach. The residential properties fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square kilometre.

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

#### Buildings - Specialised

Buildings were valued by APV Valuers and Asset Management in June 2021 using the cost approach.

## D2 Fair value measurement (continued)

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 2021 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.

### Footpaths

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

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

### Bulk Earthworks

This class of asset is fair valued annually by staff. Whilst the unit rate is based on a per square metre rate could be supported from market evidence (Level 2), other inputs (such as useful lives, pattern of consumption and asset condition ) required extensive professional judgement which impacted significantly on the final determination of fair value.

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

### Stormwater Drainage

This class of asset includes Stormwater Conduits, Pits and Gross Pollutant Traps. The fair valuation is undertaken annually by Council staff. Whilst the unit rates based on linear metres could be supported from market evidence (Level 2), other inputs (such as useful lives, gross replacement cost, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value.

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

## D2 Fair value measurement (continued)

---

### 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 by APV Valuers and Asset Management in June 2021.

The valuation required inputs such as gross replacement cost, assessment of useful life, residual value and pattern of consumption and as a result has been valued using Level 3 inputs.

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

### Other Open Space/Recreational

This class of asset includes Playgrounds, Parks, Sporting Fields, Open Space Footpaths and Bushland Assets. This class of asset is fair valued annually by Council staff. The valuation has been materially impacted by estimations of gross replacement cost, rates per square metre, asset condition, useful lives and pattern of consumption and has been valued using Level 3 inputs. There has been no change in the valuation process during the reporting period.

### Other Infrastructure Assets

This class of asset includes Retaining wall assets. The fair valuation is undertaken annually by Council staff. Whilst the unit rates based on square metres could be supported from market evidence (Level 2), other inputs such as (useful lives, pattern of consumption and asset condition) required extensive professional judgement which impacted significantly on the final determination of fair value.

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

---

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

### The valuation process for level 3 fair value measurements

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 - Unobservable inputs for asset or liability

### Fair Value - Valuation Techniques

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

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

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

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

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

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

## D2 Fair value measurement (continued)

- Useful Lives

Level 3 Valuation:

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

### (2) Transfers between hierarchy

Council's policy for determining when transfers into different levels of the hierarchy have occurred is at the end of the reporting period. During the reporting period there were no transfers between levels of hierarchy.

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

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

	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>		
Community Land	Cost Approach	Unimproved Capital Value provided by NSW Valuer General.
Land improvements depreciable	Cost Approach	Replacement Cost - Unit rates vary from asset to asset. Asset condition 1-5 Excellent to very poor. Useful life 5 to 50 years.
Building specialised	Cost Approach	Replacement Cost - Unit Rates vary from asset to asset. Asset Condition rating 1-5 Excellent to very poor. Useful life 15 to 150 years. Components: Envelope, Roof, Floors, Floor Coverings, Internal fit-out, Mechanical, Transportation and Fire Protection
Other structures	Cost Approach	Replacement Cost vary from asset to asset. Asset Condition rating 1 to 5 Excellent to very poor. Useful life 10 to 100 years.
Roads	Cost Approach	Replacement cost vary from asset to asset. Includes Roads surface and pavement as well as Car park surface and pavement and Kerb & Gutter. Asset Condition rating 1 -5 Excellent to Very poor. Useful life 20 to 100 years.
Bridges	Cost Approach	Replacement Cost vary from asset to asset. Asset condition rating 1 to 5 Excellent to very poor. Useful life 20 to 100 years.
Footpaths	Cost Approach	Replacement cost - Unit rates vary from asset to asset. Asset condition rating 1 to 5 Excellent to very poor. Useful life 30 to 80 years.
Bulk earthworks (non-depreciable)	Cost Approach	Replacement cost- Unit rate \$13.24. Asset Condition rating 1 to 5 Excellent to very poor. Useful life 500 years to indefinite.
Stormwater drainage	Cost Approach	Replacement cost vary from asset to asset. Asset Condition rating 1 to 5 Excellent to very poor. Useful life 40 to 150 years.

**D2 Fair value measurement (continued)**

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

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

\$ '000	Community Land		Land improv- ements depreciable		Building specialised		Other structures	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>267,303</b>	267,303	<b>4,873</b>	4,806	<b>271,961</b>	267,497	<b>7,521</b>	7,892
<b>Total gains or losses for the period</b>								
Recognised in other comprehensive income – revaluation surplus	<b>68,784</b>	–	–	69	<b>12,844</b>	8,424	<b>(288)</b>	143
<b>Other movements</b>								
Transfers from/(to) another asset class	<b>(1,769)</b>	–	–	–	–	–	<b>(11)</b>	(487)
Transfers to & from Other Category	–	–	–	–	<b>1,978</b>	396	<b>5</b>	–
Purchases (GBV)	–	–	<b>44</b>	107	<b>2,283</b>	514	<b>141</b>	221
Disposals (WDV)	–	–	–	–	–	(123)	–	–
Depreciation and impairment	–	–	<b>(93)</b>	(109)	<b>(4,803)</b>	(4,747)	<b>(265)</b>	(248)
<b>Closing balance</b>	<b>334,318</b>	267,303	<b>4,824</b>	4,873	<b>284,263</b>	271,961	<b>7,103</b>	7,521

**D2 Fair value measurement (continued)**

\$ '000	Roads		Bridges		Footpaths		Bulk earthworks (non-depreciable)	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>201,217</b>	197,253	<b>9,036</b>	8,858	<b>65,006</b>	62,154	<b>22,284</b>	22,281
<b>Total gains or losses for the period</b>								
Recognised in other comprehensive income – revaluation surplus	(1,048)	4,138	–	–	(190)	1,600	–	3
<b>Other movements</b>								
Transfers from/(to) another asset class	–	–	–	–	–	593	–	–
Purchases (GBV)	4,460	3,392	–	398	1,529	1,976	3	–
Depreciation and impairment	(3,473)	(3,566)	(164)	(164)	(1,308)	(1,317)	–	–
FV losses – other comprehensive income	–	–	–	(56)	–	–	–	–
<b>Closing balance</b>	<b>201,156</b>	201,217	<b>8,872</b>	9,036	<b>65,037</b>	65,006	<b>22,287</b>	22,284

**D2 Fair value measurement (continued)**

\$ '000	Stormwater drainage		Swimming pools		Other open space recreational		Other infrastructure assets	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>120,014</b>	114,408	<b>3,580</b>	3,534	<b>47,659</b>	44,415	<b>15,272</b>	14,969
<b>Total gains or losses for the period</b>								
Recognised in other comprehensive income – revaluation surplus	<b>287</b>	3,863	<b>75</b>	85	<b>(452)</b>	1,956	–	167
<b>Other movements</b>								
Transfers from/(to) another asset class	–	–	–	–	<b>11</b>	389	–	(25)
Transfers to & from Other Category	–	–	–	–	<b>404</b>	–	–	–
Purchases (GBV)	<b>2,027</b>	3,074	–	–	<b>3,593</b>	4,379	<b>10</b>	390
Disposals (WDV)	–	–	–	–	–	(202)	–	–
Depreciation and impairment	<b>(1,328)</b>	(1,331)	<b>(39)</b>	(39)	<b>(3,186)</b>	(3,278)	<b>(260)</b>	(229)
<b>Closing balance</b>	<b>121,000</b>	120,014	<b>3,616</b>	3,580	<b>48,029</b>	47,659	<b>15,022</b>	15,272

## D2 Fair value measurement (continued)

\$ '000	Total	
	2021	2020
<b>Opening balance</b>	<b>1,035,726</b>	<b>1,015,370</b>
Recognised in other comprehensive income – revaluation surplus	<b>80,012</b>	<b>20,448</b>
Transfers from/(to) another asset class	<b>(1,769)</b>	<b>470</b>
Transfers to & from Other Category	<b>2,387</b>	<b>396</b>
Purchases (GBV)	<b>14,090</b>	<b>14,451</b>
Disposals (WDV)	<b>–</b>	<b>(325)</b>
Depreciation and impairment	<b>(14,919)</b>	<b>(15,028)</b>
FV losses – other comprehensive income	<b>–</b>	<b>(56)</b>
<b>Closing balance</b>	<b>1,115,527</b>	<b>1,035,726</b>

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

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

### Highest and best use

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

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

## D3-1 Contingencies

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

### LIABILITIES NOT RECOGNISED

#### 1. Guarantees

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

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

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

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

##### *Description of the funding arrangements.*

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

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

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

\* For 180 Point Members, Employers are required to contribute 7% of salaries for the year ending 30 June 2021 (increasing to 7.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

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

## D3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was **\$ 460,872.84**. The last valuation of the Scheme was performed by Richard Boyfield, Fellow of the Institute of Actuaries of Australia on **30 June 2019**, and covers the period ended **30 June 2021**.

The amount of additional contributions included in the total employer contribution advised above is **\$318,200**. Council's expected contribution to the plan for the next annual reporting period is **\$481,160.76**.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2021 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	2,620.5	
Past Service Liabilities	2,445.6	107.2%
Vested Benefits	2,468.7	106.2%

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of **\$320,000** as at 30 June 2021.

