

Willoughby City Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019



WILLOUGHBY CITY COUNCIL

Willoughby City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



WILLOUGHBY CITY COUNCIL

General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

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

31 Victor Street
Chatswood NSW 2067

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

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

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

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

Willoughby City Council

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Willoughby City Council

General Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 17th October 2019.




Gail Giles-Gidney
Mayor
22nd October 2019



Craig Campbell
Deputy Mayor
22nd October 2019



Gabra Just
Chief Executive Officer
22nd October 2019



Stephen Naven
Responsible Accounting Officer
22nd October 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ¹
Income from continuing operations				
<u>Revenue:</u>				
66,253	Rates and annual charges	3a	66,322	64,618
18,264	User charges and fees	3b	18,774	18,264
3,001	Interest and investment revenue	3c	4,261	3,310
19,253	Other revenues	3d	20,035	19,587
5,829	Grants and contributions provided for operating purposes	3e,3f	6,277	6,374
9,697	Grants and contributions provided for capital purposes	3e,3f	21,945	21,845
<u>Other income:</u>				
420	Net gains from the disposal of assets	5	120	-
-	Fair value increment on investment properties	10	7,751	3,736
122,717	Total income from continuing operations		145,485	137,734
Expenses from continuing operations				
44,107	Employee benefits and on-costs	4a	41,727	39,750
1,638	Borrowing costs	4b	1,166	2,386
35,189	Materials and contracts	4c	36,345	32,578
11,734	Depreciation and amortisation	4d	16,308	12,805
14,146	Other expenses	4e	12,925	12,597
300	Net losses from the disposal of assets	5	-	487
107,114	Total expenses from continuing operations		108,471	100,603
15,603	Operating result from continuing operations		37,014	37,131
15,603	Net operating result for the year		37,014	37,131
15,603	Net operating result attributable to council		37,014	37,131
5,906	Net operating result for the year before grants and contributions provided for capital purposes		15,069	15,286

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

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		37,014	37,131
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	48,976	98,596
Total items which will not be reclassified subsequently to the operating result		48,976	98,596
Total other comprehensive income for the year		48,976	98,596
Total comprehensive income for the year		85,990	135,727
Total comprehensive income attributable to Council		85,990	135,727

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

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

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	5,161	11,348
Investments	6(b)	149,527	135,000
Receivables	7	7,838	5,867
Inventories	8a	22	28
Other	8b	822	374
Total current assets		<u>163,370</u>	<u>152,617</u>
Non-current assets			
Receivables	7	51	51
Infrastructure, property, plant and equipment	9	1,517,603	1,451,363
Investment property	10a	85,921	78,080
Total non-current assets		<u>1,603,575</u>	<u>1,529,494</u>
TOTAL ASSETS		<u>1,766,945</u>	<u>1,682,111</u>
LIABILITIES			
Current liabilities			
Payables	11	21,934	22,883
Income received in advance	11	1,360	325
Borrowings	11	1,780	1,699
Provisions	12	11,205	10,421
Total current liabilities		<u>36,279</u>	<u>35,328</u>
Non-current liabilities			
Borrowings	11	39,396	41,617
Provisions	12	490	376
Total non-current liabilities		<u>39,886</u>	<u>41,993</u>
TOTAL LIABILITIES		<u>76,165</u>	<u>77,321</u>
Net assets		<u>1,690,780</u>	<u>1,604,790</u>
EQUITY			
Accumulated surplus	13a	1,183,081	1,146,067
Revaluation reserves	13a	507,699	458,723
Council equity interest		<u>1,690,780</u>	<u>1,604,790</u>
Total equity		<u>1,690,780</u>	<u>1,604,790</u>