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

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

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

\* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review, which will be a triennial actuarial investmenting will be completed by December 2021

### (iii) StateCover Limited

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

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

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

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

### (iv) Other guarantees

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

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

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

## 2. Other liabilities

## D3-1 Contingencies (continued)

---

### (i) Third party claims

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

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

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

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

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

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

## ASSETS NOT RECOGNISED

### Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income. Council does not consider the value of outstanding income to be material.

## E People and relationships

### E1 Related party disclosures

#### E1 Key management personnel (KMP)

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

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

\$ '000	2021	2020
<b>Compensation:</b>		
Short-term benefits	1,191	1,841
Other long-term benefits	–	32
Termination benefits	–	203
Post Retirement Benefits	99	122
<b>Total</b>	<b>1,290</b>	<b>2,198</b>

#### Other transactions with KMP and their related parties

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

## E1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2021	2020
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	69	44
Councillors' fees	335	260
Other Councillors' expenses (including Mayor)	18	32
<b>Total</b>	<b>422</b>	<b>336</b>

## E2 Other relationships

### E2-1 Audit fees

\$ '000	2021	2020
---------	------	------

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

#### Auditors of the Council - NSW Auditor-General:

##### (i) Audit and other assurance services

Audit and review of financial statements

	89	88
<b>Remuneration for audit and other assurance services</b>	<b>89</b>	<b>88</b>

#### Total Auditor-General remuneration

	89	88
--	----	----

#### Non NSW Auditor-General audit firms

Total audit fees

	89	88
--	----	----

## F Other matters

### F1-1 Statement of Cash Flows information

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

\$ '000	2021	2020 Restated
<b>Net operating result from Income Statement</b>	<b>10,233</b>	30,199
<b>Adjust for non-cash items:</b>		
Depreciation and amortisation	17,111	17,308
Net losses/(gains) on disposal of assets	(169)	(50)
Non-cash capital grants and contributions	–	(1,625)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investment property	(2,490)	(3,498)
– Fair valuation adjustment (re-measurement) of existing loans to Council	681	528
<b>+/- Movement in operating assets and liabilities and other cash items:</b>		
Decrease/(increase) in receivables	(1,357)	2,730
Increase/(decrease) in provision for impairment of receivables	102	317
Decrease/(increase) in inventories	27	(5)
Decrease/(increase) in other current assets	(966)	(1,028)
Increase/(decrease) in payables	(456)	(2,620)
Increase/(decrease) in accrued interest payable	(2)	(5)
Increase/(decrease) in other accrued expenses payable	3,263	2
Increase/(decrease) in other liabilities	218	(932)
Increase/(decrease) in contract liabilities	4,494	–
Increase/(decrease) in provision for employee benefits	(194)	663
Increase/(decrease) in other provisions	(25)	(13)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>	<b>30,470</b>	<b>41,971</b>

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

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

## F2-1 Commitments

### Capital commitments (exclusive of GST)

\$ '000	2021	2020
---------	------	------

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

#### Property, plant and equipment

Buildings	6,417	1,377
Plant and equipment	52	313
Other Structures	69	–
Footpaths	337	–
Roads	320	255
Drainage	99	34
Open Space	192	225
Other	7	5
Swimming Pool	1,056	1,158
<b>Total commitments</b>	<b>8,549</b>	<b>3,367</b>

#### These expenditures are payable as follows:

Within the next year	8,549	3,367
<b>Total payable</b>	<b>8,549</b>	<b>3,367</b>

#### Sources for funding of capital commitments:

Unrestricted general funds	59	–
Sect 64 and 94 funds/reserves	229	122
Other reserves	8,261	3,245
<b>Total sources of funding</b>	<b>8,549</b>	<b>3,367</b>

#### Details of capital commitments

Council has committed to large projects such as The Concourse compliance Upgrade (Buildings) and Willoughby Leisure Centre upgrade (Swimming Pool).

## F3 Changes from prior year statements

### F3-1 Changes in accounting policy

#### Changes in accounting policies

##### Nature of changes in accounting policies

##### *Implementation of IFRIC agenda decision and new accounting policy*

During the year, Council revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software as a Service ("SaaS") arrangements in response to the International Financial Reporting Interpretations Committee ("IFRIC") agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The new accounting policy is presented at below.

##### **Software-as-a-Service (SaaS) arrangements**

SaaS arrangements are service contracts providing the Council with the right to access a cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

##### **Retrospective restatement**

Historical financial information has been restated to account for the impact of the change in accounting policy, as follows: \$2,238k previously recognised as software within Intangible Assets in the 2020 Statement of Financial Position has been restated to as an expense within the 2020 Income Statement and Statement of Comprehensive Income and the comparatives amended in the current year financial statements.

The restatement of opening balances in the Statement of Financial Position at 30 June 2020 are presented in Note F3-2 - Correction of prior year errors. Combining this adjustment with the restatement required for the prior year error in F3-2 is intended to provide clarity of the restatement of the Statement of Financial Position as at 30 June 2020.

The adjustment to comparative figures in the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2020 are outlined below.

#### **Income Statement**

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
<b>Total income from continuing operations</b>	<b>141,778</b>	<b>–</b>	<b>141,778</b>
Materials and services	44,767	2,238	47,005
<b>Total expenses from continuing operations</b>	<b>109,341</b>	<b>2,238</b>	<b>111,579</b>
<b>Net operating result for the year</b>	<b>32,437</b>	<b>(2,238)</b>	<b>30,199</b>

#### **Statement of Comprehensive Income**

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
<b>Net operating result for the year</b>	<b>32,437</b>	<b>(2,238)</b>	<b>30,199</b>
Gain (loss) on revaluation of IPP&E	53,620	–	53,620
<b>Other comprehensive income</b>	<b>53,620</b>	<b>–</b>	<b>53,620</b>
<b>Total comprehensive income for the year</b>	<b>86,057</b>	<b>(2,238)</b>	<b>83,819</b>

## F3-2 Correction of errors

### Nature of prior-period error

During the financial year, in preparation for migration to the Technology One asset management system, Council performed a detailed reconciliation between the Geographical Information System (Pathway GIS) and the existing Financial Asset Register for Land. Council identified rights in 5 parcels of Land that have not previously been included in the Financial Asset Register for Land.

These Land holdings were subsequently valued by APV as at 30 June 2020 and realised a net increase of \$14,522,700. Council has assessed the fair value of the land at acquisition and 1 July 2019 to be materially consistent with the value assessed at 30 June 2020.

The error identified above has been corrected by restating the balances at the beginning of the earliest period presented (1 July 2019) and taking the adjustment through to accumulated surplus at that date. The adjustment has been taken to accumulated surplus as the land was acquired by Council by way of developer contributions.

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

### Changes to the opening Statement of Financial Position at 1 July 2019 and 30 June 2020

#### Statement of Financial Position as at 1 July 2019

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Infrastructure, Property, plant and equipment	1,512,218	14,523	1,526,741
<b>Total assets</b>	<b>1,761,560</b>	<b>14,523</b>	<b>1,776,083</b>
<b>Net assets</b>	<b>1,685,395</b>	<b>14,523</b>	<b>1,699,918</b>
Revaluation Reserve	501,826	–	501,826
Accumulated Surplus	1,183,569	14,523	1,198,092
<b>Total equity</b>	<b>1,685,395</b>	<b>14,523</b>	<b>1,699,918</b>

#### Adjustments to the comparative figures for the year ended 30 June 2020 in the Statement of Financial Position

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
<b>Adjustment for Prior Year Error:</b>			
Infrastructure, property, plant and equipment	1,568,926	14,523	1,583,449
<b>Adjustment for Changes in Accounting Policy:</b>			
Intangible Assets <sup>1</sup>	2,238	(2,238)	–
<b>Total assets</b>	<b>1,844,133</b>	<b>12,285</b>	<b>1,856,418</b>
<b>Total Liabilities</b>	72,681	–	72,681
<b>Net assets</b>	<b>1,771,452</b>	<b>12,285</b>	<b>1,783,737</b>
Revaluation reserves	555,446	–	555,446
Accumulated surplus <sup>2</sup>	1,216,006	12,285	1,228,291
<b>Total equity</b>	<b>1,771,452</b>	<b>12,285</b>	<b>1,783,737</b>

(1.) The adjustment to Intangible Assets is not a prior year error and relates to a Voluntary change in accounting policy as disclosed in Note F3-1a. Combining this adjustment with the restatement required for the prior year error is intended to provide clarity of the restatement of the Statement of Financial Position.

(2.) The \$12.285M net adjustment to prior year Accumulated Surplus is a combination of a \$14.523M increase in asset values arising from prior year error, offset by a \$2.238M reduction arising from a change in Accounting Policy for Intangible Assets.

## F4 Statement of developer contributions as at 30 June 2021

### F4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Roads	251	–	–	–	(251)	–	–	–
Traffic facilities	2,416	–	–	25	(455)	–	1,986	–
Parking	450	–	–	5	(102)	–	353	–
Child Care	4,011	–	–	45	(141)	–	3,915	–
S94 - Non CBD	15,789	1,148	–	171	(2,478)	–	14,630	–
S94 CBD	3,296	(40)	–	37	–	–	3,293	–
S7.11 Recoupment - Open Space Recreation	–	4	–	–	–	–	4	–
S7.11 Recoupment - Community Facilities	8	81	–	1	–	–	90	–
S7.11 Open Space and Recreation Facilities	–	421	–	2	–	–	423	–
Active Transport and Public Domain Facilities	2	24	–	–	–	–	26	–
S7.11 Plan Administration	1	8	–	–	(9)	–	–	–
S7.12 CBD	163	13	–	2	–	–	178	–
S7.12 Non - CBD	641	1,583	–	16	–	–	2,240	–
<b>S7.11 contributions – under a plan</b>	<b>27,028</b>	<b>3,242</b>	<b>–</b>	<b>304</b>	<b>(3,436)</b>	<b>–</b>	<b>27,138</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>27,028</b>	<b>3,242</b>	<b>–</b>	<b>304</b>	<b>(3,436)</b>	<b>–</b>	<b>27,138</b>	<b>–</b>
S7.4 planning agreements	33,592	1,000	–	375	(798)	–	34,169	–
<b>Total contributions</b>	<b>60,620</b>	<b>4,242</b>	<b>–</b>	<b>679</b>	<b>(4,234)</b>	<b>–</b>	<b>61,307</b>	<b>–</b>

Under the Environmental Planning and Assessment Act 1979, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas. It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

## F4-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
<b>CONTRIBUTION PLAN NUMBER 1 – WILLOUGHBY CITY COUNCIL</b>								
Roads	251	–	–	–	(251)	–	–	–
Traffic facilities	2,416	–	–	25	(455)	–	1,986	–
Parking	450	–	–	5	(102)	–	353	–
Child Care	4,011	–	–	45	(141)	–	3,915	–
S94A - Non CBD	15,789	1,148	–	171	(2,478)	–	14,630	–
S94 A - CBD	3,296	(40)	–	37	–	–	3,293	–
S7.11 Recoupment - Open Space Recreation	–	4	–	–	–	–	4	–
S7.11 Recoupment - Community Facilities	8	81	–	1	–	–	90	–
S7.11 Open Space and Recreation Facilities	–	421	–	2	–	–	423	–
Active Transport and Public Domain Facilities	2	24	–	–	–	–	26	–
S7.11 Plan Administration	1	8	–	–	(9)	–	–	–
S7.12 CBD	163	13	–	2	–	–	178	–
S7.12 Non - CBD	641	1,583	–	16	–	–	2,240	–
<b>Total</b>	<b>27,028</b>	<b>3,242</b>	<b>–</b>	<b>304</b>	<b>(3,436)</b>	<b>–</b>	<b>27,138</b>	<b>–</b>

## F4-3 Contributions not under plans

### CONTRIBUTION NOT UNDER A PLAN

Drainage	–	–	–	–	–	–	–	–
Roads	–	–	–	–	–	–	–	–
Traffic facilities	–	–	–	–	–	–	–	–
Parking	–	–	–	–	–	–	–	–
Open space	–	–	–	–	–	–	–	–
Community facilities	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
<b>Total</b>	<b>–</b>							

## F4-4 S7.4 planning agreements

### S7.4 planning agreements

Gore Hill Development	30,235	–	–	339	(499)	–	30,075	–
Thomas Street	3,118	–	–	34	(299)	–	2,853	–
Frederick Street	238	–	–	3	–	–	241	–

## F4-4 S7.4 planning agreements (continued)

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Walter Street	–	1,000	–	–	–	–	1,000	–
<b>Total</b>	<b>33,591</b>	<b>1,000</b>	<b>–</b>	<b>376</b>	<b>(798)</b>	<b>–</b>	<b>34,169</b>	<b>–</b>

## F5 Statement of performance measures

### F5-1 Statement of performance measures – consolidated results

	Amounts 2021	Indicator 2021	Indicators		Benchmark
			2020 Restated	2019	
<b>\$ '000</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>(1,379)</b>	<b>(1.26)%</b>	1.48%	6.22%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>109,428</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>103,282</b>	<b>87.17%</b>	76.45%	79.49%	> 60.00%
Total continuing operating revenue <sup>1</sup>	<b>118,483</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>88,168</b>	<b>3.85x</b>	5.38x	4.75x	> 1.50x
Current liabilities less specific purpose liabilities	<b>22,880</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>17,928</b>	<b>4.59x</b>	4.88x	8.61x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>3,903</b>				
<b>5. Rates and annual charges outstanding percentage</b>					
Rates and annual charges outstanding	<b>1,536</b>	<b>2.17%</b>	2.04%	1.65%	< 5.00%
Rates and annual charges collectable	<b>70,756</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>180,778</b>	<b>21.58</b>	19.52	17.67	> 3.00
Monthly payments from cash flow of operating and financing activities	<b>8,378</b>	<b>mths</b>	mths	mths	mths

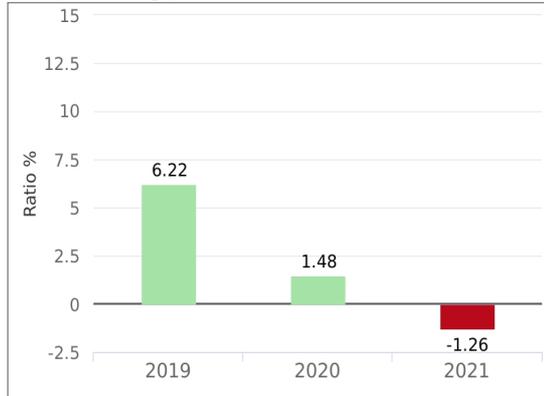
(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

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

## G Additional Council disclosures (unaudited)

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

#### 1. Operating performance ratio



#### Purpose of operating performance ratio

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

#### Commentary on 2020/21 result

2020/21 ratio (1.26)%

Despite recording a surplus of \$1.2M before capital revenues, Council did not meet the benchmark for this ratio. This is because the ratio removes some revenue items not considered operational.

This result should be considered in the context that Council lost \$9m of Revenue during the financial year due to the impact of COVID-19.

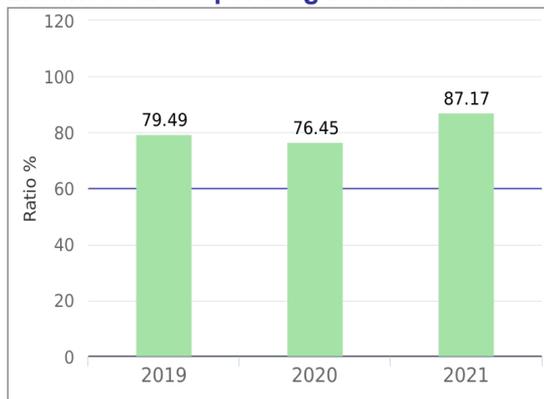
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

#### 2. Own source operating revenue ratio



#### Purpose of own source operating revenue ratio

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

#### Commentary on 2020/21 result

2020/21 ratio 87.17%

Council's Own Source Operating ratio has increased significantly this year due to lower grant and contribution revenue.

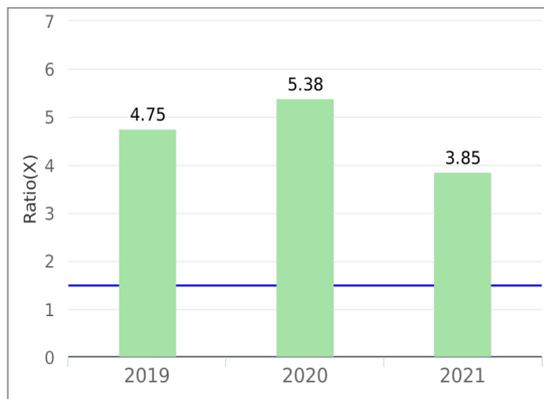
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

#### 3. Unrestricted current ratio



#### Purpose of unrestricted current ratio

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

#### Commentary on 2020/21 result

2020/21 ratio 3.85x

Council's Unrestricted Current ratio dropped slightly from the 2019/20 financial year due to lower revenues and lower overall cash-flow from operations arising from COVID-19.

Council's result is still significantly above the benchmark, indicating that Council is in a solvent and sustainable financial position and able to meet all short term obligations.