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

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

Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		1,146,067	458,723	1,604,790	1,108,936	360,127	1,469,063
Net operating result for the year		37,014	–	37,014	37,131	–	37,131
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9	–	48,976	48,976	–	98,596	98,596
Other comprehensive income		–	48,976	48,976	–	98,596	98,596
Total comprehensive income		37,014	48,976	85,990	37,131	98,596	135,727
Equity – balance at end of the reporting period		1,183,081	507,699	1,690,780	1,146,067	458,723	1,604,790

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

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

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
66,228	Rates and annual charges		66,082	64,383
18,307	User charges and fees		19,403	19,624
3,001	Investment and interest revenue received		3,345	3,061
15,526	Grants and contributions		19,644	27,470
–	Bonds, deposits and retention amounts received		3,372	3,653
19,253	Other		26,127	23,500
<u>Payments</u>				
(43,421)	Employee benefits and on-costs		(40,850)	(39,688)
(30,770)	Materials and contracts		(40,247)	(33,130)
(1,638)	Borrowing costs		(1,614)	(1,666)
–	Bonds, deposits and retention amounts refunded		(3,349)	(2,683)
(14,146)	Other		(17,282)	(15,601)
32,340	Net cash provided (or used in) operating activities	14b	34,631	48,923
Cash flows from investing activities				
<u>Receipts</u>				
10,590	Sale of investment securities		123,000	60,088
420	Sale of infrastructure, property, plant and equipment		211	482
–	Sale of interests in joint ventures and associates		–	33
<u>Payments</u>				
–	Purchase of investment securities		(137,527)	(86,008)
–	Purchase of investment property		(90)	(59)
(33,887)	Purchase of infrastructure, property, plant and equipment		(24,713)	(17,461)
(22,877)	Net cash provided (or used in) investing activities		(39,119)	(42,925)
Cash flows from financing activities				
<u>Payments</u>				
(1,684)	Repayment of borrowings and advances		(1,699)	(1,621)
(1,684)	Net cash flow provided (used in) financing activities		(1,699)	(1,621)
7,779	Net increase/(decrease) in cash and cash equivalents		(6,187)	4,377
11,348	Plus: cash and cash equivalents – beginning of year	14a	11,348	6,971
19,127	Cash and cash equivalents – end of the year	14a	5,161	11,348
Additional Information:				
124,410	plus: Investments on hand – end of year	6(b)	149,527	135,000
143,537	Total cash, cash equivalents and investments		154,688	146,348

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

Notes to the Financial Statements

for the year ended 30 June 2019

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Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 17th October 2019. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not-for-profit entity.

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

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

- Income statement
- Statement of cash flows
- Note 18 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations

(b) The Trust Fund

Council does not maintain a separate and distinct Trust Fund in accordance with the provisions of Section 411 of the Local Government Act 1993 (NSW) (as amended). Separate and distinct cash funded liability accounts are maintained to account for all externally restricted money and property received by Council which must be applied only for the purposes of or in accordance with the restrictions relating to those monies.

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by Council).

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

AASB 16 Leases

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

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

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

Council staff are reviewing all of Council's leasing arrangements taking into consideration the new lease accounting rules in AASB 16 (applicable from 1/7/19).

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

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$1.03M - refer Note 15.

These lease types and amounts will continue to be accounted for as they currently are (being expensed on a straight-line basis within the Income Statement).

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Council's activities as a lessor are not material and hence Council does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

AASB 15 Revenue from Contracts with Customers and associated amending standards.

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

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

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

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

Council is currently in the process of determining the potential effects of the implementation of AASB15 and will reflect accordingly in FY 19/20.

AASB 1058 Income of NFP (Not for Profit)

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

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

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

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

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

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

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

Council is currently in the process of determining the potential effects of the implementation of AASB 1058 and will reflect accordingly in FY 19/20.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2019.

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

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

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note 2(b).										
\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
A City that is green	22,606	22,605	24,034	24,396	(1,428)	(1,791)	110	334	164,727	125,772
A City that is connected and inclusive	13,070	13,706	18,214	17,002	(5,144)	(3,296)	3,986	3,338	465,545	459,991
A City that is liveable	15,835	13,437	33,545	28,081	(17,710)	(14,644)	376	542	591,739	575,907
A City that is prosperous and vibrant	17,661	14,803	13,740	11,097	3,921	3,706	6,241	3,685	152,492	148,752
A City that is effective and accountable	76,313	73,183	18,938	20,027	57,375	53,156	1,697	1,641	392,442	371,689
Total functions and activities	145,485	137,734	108,471	100,603	37,014	37,131	12,410	9,540	1,766,945	1,682,111

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

A City that is green

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

A City that is connected and inclusive

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

A City that is liveable

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

A City that is prosperous and vibrant

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

A City that is effective and accountable

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	29,366	28,721
Business	20,694	20,159
Less: pensioner rebates (mandatory)	(182)	(186)
Less: pensioner rebates (Council policy)	(149)	(152)
Rates levied to ratepayers	49,729	48,542
Pensioner rate subsidies received	186	178
Total ordinary rates	49,915	48,720
Special rates		
Stormwater management levy	691	687
Rates levied to ratepayers	691	687
Total special rates	691	687
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	16,065	15,266
Less: pensioner rebates (mandatory)	(68)	(67)
Less: pensioner rebates (Council policy)	(349)	(55)
Annual charges levied	15,648	15,144
Pensioner subsidies received:		
– Domestic waste management	68	67
Total annual charges	15,716	15,211
TOTAL RATES AND ANNUAL CHARGES	66,322	64,618

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

Accounting policy for rates and charges

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Waste management services (non-domestic)	264	267
Total specific user charges	264	267
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	2,672	3,176
Section 611 charges	75	76
Total fees and charges – statutory/regulatory	2,747	3,252
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Child care	1,608	1,956
Leisure centre	3,132	2,804
Parking fees	5,735	5,919
Restoration charges	2,569	553
Building related	843	1,024
Community services	1,164	1,770
Other	712	719
Total fees and charges – other	15,763	14,745
TOTAL USER CHARGES AND FEES	18,774	18,264

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	47	40
– Cash and investments	4,214	3,278
Fair value adjustments		
– Movements in investments at fair value through profit and loss	–	(8)
TOTAL INTEREST AND INVESTMENT REVENUE	4,261	3,310
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	47	40
General Council cash and investments	2,234	1,886
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	583	462
Site 1 – Cy Pres Scheme	124	118
Site 2 – Cy Pres Scheme	26	25
Other externally restricted assets	816	420
Restricted investments/funds – internal:		
Internally restricted assets	431	359
Total interest and investment revenue	4,261	3,310

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Other revenues			
Rental income – investment property	10	4,999	5,508
Rental income – other council properties		6,852	6,987
Fines		4,570	4,748
Legal fees recovery – rates and charges (extra charges)		45	36
Legal fees recovery – other		57	48
Commissions and agency fees		2	3
CDO Investment Recovery		437	–
Contractor retention retained		467	–
Insurance claims recoveries		135	178
Sale of abandoned vehicles		22	33
Better Business partnership		267	–
Sales – general		13	18
Arts and culture		2	15
Community development		220	279
Council property		299	242
General administration		126	106
Library services		27	34
Melody markets		662	544
Merchant fee recovery		108	103
Orchestra and choir		76	–
Other		149	161
Services recovery		8	13
Sponsorship		444	489
Street fair		48	42
TOTAL OTHER REVENUE		20,035	19,587