Benchmark: — > 1.50x

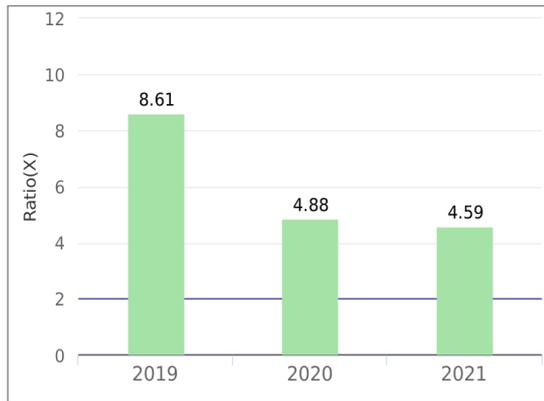
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

### 4. Debt service cover ratio



**Purpose of debt service cover ratio**

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

**Commentary on 2020/21 result**

**2020/21 ratio 4.59x**

Council's Debt Service Cover ratio dropped slightly from the previous year but still remains significantly above the benchmark. This indicates Council has ample capacity to service its debt.

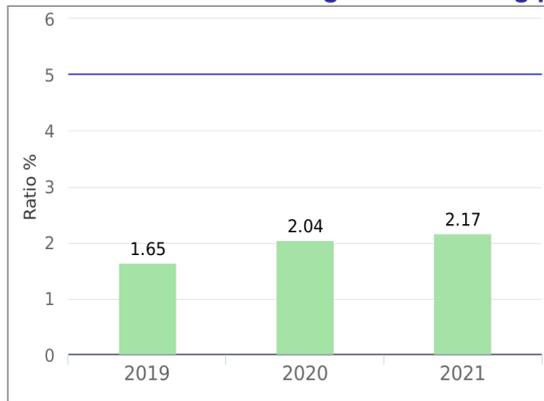
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

### 5. Rates and annual charges outstanding percentage



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

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

**Commentary on 2020/21 result**

**2020/21 ratio 2.17%**

Council's Rates and Annual Charges Outstanding percentage increased slightly this year due to some slowing of receipts resulting from COVID-19 hardship. Council's performance still significantly exceeds the benchmark for metropolitan councils and indicates the resilience of the Willoughby community.

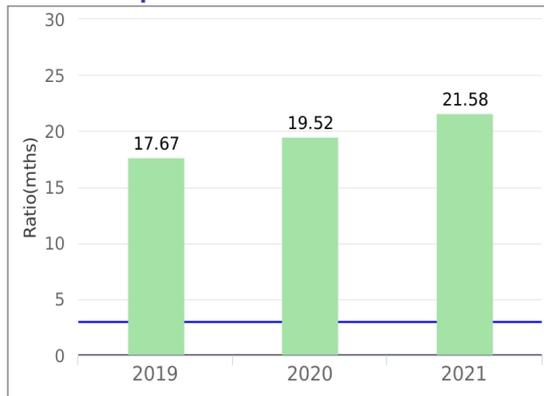
Benchmark: — < 5.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

### 6. Cash expense cover ratio



**Purpose of cash expense cover ratio**

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

**Commentary on 2020/21 result**

**2020/21 ratio 21.58 mths**

Council's cash expense ratio grew this year due to higher cash balances.

It should be noted that this ratio includes all restricted cash balances (which cannot be used for general operational expenses). On this basis, the ratio can give an inflated view of the availability of unrestricted free cash flow.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

## G1-2 Council information and contact details

---

**Principal place of business:**

31 Victor Street  
Chatswood NSW 2067

**Contact details**

**Mailing Address:**

PO Box 57  
Chatswood NSW 2057

**Telephone:** 02 9777 1000

**Facsimile:** 02 9411 8309

**Opening hours:**

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

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

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

**Officers**

**Chief Executive Officer**

Debra Just

**Responsible Accounting Officer**

Stephen Naven

**Public Officer**

Samantha Charlton

**Auditors**

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

**Elected members**

**Mayor**

Gail Giles - Gidney

**Councillors**

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

**Other information**

**ABN:** 47 974 826 099



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

To the Councillors of Willoughby City Council

## Opinion

I have audited the accompanying financial statements of Willoughby City Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been prepared, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2021, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

## Basis for Opinion

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

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

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

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

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

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

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

### **Other Information**

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

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

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



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

22 October 2021  
SYDNEY



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

Contact: Kenneth Leung  
 Phone no: 02 9275 7257  
 Our ref: D2122802/1808

22 October 2021

Dear Mayor

**Report on the Conduct of the Audit  
 for the year ended 30 June 2021  
 Willoughby City Council**

I have audited the general purpose financial statements (GPFS) of Willoughby City Council (Council) for the year ended 30 June 2021 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on Council's GPFS.

This Report on the Conduct of the Audit (the Report) for Council for the year ended 30 June 2021 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

**INCOME STATEMENT**

**Operating result**

	2021	2020	Variance
	\$m	\$m	%
Rates and annual charges revenue	69.3	67.8	2.2
Grants and contributions revenue	15.2	32.6	53.4
Operating result from continuing operations	10.2	30.2	66.2
Net operating result before capital grants and contributions	1.2	4.9	75.5

Council's operating result from continuing operations (\$10.2 million including depreciation and amortisation expense of \$17.1 million) was \$20 million lower than the 2019–20 result. This decrease was primarily due to decrease in grants and contributions of \$17.4 million.

The net operating result before capital grants and contributions (\$1.2 million) was \$3.7 million lower than the 2019–20 result, which overall is not significant.

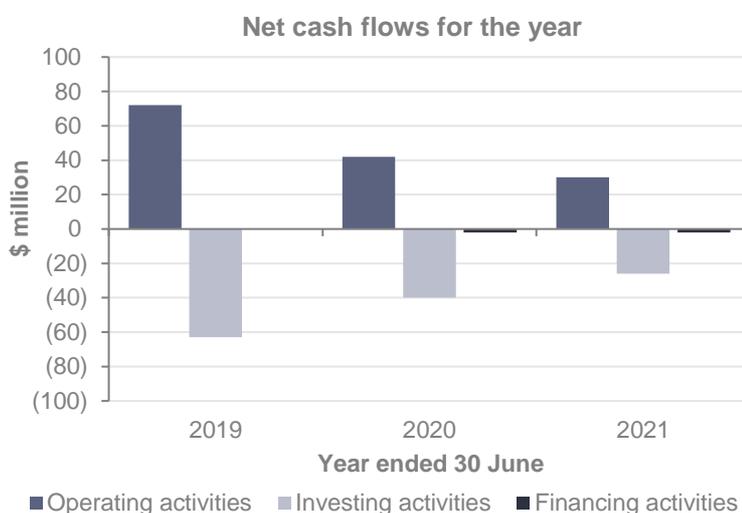
Rates and annual charges revenue (\$69.3 million) increased by \$1.5 million (2.2 per cent) in 2020–21 due to the rate peg of 2.6 per cent in 2020–21.

Grants and contributions revenue (\$15.2 million) decreased by \$17.4 million (53.4 per cent) in 2020–21, primarily due to:

- decrease in developer contributions of \$15.4 million
- decrease in roads and bridges funding of \$2.9 million.

## STATEMENT OF CASH FLOWS

- Operating cash inflows decreased \$11.5 million this year mainly due to a reduction in grants and contributions of \$12.4 million, \$4.9 million increase in materials and service costs, offset by \$1.7 million increase in rates and annual charge receipts and \$8.6 million in other expense savings.
- Cash outflows from investing activities reduced in 2020–21 due to less investment into term deposits.
- Cash flows from financing activities have remained fairly consistent over the last three years and are insignificant.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
<b>Total cash, cash equivalents and investments</b>	<b>181</b>	<b>176</b>	<ul style="list-style-type: none"> <li>• Externally restricted funds mainly included \$61.3 million in developer contributions.</li> <li>• Internally restricted funds remained consistent from prior year.</li> </ul>
Restricted cash and investments:			
• External restrictions	99.3	94.9	
• Internal restrictions	64.7	68.3	

# PERFORMANCE

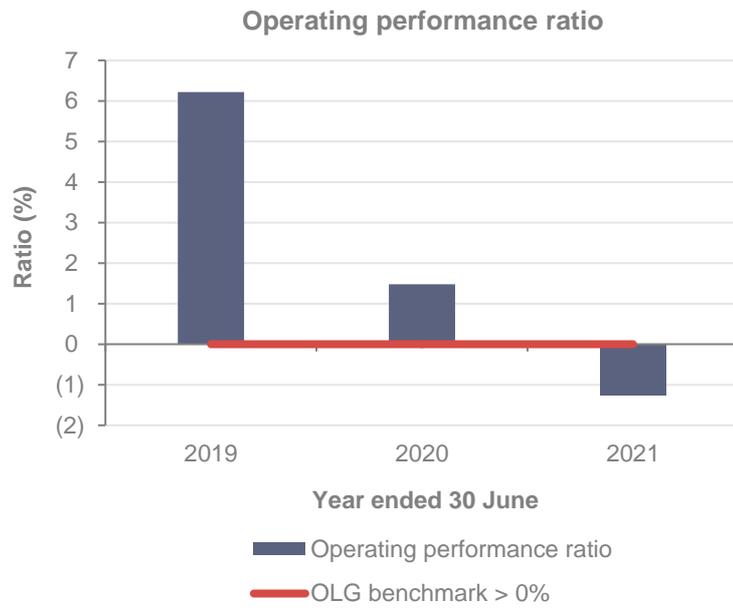
## Performance measures

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

### Operating performance ratio

- Council exceeded the industry benchmark in the past two years, however, performed lower than the benchmark in the current period.
- The ratio decreased in 2020–21 as a result of a reduction in grants and developer contributions.