Accounting policy for other revenue

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	831	794	–	–
Financial assistance – local roads component	298	282	–	–
Payment in advance - future year allocation				
Financial assistance – general component	861	822	–	–
Financial assistance – local roads component	308	298	–	–
Total general purpose	2,298	2,196	–	–
Specific purpose				
Community care	2,627	2,167	–	–
Library – per capita	147	144	–	–
LIRS subsidy	69	56	–	–
Recreation and culture	88	68	6,050	3,695
Street lighting	191	191	–	–
Traffic route subsidy	31	–	–	–
Transport (roads to recovery)	256	540	–	–
Transport (other roads and bridges funding)	14	–	431	–
Housing and community	143	434	–	–
Other	65	49	–	–
Total specific purpose	3,631	3,649	6,481	3,695
Total grants	5,929	5,845	6,481	3,695
Grant revenue is attributable to:				
– Commonwealth funding	5,103	4,775	6,005	3,495
– State funding	781	797	476	200
– Other funding	45	273	–	–
	5,929	5,845	6,481	3,695

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	5,959	17,314
Total developer contributions – cash		–	–	5,959	17,314
Total developer contributions	21	–	–	5,959	17,314
Other contributions:					
Cash contributions					
Other councils – joint works/services		36	36	–	–
Recreation and culture		29	28	–	–
RMS contributions (regional roads, block grant)		283	465	–	–
Housing and community amenities		–	–	555	36
Total other contributions – cash		348	529	555	36
Non-cash contributions					
Housing and community amenities		–	–	8,950	800
Total other contributions – non-cash		–	–	8,950	800
Total other contributions		348	529	9,505	836
Total contributions		348	529	15,464	18,150
TOTAL GRANTS AND CONTRIBUTIONS		6,277	6,374	21,945	21,845

Accounting policy for grants and contributions

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
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(g) Unspent grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:

Operating grants

Unexpended at the close of the previous reporting period	1,576	1,517
Add: operating grants recognised in the current period but not yet spent	1,219	1,318
Less: operating grants recognised in a previous reporting period now spent	(1,193)	(1,259)
Unexpended and held as restricted assets (operating grants)	1,602	1,576

The majority of the unexpended operating grants as at 30th June 2019 relates to the paid in advance Financial assistance grant 2019/2020 for \$1,170M and a Waste performance grant of \$283K.

Capital grants

Unexpended at the close of the previous reporting period	237	37
Add: capital grants recognised in the current period but not yet spent	132	200
Less: capital grants recognised in a previous reporting period now spent	(200)	-
Unexpended and held as restricted assets (capital grants)	169	237

The majority of the unexpended capital grants as at 30th June 2019 relates to Stationlink road works of \$134K.

Contributions

Unexpended at the close of the previous reporting period	38,301	22,212
Add: contributions recognised in the current period but not yet spent	7,080	17,911
Less: contributions recognised in a previous reporting period now spent	(1,701)	(1,822)
Unexpended and held as restricted assets (contributions)	43,680	38,301

The majority of the unexpended contributions \$43,668 as at 30th June 2019 relates to contributions received under S711 and voluntary planning agreements.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	31,009	30,554
Travel expenses	25	42
Employee leave entitlements (ELE)	5,517	4,554
Superannuation	3,585	3,481
Workers' compensation insurance	1,099	873
Fringe benefit tax (FBT)	239	282
Training costs (other than salaries and wages)	429	291
Other	79	74
Total employee costs	41,982	40,151
Less: capitalised costs	(255)	(401)
TOTAL EMPLOYEE COSTS EXPENSED	41,727	39,750
Number of 'full-time equivalent' employees (FTE) at year end	361	369

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 16 for more information.

(b) Borrowing costs**(i) Interest bearing liability costs**

Interest on loans	1,166	2,386
Total interest bearing liability costs expensed	1,166	2,386
TOTAL BORROWING COSTS EXPENSED	1,166	2,386

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	2,464	2,558
Contractor and consultancy costs		
– Consultancy costs (assorted)	1,734	2,100
– Cleaning	1,278	950
– Waste Collection	6,645	5,578
– Equipment Maintenance	479	595
– Security Services	474	403
– Pay and Display Machine Maintenance	280	254
– Waste Disposal	4,746	5,541
– Management Fees	317	195
– Agency Personnel	2,274	2,069
– Open Space	1,568	1,587
– Infrastructure Works	4,125	1,780
– Street Cleaning	92	22
– Property Services	2,546	2,127
– Engineering Services	693	346
– Plant	216	122
– Environmental Services	2,208	1,564
– Events	1,158	967
– Willoughby Leisure Centre	96	237
– Chatswood Mall	204	250
– Election Expenses	–	357
– Other	1,390	1,286
Audit committee fees	5	4
Auditors remuneration ²	89	87
Legal expenses:		
– Legal expenses: planning and development	180	485
– Legal expenses: other	267	447
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	422	383
Other	395	284
Total materials and contracts	36,345	32,578
TOTAL MATERIALS AND CONTRACTS	36,345	32,578

Accounting policy for operating leases

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

1. Operating lease payments are attributable to:

Computers	292	287
Other	260	96
	552	383

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
2. Auditor remuneration		
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	86	84
Remuneration for audit and other assurance services	<u>86</u>	<u>84</u>
Total Auditor-General remuneration	<u>86</u>	<u>84</u>
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Other audit and assurance services – RMS Drives	3	3
Remuneration for audit and other assurance services	<u>3</u>	<u>3</u>
Total remuneration of non NSW Auditor-General audit firms	<u>3</u>	<u>3</u>
Total Auditor remuneration	<u>89</u>	<u>87</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E		
Depreciation and amortisation		
Plant and equipment	1,138	1,403
Office equipment	167	163
Furniture and fittings	183	170
Land improvements (depreciable)	106	78
Infrastructure:		
– Buildings (non-specialised)	5	123
– Buildings (specialised)	4,725	1,496
– Other structures	244	244
– Roads	3,508	3,071
– Bridges	372	272
– Footpaths	1,243	783
– Stormwater drainage	1,279	1,098
– Swimming pools	39	47
– Other open space/recreational assets	2,625	3,201
– Other infrastructure	231	217
Other assets:		
– Library books	443	439
Total gross depreciation and amortisation costs	16,308	12,805
Total depreciation and amortisation costs	16,308	12,805
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E	16,308	12,805

Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets.

Impairment of non-financial assets

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(e) Other expenses		
Advertising	559	459
Bad and doubtful debts (Net)	(319)	(119)
Bank charges	336	337
Child care assistance fee relief	601	519
Commissions and agency fees	557	589
Computer operating expenses	1,244	1,183
Concourse venue management	169	357
Contributions/levies to other levels of government		
– EPA levy	243	237
– NSW fire brigade levy	1,592	1,652
– Parking space levy	457	449
Councillor expenses – mayoral fee	43	42
Councillor expenses – councillors' fees	317	290
Donations, contributions and assistance to other organisations (Section 356)	291	307
Electricity and heating	1,760	1,239
Events and community projects	8	1
Insurance	1,759	1,711
Orchestra costs	175	165
Planning reform fees	338	395
Street lighting	768	1,082
Subscriptions and publications	216	156
Telephone and communications	547	404
Valuation fees	114	126
Vehicle registrations	117	121
Water rates and other services	411	368
Other	622	527
Total other expenses	12,925	12,597
TOTAL OTHER EXPENSES	12,925	12,597

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
Property (excl. investment property)			
Proceeds from disposal – property		–	55
Less: carrying amount of property assets sold/written off		–	(877)
Net gain/(loss) on disposal		–	(822)
Plant and equipment			
	9		
Proceeds from disposal – plant and equipment		211	427
Less: carrying amount of plant and equipment assets sold/written off		(91)	(92)
Net gain/(loss) on disposal		120	335
Investments			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		60,500	60,088
Less: carrying amount of investments sold/redeemed/matured		(60,500)	(60,088)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		120	(487)

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	106	141
Cash-equivalent assets		
– Deposits at call	5,055	11,207
Total cash and cash equivalents	5,161	11,348

Accounting policy for cash and cash equivalents

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

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
'Financial assets at amortised cost' / 'held to maturity' (2018)	149,527	–	135,000	–
Total Investments	149,527	–	135,000	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	154,688	–	146,348	–
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	149,527	–	135,000	–
Total	149,527	–	135,000	–

Accounting policy for investments**Accounting policy under AASB 9 – applicable from 1 July 2018**

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

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

Financial assets

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

Classification

On initial recognition, Council classifies its financial assets into the following 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

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

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

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

Held to maturity investments

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

Recognition and de-recognition

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

Notes to the Financial Statements

for the year ended 30 June 2019 .