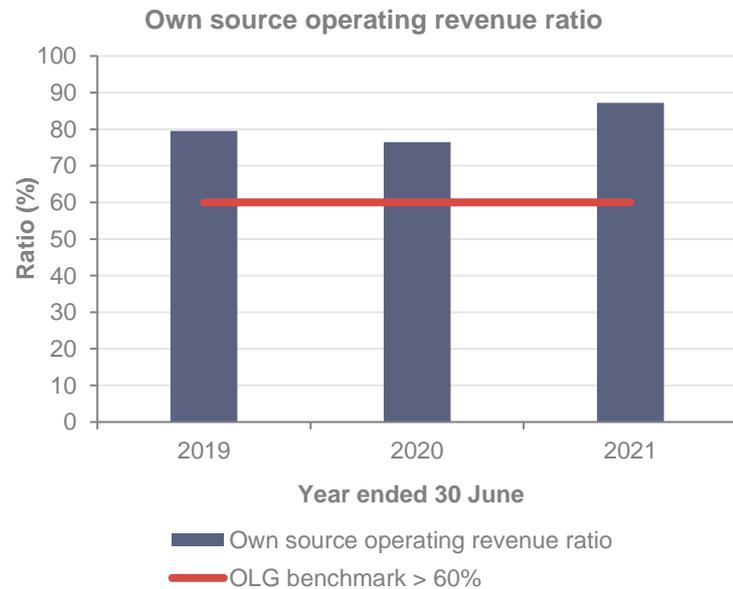
The 'operating performance ratio' measures how well Council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



### Own source operating revenue ratio

Council met the OLG benchmark of greater than 60 per cent for the current reporting period.

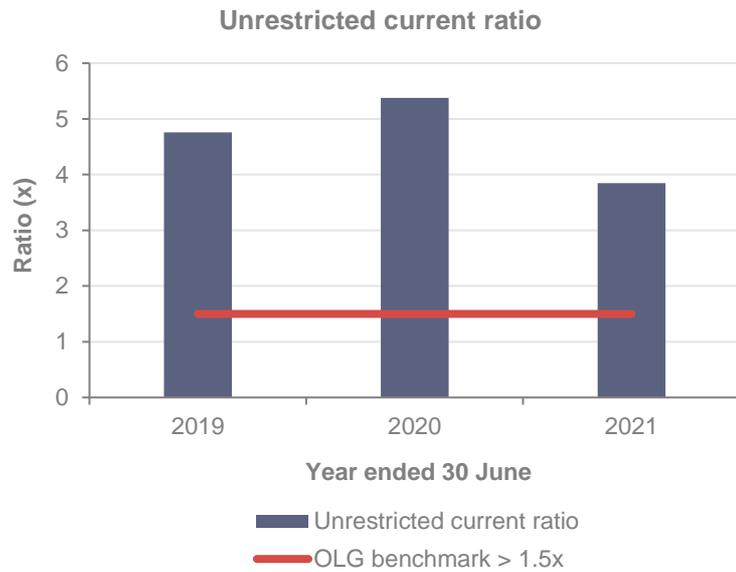
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



### Unrestricted current ratio

- Council continued to exceed the industry benchmark over the past three years.
- Council is able to meet its creditors' payments as and when they fall due.

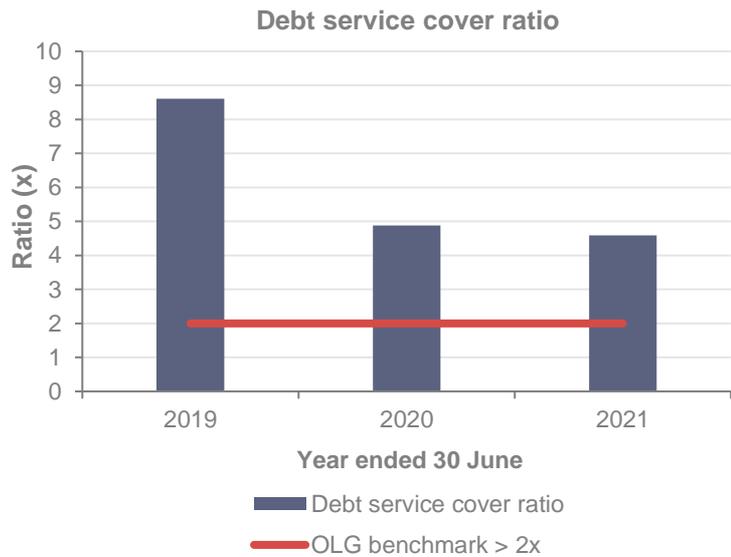
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



### Debt service cover ratio

- Council continued to exceed the industry benchmark over the last three years.
- Council has low levels of debt, resulting in consistently low principal repayment and borrowing costs.

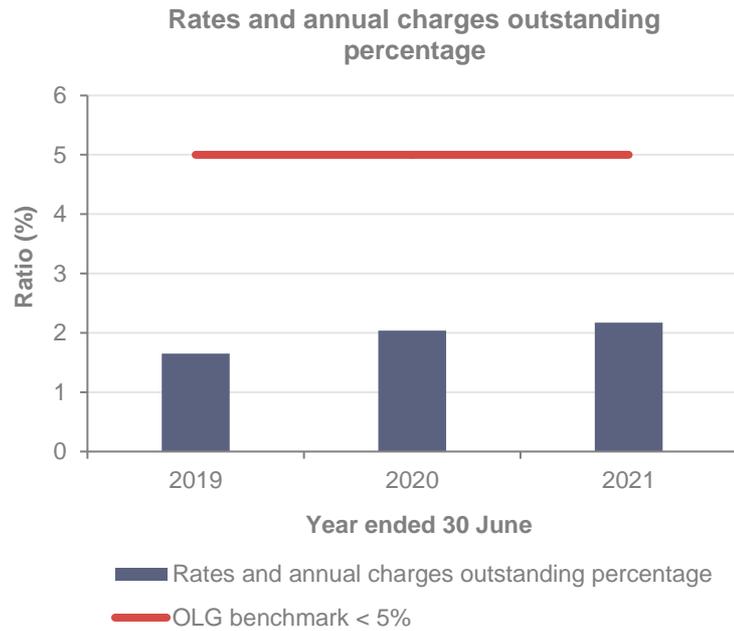
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



## Rates and annual charges outstanding percentage

Council continued to achieve the metro council benchmark for the past three years.

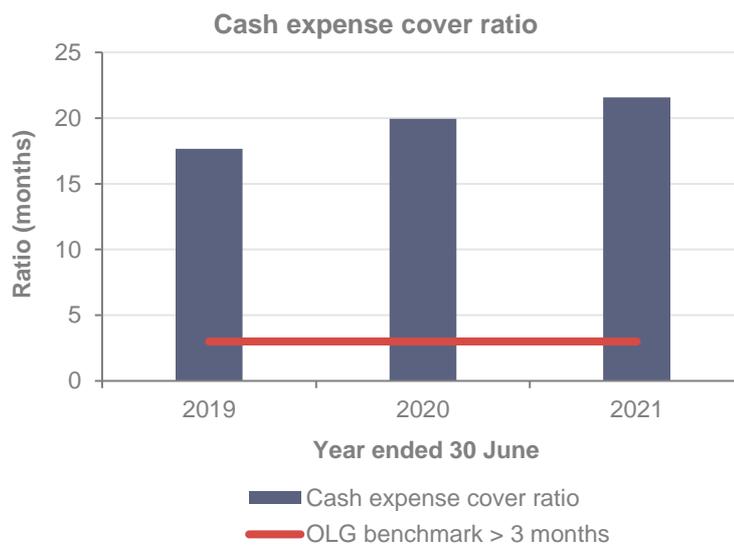
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.



## Cash expense cover ratio

- Council continued to exceed the industry benchmark over the past three years.
- The ratio increased in 2020–21 due to higher cash and investment balances held at year end with no significant changes in operational expenditure.

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



## Infrastructure, property, plant and equipment renewals

Council asset renewals have increased from \$12.9 million in 2019–20 to \$15.8 million in 2020–21. Renewals in 2020–21 primarily related to buildings, roads, capital work in progress, and other open space recreational assets.