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	154,688	–	146,348	–
attributable to:				
External restrictions	73,903	–	65,099	–
Internal restrictions	68,186	–	66,766	–
Unrestricted	12,599	–	14,483	–
	154,688	–	146,348	–

\$ '000	2019	2018
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general	120	92
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External restrictions – included in liabilities	120	92
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External restrictions – other

Developer contributions – general	43,667	38,276
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RMS contributions	143	25
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Specific purpose unexpended grants	1,639	1,813
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Domestic waste management	8,104	6,207
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Affordable housing	12,889	11,832
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Infrastructure levy reserve	1,670	1,003
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Site 1 – CY pres scheme	4,685	4,810
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Site 2 – CY pres scheme	986	1,041
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External restrictions – other	73,783	65,007
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Total external restrictions	73,903	65,099
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Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
Internal restrictions		
Plant and vehicle replacement	2,782	2,790
Employees leave entitlement	2,355	2,271
Asset improvement	1,417	2,058
Car park management	2,380	1,806
CBD event activities	122	184
CBD property	160	750
Depot	775	2,921
Election	275	50
Employee overheads	1,053	1,123
Environmental development plan	5,084	5,417
Flood Investigation	39	39
Information technology	3,200	2,277
Innovation/Digital Hub	905	1,004
Leisure and Recreational Projects	5,795	6,494
Paid parking	1,635	1,593
Property plan	7,656	7,285
Regency leisure centre lease	4,894	4,112
Repair to damage-road and footway	883	987
Stormwater management	352	212
The Concourse	16,090	15,065
Victor St Property redevelopment	3,890	2,000
Open space	786	766
Precinct Upgrade	5,658	5,562
Total internal restrictions	68,186	66,766
TOTAL RESTRICTIONS	142,089	131,865

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	1,076	36	836	36
User charges and fees	2,233	–	1,239	–
Accrued revenues				
– Interest on investments	2,354	–	1,438	–
– Other income accruals	1,153	–	1,317	–
Amounts due from other councils	1	–	151	–
Deferred debtors	–	15	–	15
Government grants and subsidies	308	–	645	–
Net GST receivable	1,029	–	674	–
Other debtors	(209)	–	(7)	–
Total	7,945	51	6,293	51
Less: provision of impairment				
User charges and fees	(107)	–	(426)	–
Total provision for impairment – receivables	(107)	–	(426)	–
TOTAL NET RECEIVABLES	7,838	51	5,867	51
Externally restricted receivables				
Domestic waste management	931	–	768	–
Total external restrictions	931	–	768	–
Unrestricted receivables	6,907	51	5,099	51
TOTAL NET RECEIVABLES	7,838	51	5,867	51

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	426	545
– amounts already provided for and written off this year	(319)	(28)
– amounts provided for but recovered during the year	–	(91)
Balance at the end of the period	107	426

Accounting policy for receivables

Recognition and measurement

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

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

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

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

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

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

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

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.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	22	–	28	–
Total inventories at cost	22	–	28	–
<u>TOTAL INVENTORIES</u>	<u>22</u>	<u>–</u>	<u>28</u>	<u>–</u>
(b) Other assets				
Prepayments	822	–	374	–
<u>TOTAL OTHER ASSETS</u>	<u>822</u>	<u>–</u>	<u>374</u>	<u>–</u>