## OTHER MATTERS

### Legislative compliance

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

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



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

cc: Ms Debra Just, Chief Executive Officer  
Ms Elizabeth Gavey, Chair of the Audit, Risk and Improvement Committee  
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment

# Willoughby City Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2021

---



WILLOUGHBY CITY COUNCIL

# Willoughby City Council

## Special Purpose Financial Statements

for the year ended 30 June 2021

---

Contents	Page
<b>Statement by Councillors and Management</b>	<b>3</b>
<b>Special Purpose Financial Statements:</b>	
Income Statement of The Concourse Precinct	4
Income Statement of Willoughby Leisure Centre	5
Income Statement of Devonshire Child Care	6
Income Statement of Family Day Care	7
Income Statement of Before/After School Care	8
Income Statement of Dougherty Food Services	9
Statement of Financial Position of The Concourse Precinct	10
Statement of Financial Position of Willoughby Leisure Centre	11
Statement of Financial Position of Devonshire Child Care	12
Statement of Financial Position of Family Day Care	13
Statement of Financial Position of Before/After School Care	14
Statement of Financial Position of Dougherty Food Services	15
<b>Note – Significant Accounting Policies</b>	<b>16</b>
<b>Auditor's Report on Special Purpose Financial Statements</b>	<b>19</b>

---

### 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 2021

#### Statement by Councillors and Management

---

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

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

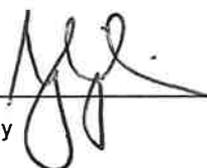
- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government *Code of Accounting Practice and Financial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

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

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

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

**Signed in accordance with a resolution of Council made on 18th October 2021.**



---

Gail Giles-Gidney  
**Mayor**  
18th October 2021



---

Angelo Rozos  
**Deputy Mayor**  
18th October 2021



---

Debra Just  
**Chief Executive Officer**  
18th October 2021



---

Stephen Naven  
**Responsible Accounting Officer**  
18th October 2021

## Willoughby City Council

### Income Statement of The Concourse Precinct

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
<b>Income from continuing operations</b>		
Fees	1,619	2,481
Interest	161	321
Grants and contributions provided for non-capital purposes	276	256
Other income	6,065	6,871
<b>Total income from continuing operations</b>	<b>8,121</b>	<b>9,929</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,625	2,987
Borrowing costs	2,155	2,021
Materials and services	307	677
Depreciation, amortisation and impairment	3,857	3,881
Other expenses	4,564	3,823
<b>Total expenses from continuing operations</b>	<b>13,508</b>	<b>13,389</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(5,387)</b>	<b>(3,460)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(5,387)</b>	<b>(3,460)</b>
<b>Surplus (deficit)</b>	<b>(5,387)</b>	<b>(3,460)</b>
<b>Plus accumulated surplus</b>	<b>270,322</b>	<b>268,518</b>
<b>Plus adjustments for amounts unpaid:</b>		
<b>Add:</b>		
– Subsidy paid/contribution to operations	3,780	5,264
<b>Closing accumulated surplus</b>	<b>268,715</b>	<b>270,322</b>
<b>Return on capital %</b>	<b>(1.1)%</b>	<b>(0.5)%</b>
<b>Subsidy from Council</b>	<b>7,553</b>	<b>3,931</b>

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

## Willoughby City Council

### Income Statement of Willoughby Leisure Centre

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
<b>Income from continuing operations</b>		
Grants & contributions provided for non capital purposes	–	–
Fees	2,399	2,619
Other income	2	199
<b>Total income from continuing operations</b>	<b>2,401</b>	<b>2,818</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,230	2,377
Materials and services	554	327
Depreciation, amortisation and impairment	190	208
Other expenses	811	1,008
<b>Total expenses from continuing operations</b>	<b>3,785</b>	<b>3,920</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(1,384)</b>	<b>(1,102)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(1,384)</b>	<b>(1,102)</b>
<b>Surplus (deficit)</b>	<b>(1,384)</b>	<b>(1,102)</b>
<b>Plus accumulated surplus</b>	<b>(6,177)</b>	<b>(5,075)</b>
<b>Closing accumulated surplus</b>	<b>(7,561)</b>	<b>(6,177)</b>
<b>Return on capital %</b>	<b>(12.6)%</b>	<b>(12.8)%</b>
<b>Subsidy from Council</b>	<b>1,548</b>	<b>1,178</b>

## Willoughby City Council

### Income Statement of Devonshire Child Care

for the year ended 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
<b>Income from continuing operations</b>		
Fees	841	655
Grants and contributions provided for non-capital purposes	951	1,113
<b>Total income from continuing operations</b>	<b>1,792</b>	<b>1,768</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,469	1,391
Materials and services	130	129
Depreciation, amortisation and impairment	21	22
Other expenses	320	300
<b>Total expenses from continuing operations</b>	<b>1,940</b>	<b>1,842</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(148)</b>	<b>(74)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(148)</b>	<b>(74)</b>
<b>Surplus (deficit)</b>	<b>(148)</b>	<b>(74)</b>
<b>Plus accumulated surplus</b>	<b>(3,453)</b>	<b>(3,379)</b>
<b>Closing accumulated surplus</b>	<b>(3,601)</b>	<b>(3,453)</b>
<b>Return on capital %</b>	<b>(14.2)%</b>	<b>(7.0)%</b>
<b>Subsidy from Council</b>	<b>164</b>	<b>83</b>

## Willoughby City Council

### Income Statement of Family Day Care

for the year ended 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
<b>Income from continuing operations</b>		
Other revenue from ordinary activities	-	39
Fees	-	139
Grants and contributions provided for non-capital purposes	-	586
<b>Total income from continuing operations</b>	<b>-</b>	<b>764</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	-	140
Materials and services	-	4
Depreciation, amortisation and impairment	-	6
Other expenses	-	702
<b>Total expenses from continuing operations</b>	<b>-</b>	<b>852</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>-</b>	<b>(88)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>-</b>	<b>(88)</b>
<b>Surplus (deficit)</b>	<b>-</b>	<b>(88)</b>
<b>Plus accumulated surplus</b>	<b>-</b>	<b>(1,891)</b>
<b>Closing accumulated surplus</b>	<b>-</b>	<b>(1,979)</b>
<b>Return on capital %</b>	<b>0.0%</b>	<b>(488.9)%</b>
<b>Subsidy from Council</b>	<b>-</b>	<b>88</b>

## Willoughby City Council

### Income Statement of Before/After School Care

for the year ended 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
<b>Income from continuing operations</b>		
Fees	319	571
Grants and contributions provided for non-capital purposes	356	721
<b>Total income from continuing operations</b>	<b>675</b>	<b>1,292</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	524	680
Materials and services	70	113
Other expenses	175	150
<b>Total expenses from continuing operations</b>	<b>769</b>	<b>943</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(94)</b>	<b>349</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(94)</b>	<b>349</b>
Less: corporate taxation equivalent [based on result before capital]	-	(96)
<b>Surplus (deficit)</b>	<b>(94)</b>	<b>253</b>
<b>Plus accumulated surplus</b>	<b>2,489</b>	<b>2,140</b>
<b>Plus adjustments for amounts unpaid:</b>		
- Corporate taxation equivalent	-	96
<b>Closing accumulated surplus</b>	<b>2,395</b>	<b>2,489</b>
<b>Subsidy from Council</b>	<b>94</b>	<b>-</b>

## Willoughby City Council

### Income Statement of Dougherty Food Services

for the year ended 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
<b>Income from continuing operations</b>		
Fees	89	126
Other income	98	94
<b>Total income from continuing operations</b>	<b>187</b>	<b>220</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	225	236
Materials and services	84	78
Depreciation, amortisation and impairment	15	15
Other expenses	56	24
<b>Total expenses from continuing operations</b>	<b>380</b>	<b>353</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(193)</b>	<b>(133)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(193)</b>	<b>(133)</b>
<b>Surplus (deficit)</b>	<b>(193)</b>	<b>(133)</b>
<b>Plus accumulated surplus</b>	<b>(1,980)</b>	<b>(1,847)</b>
<b>Closing accumulated surplus</b>	<b>(2,173)</b>	<b>(1,980)</b>
<b>Return on capital %</b>	<b>(5.1)%</b>	<b>(3.5)%</b>
<b>Subsidy from Council</b>	<b>249</b>	<b>167</b>

## Willoughby City Council

### Statement of Financial Position of The Concourse Precinct

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	859	315
Investments	12,338	16,272
Other	5	43
<b>Total current assets</b>	<b>13,202</b>	<b>16,630</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	290,000	283,144
Investment property	56,000	53,533
<b>Total non-current assets</b>	<b>346,000</b>	<b>336,677</b>
<b>Total assets</b>	<b>359,202</b>	<b>353,307</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	102	103
Borrowings	1,118	1,078
Employee benefit provisions	820	933
<b>Total current liabilities</b>	<b>2,040</b>	<b>2,114</b>
<b>Non-current liabilities</b>		
Borrowings	37,053	37,490
Employee benefit provisions	5	16
<b>Total non-current liabilities</b>	<b>37,058</b>	<b>37,506</b>
<b>Total liabilities</b>	<b>39,098</b>	<b>39,620</b>
<b>Net assets</b>	<b>320,104</b>	<b>313,687</b>
<b>EQUITY</b>		
Accumulated surplus	268,715	270,322
Revaluation reserves	51,389	43,365
<b>Total equity</b>	<b>320,104</b>	<b>313,687</b>

## Willoughby City Council

### Statement of Financial Position of Willoughby Leisure Centre

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
<b>ASSETS</b>		
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	11,025	8,600
<b>Total non-current assets</b>	<b>11,025</b>	<b>8,600</b>
<b>Total assets</b>	<b>11,025</b>	<b>8,600</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	–	1,269
Employee benefit provisions	214	169
<b>Total current liabilities</b>	<b>214</b>	<b>1,438</b>
<b>Non-current liabilities</b>		
Borrowings	15,429	13,005
Employee benefit provisions	15	21
<b>Total non-current liabilities</b>	<b>15,444</b>	<b>13,026</b>
<b>Total liabilities</b>	<b>15,658</b>	<b>14,464</b>
<b>Net assets</b>	<b>(4,633)</b>	<b>(5,864)</b>
<b>EQUITY</b>		
Asset Revaluation Reserve	2,928	313
Accumulated surplus	(7,561)	(6,177)
<b>Total equity</b>	<b>(4,633)</b>	<b>(5,864)</b>

## Willoughby City Council

### Statement of Financial Position of Devonshire Child Care

as at 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
<b>ASSETS</b>		
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	1,044	1,053
<b>Total non-current assets</b>	<b>1,044</b>	<b>1,053</b>
<b>Total assets</b>	<b>1,044</b>	<b>1,053</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	82	11
Employee benefit provisions	333	135
<b>Total current liabilities</b>	<b>415</b>	<b>146</b>
<b>Non-current liabilities</b>		
Borrowings	4,134	4,295
Employee benefit provisions	29	11
Other Liabilities	6	6
<b>Total non-current liabilities</b>	<b>4,169</b>	<b>4,312</b>
<b>Total liabilities</b>	<b>4,584</b>	<b>4,458</b>
<b>Net assets</b>	<b>(3,540)</b>	<b>(3,405)</b>
<b>EQUITY</b>		
Asset Revaluation Reserve	61	48
Accumulated surplus	(3,601)	(3,453)
<b>Total equity</b>	<b>(3,540)</b>	<b>(3,405)</b>

## Willoughby City Council

### Statement of Financial Position of Family Day Care

as at 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
<b>ASSETS</b>		
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	-	18
<b>Total non-current assets</b>	<b>-</b>	<b>18</b>
<b>Total assets</b>	<b>-</b>	<b>18</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	-	1
Employee benefit provisions	-	47
<b>Total current liabilities</b>	<b>-</b>	<b>48</b>
<b>Non-current liabilities</b>		
Borrowings	-	1,934
Employee benefit provisions	-	15
<b>Total non-current liabilities</b>	<b>-</b>	<b>1,949</b>
<b>Total liabilities</b>	<b>-</b>	<b>1,997</b>
<b>Net assets</b>	<b>-</b>	<b>(1,979)</b>
<b>EQUITY</b>		
Accumulated surplus	-	(1,979)
<b>Total equity</b>	<b>-</b>	<b>(1,979)</b>

## Willoughby City Council

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

as at 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
<b>ASSETS</b>		
<b>Non-current assets</b>		
Receivables	2,583	2,637
<b>Total non-current assets</b>	<b>2,583</b>	<b>2,637</b>
<b>Total assets</b>	<b>2,583</b>	<b>2,637</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	49	25
Employee benefit provisions	129	117
<b>Total current liabilities</b>	<b>178</b>	<b>142</b>
<b>Non-current liabilities</b>		
Employee benefit provisions	9	6
<b>Total non-current liabilities</b>	<b>9</b>	<b>6</b>
<b>Total liabilities</b>	<b>187</b>	<b>148</b>
<b>Net assets</b>	<b>2,396</b>	<b>2,489</b>
<b>EQUITY</b>		
Accumulated surplus	2,396	2,489
<b>Total equity</b>	<b>2,396</b>	<b>2,489</b>

## Willoughby City Council

### Statement of Financial Position of Dougherty Food Services

as at 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
<b>ASSETS</b>		
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	3,788	3,824
<b>Total non-current assets</b>	<b>3,788</b>	<b>3,824</b>
<b>Total assets</b>	<b>3,788</b>	<b>3,824</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	90	27
Employee benefit provisions	33	23
<b>Total current liabilities</b>	<b>123</b>	<b>50</b>
<b>Non-current liabilities</b>		
Provisions	3	1
Borrowings	4,746	4,642
<b>Total non-current liabilities</b>	<b>4,749</b>	<b>4,643</b>
<b>Total liabilities</b>	<b>4,872</b>	<b>4,693</b>
<b>Net assets</b>	<b>(1,084)</b>	<b>(869)</b>
<b>EQUITY</b>		
Accumulated surplus	(2,174)	(1,980)
Revaluation reserves	1,090	1,111
<b>Total equity</b>	<b>(1,084)</b>	<b>(869)</b>

## Note – Significant Accounting Policies

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

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

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

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993 (Act)*, the *Local Government (General) Regulation 2005 (Regulation)* and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

### National Competition Policy

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

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

### Declared business activities

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

#### Category 1

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

##### a. The Concourse Precinct

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

##### b. Willoughby Leisure Centre

Provision of leisure facilities including a Gymnasium & Pool.

#### Category 2

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

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

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

##### d. Family Day Care

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

##### e. Before/After School Care/Vacation Care

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

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

## Note – Significant Accounting Policies (continued)

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

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

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

### f. Dougherty Food Services

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

### Taxation equivalent charges

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

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

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

### Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

### Income tax

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

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

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

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

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

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

### Local government rates and charges

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

### Loan and debt guarantee fees

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

## Note – Significant Accounting Policies (continued)

---

### (i) Subsidies

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

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

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

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

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

---

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.49% at 30/6/21.

### (iii) Dividends

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



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

To the Councillors of Willoughby City Council

## **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Willoughby City Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2021, the Statement of Financial Position of each Declared Business Activity as at 30 June 2021 and the Significant accounting policies note.

The Declared Business Activities of the Council are:

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2021, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code).

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

## **Basis for Opinion**

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

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

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

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

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

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

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

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

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

### **Other Information**

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

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

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



Kenneth Leung

Delegate of the Auditor-General for New South Wales

22 October 2021  
SYDNEY

# Willoughby City Council

SPECIAL SCHEDULES  
for the year ended 30 June 2021

---



WILLOUGHBY CITY COUNCIL

# Willoughby City Council

## Special Schedules

for the year ended 30 June 2021

---

### Contents

Page

#### **Special Schedules:**

Permissible income for general rates

3

Report on infrastructure assets as at 30 June 2021

7

## Willoughby City Council

### Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2021/22
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	51,651	<b>53,052</b>
Plus or minus adjustments <sup>2</sup>	b	28	<b>90</b>
<b>Notional general income</b>	c = a + b	<b>51,679</b>	<b>53,142</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.60%	<b>2.00%</b>
Or plus rate peg amount	i = e x (c + g)	1,344	<b>1,063</b>
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>53,023</b>	<b>54,205</b>
Plus (or minus) last year's carry forward total	l	–	<b>(7)</b>
Less valuation objections claimed in the previous year	m	–	<b>(22)</b>
<b>Sub-total</b>	n = (l + m)	<b>–</b>	<b>(29)</b>
<b>Total permissible income</b>	o = k + n	<b>53,023</b>	<b>54,176</b>
Less notional general income yield	p	53,052	<b>54,183</b>
<b>Catch-up or (excess) result</b>	q = o – p	<b>(29)</b>	<b>(8)</b>
Plus income lost due to valuation objections claimed <sup>4</sup>	r	22	<b>7</b>
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>(7)</b>	<b>(1)</b>

#### Notes

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



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule – Permissible income for general rates

#### Willoughby City Council

To the Councillors of Willoughby City Council

### Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Willoughby City Council (the Council) for the year ending 30 June 2022.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code) and is in accordance with the books and records of the Council.

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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

## Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2021'.

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

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

My objectives are to:

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

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

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

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

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



Kenneth Leung

Delegate of the Auditor-General for New South Wales

22 October 2021  
SYDNEY

## Willoughby City Council

## Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost		2020/21 Required maintenance <sup>a</sup>	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost						
		Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council					2020/21 Required maintenance <sup>a</sup>	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	1	2	3
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000							
<b>Buildings</b>	Council offices	1	1	12	13	974	1,128	0.0%	86.0%	1.0%	13.0%	0.0%		
	Council Works Depot	16	16	105	108	7,903	9,564	86.0%	0.0%	13.0%	1.0%	0.0%		
	Council Halls	3	3	109	113	166	285	0.0%	37.0%	57.0%	6.0%	0.0%		
	Libraries	4	4	3	3	8,518	9,951	77.0%	20.0%	3.0%	0.0%	0.0%		
	Council Houses	50	50	1,041	1,072	80,122	94,597	11.0%	66.0%	19.0%	4.0%	0.0%		
	Commercial Buildings	–	–	732	755	54,467	66,583	7.0%	92.0%	1.0%	0.0%	0.0%		
	Childcare Centres	61	61	52	54	3,434	4,752	17.0%	54.0%	22.0%	7.0%	0.0%		
	Community Centres	30	30	1,649	1,698	121,145	149,870	68.0%	31.0%	1.0%	0.0%	0.0%		
	Amenities/Toilets	71	71	514	530	34,244	46,755	16.0%	78.0%	5.0%	1.0%	0.0%		
<b>Sub-total</b>		<b>236</b>	<b>236</b>	<b>4,217</b>	<b>4,346</b>	<b>310,973</b>	<b>383,485</b>	<b>36.8%</b>	<b>55.3%</b>	<b>6.6%</b>	<b>1.3%</b>	<b>0.0%</b>		
<b>Other structures</b>	Other structures	–	–	107	110	7,103	9,719	4.0%	43.0%	53.0%	0.0%	0.0%		
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>107</b>	<b>110</b>	<b>7,103</b>	<b>9,719</b>	<b>4.0%</b>	<b>43.0%</b>	<b>53.0%</b>	<b>0.0%</b>	<b>0.0%</b>		
<b>Roads</b>	Roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%		
	Sealed roads	3,578	3,578	920	948	115,887	186,863	8.0%	48.0%	37.0%	5.0%	2.0%		
	Kerb and Gutter	1,221	1,221	90	92	77,032	93,887	42.0%	37.0%	14.0%	6.0%	1.0%		
	Footpaths	1,064	1,064	1,397	1,439	65,037	82,131	47.0%	29.0%	17.0%	6.0%	1.0%		
	Carparks	229	229	15	15	8,237	11,077	14.0%	22.0%	53.0%	11.0%	0.0%		
	Bridges	–	–	26	27	8,872	11,070	65.0%	24.0%	11.0%	0.0%	0.0%		
	Bulk Earthworks	–	–	–	–	22,287	22,287	100.0%	0.0%	0.0%	0.0%	0.0%		
	Other road assets (incl. bulk earth works)	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%		
	<b>Sub-total</b>		<b>6,092</b>	<b>6,092</b>	<b>2,448</b>	<b>2,521</b>	<b>297,352</b>	<b>407,315</b>	<b>30.4%</b>	<b>37.6%</b>	<b>25.4%</b>	<b>5.2%</b>	<b>1.3%</b>	
<b>Stormwater drainage</b>	Pipes and Pits	2,712	2,712	184	190	118,208	151,854	25.0%	40.0%	29.0%	4.0%	2.0%		
	Gross Pollutant Traps	–	–	205	211	2,793	3,152	77.0%	17.0%	6.0%	0.0%	0.0%		
	<b>Sub-total</b>	<b>2,712</b>	<b>2,712</b>	<b>389</b>	<b>401</b>	<b>121,002</b>	<b>155,006</b>	<b>26.1%</b>	<b>39.5%</b>	<b>28.5%</b>	<b>3.9%</b>	<b>2.0%</b>		

## Willoughby City Council

## Report on infrastructure assets as at 30 June 2021 (continued)

Asset Class	Asset Category	Estimated cost		2020/21 Required maintenance <sup>a</sup>	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
<b>Open space / recreational assets</b>	Swimming pools	–	–	–	–	3,616	4,940	0.0%	100.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Parks & Playgrounds (Incl Footpaths)	399	399	1,739	1,791	27,542	37,229	34.0%	19.0%	37.0%	7.0%	3.0%
	Sporting Fields	691	691	934	962	16,762	27,180	65.0%	15.0%	12.0%	1.0%	7.0%
	Bushland Assets	52	52	56	58	1,045	1,575	4.0%	34.0%	38.0%	15.0%	9.0%
	Tennis Courts	33	33	–	–	2,680	5,549	4.0%	28.0%	39.0%	18.0%	11.0%
	<b>Sub-total</b>	<b>1,175</b>	<b>1,175</b>	<b>2,729</b>	<b>2,811</b>	<b>51,645</b>	<b>76,473</b>	<b>40.0%</b>	<b>23.8%</b>	<b>25.9%</b>	<b>5.4%</b>	<b>4.9%</b>
<b>Other infrastructure assets</b>	Other – Retaining Walls	350	350	35	36	15,022	19,342	10.0%	55.0%	27.0%	7.0%	1.0%
	<b>Sub-total</b>	<b>350</b>	<b>350</b>	<b>35</b>	<b>36</b>	<b>15,022</b>	<b>19,342</b>	<b>10.0%</b>	<b>55.0%</b>	<b>27.0%</b>	<b>7.0%</b>	<b>1.0%</b>
	<b>Total – all assets</b>	<b>10,565</b>	<b>10,565</b>	<b>9,925</b>	<b>10,225</b>	<b>803,097</b>	<b>1,051,340</b>	<b>32.2%</b>	<b>43.7%</b>	<b>19.3%</b>	<b>3.6%</b>	<b>1.2%</b>

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

## Infrastructure asset condition assessment 'key'

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

## Willoughby City Council

### Report on infrastructure assets as at 30 June 2021

#### Infrastructure asset performance indicators (consolidated) \*

\$ '000	Amounts 2021	Indicator 2021	Indicators		Benchmark
			2020 Restated	2019	
<b>Buildings and infrastructure renewals ratio</b>					
Asset renewals <sup>1</sup>	<b>15,465</b>	<b>104.34%</b>	85.89%	102.21%	>= 100.00%
Depreciation, amortisation and impairment	<b>14,822</b>				
<b>Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<b>10,565</b>	<b>1.31%</b>	1.29%	1.27%	< 2.00%
Net carrying amount of infrastructure assets	<b>809,281</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>10,225</b>	<b>103.02%</b>	100.01%	100.00%	> 100.00%
Required asset maintenance	<b>9,925</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>10,565</b>	<b>1.00%</b>	0.99%	0.97%	
Gross replacement cost	<b>1,051,340</b>				

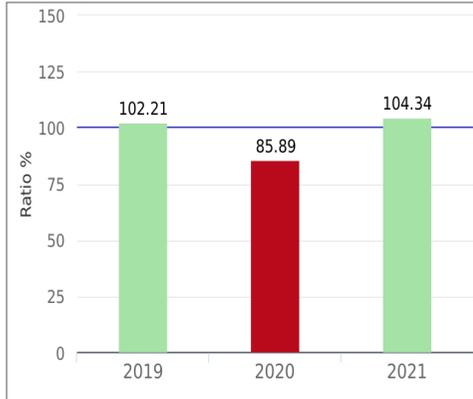
(\*) All asset performance indicators are calculated using classes identified in the previous table.

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

# Willoughby City Council

## Report on infrastructure assets as at 30 June 2021

### Buildings and infrastructure renewals ratio



**Buildings and infrastructure renewals ratio**

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

**Commentary on result**

20/21 ratio 104.34%

Council's Buildings and Infrastructure Renewal Ratio improved this year and has exceeded the benchmark. This is due to the delivery of significant renewal programs in buildings, roads, open space, footpath and drainage asset classes.

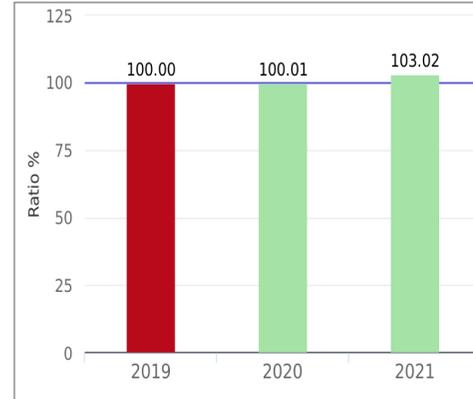
Benchmark: —  $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

### Asset maintenance ratio



**Asset maintenance ratio**

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

**Commentary on result**

20/21 ratio 103.02%

Council's Asset Maintenance ratio has achieved the benchmark and was slightly higher due to increased maintenance expenditure.

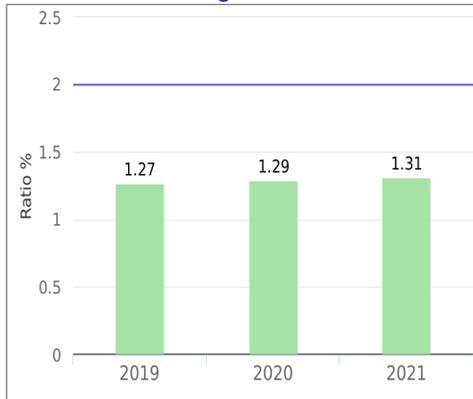
Benchmark: —  $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

### Infrastructure backlog ratio



**Infrastructure backlog ratio**

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

**Commentary on result**

20/21 ratio 1.31%

Council's Infrastructure Backlog Ratio remained consistent with previous years and is significantly ahead of the benchmark.

Benchmark: —  $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

### Cost to bring assets to agreed service level



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

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

**Commentary on result**

20/21 ratio 1.00%

Council's cost to bring assets to agreed service level ratio is consistent with the previous year. There is currently no benchmark associated with this measure.



WILLOUGHBY  
CITY COUNCIL

ADDRESS

Level 4, 31 Victor Street, Chatswood, NSW 2057  
PO Box 57 Chatswood, NSW 2057

PHONE

02 9777 1000

EMAIL

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