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total externally restricted assets	–	–	–	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	844	–	402	–
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>	<u>844</u>	<u>–</u>	<u>402</u>	<u>–</u>

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

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

Inventory held for distribution

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

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

Note 9. Infrastructure, property, plant and equipment

	as at 30/6/2018			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ⁽¹⁾	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	Net carrying amount
Capital work in progress	5,054	–	5,054	494	725	–	–	(5,012)	(42)	–	–	1,219	–	1,219
Plant and equipment	13,178	(7,103)	6,075	–	647	(91)	(1,138)	28	–	–	–	12,993	(7,472)	5,521
Office equipment	2,657	(2,032)	625	–	215	–	(167)	–	–	–	–	2,872	(2,199)	673
Furniture and fittings	2,617	(1,380)	1,237	–	180	–	(183)	–	–	–	–	2,797	(1,863)	1,234
Land:														
– Operational land	449,601	–	449,601	–	555	–	–	–	–	–	14,657	464,813	–	464,813
– Community land	267,303	–	267,303	–	–	–	–	–	–	–	–	267,303	–	267,303
Land improvements – depreciable	4,998	(533)	4,465	182	94	–	(106)	–	–	–	171	5,445	(639)	4,806
Infrastructure:														
– Buildings – non-specialised	13,440	(130)	13,310	–	8,395	–	(5)	–	–	–	329	22,167	(138)	22,029
– Buildings – specialised	321,924	(60,129)	261,795	1,755	1,250	–	(4,725)	205	–	–	6,728	332,889	(65,881)	267,008
– Other structures	8,988	(1,172)	7,816	–	–	–	(244)	–	–	–	320	9,420	(1,528)	7,892
– Roads	282,051	(81,849)	200,202	3,819	461	–	(3,508)	–	–	(3,521)	–	282,610	(85,357)	197,253
– Bridges	10,296	(1,498)	8,798	372	–	–	(372)	–	–	–	60	10,728	(1,870)	8,858
– Footpaths	71,592	(12,897)	58,695	2,116	59	–	(1,243)	–	–	–	2,527	76,294	(14,140)	62,154
– Bulk earthworks (non-depreciable)	21,932	–	21,932	–	–	–	–	–	–	–	349	22,281	–	22,281
– Stormwater drainage	117,854	(30,823)	86,831	2,677	2,349	–	(1,279)	–	–	–	23,830	146,510	(32,102)	114,408
– Swimming pools	4,470	(1,070)	3,400	65	–	–	(39)	–	–	–	108	4,582	(1,048)	3,534
– Other open space/recreational assets	58,723	(17,818)	38,905	3,889	2,563	–	(2,625)	4,779	–	–	2,778	70,732	(20,443)	50,289
– Other infrastructure	18,122	(4,145)	13,977	94	489	–	(231)	–	–	–	840	19,345	(4,376)	14,969
Other assets:														
– Library books	9,125	(7,783)	1,342	–	460	–	(443)	–	–	–	–	9,585	(8,226)	1,359
Total Infrastructure, property, plant and equipment	1,681,725	(230,362)	1,451,363	15,263	18,442	(91)	(16,308)	–	(42)	(3,521)	52,497	1,764,585	(246,982)	1,517,603

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

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

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

	as at 30/6/2017			Asset movements during the reporting period									as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ⁽¹⁾	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tire from/(to) investment properties	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	3,746	—	3,746	4,209	285	—	—	(3,165)	—	(21)	—	—	5,054	—	5,054
Plant and equipment	12,853	(6,679)	6,174	—	1,116	(92)	(1,403)	280	—	—	—	—	13,178	(7,103)	6,075
Office equipment	2,543	(1,870)	673	19	96	—	(163)	—	—	—	—	—	2,657	(2,032)	625
Furniture and fittings	2,545	(1,210)	1,335	—	72	—	(170)	—	—	—	—	—	2,617	(1,380)	1,237
Land:															
– Operational land	345,223	—	345,223	—	—	—	—	—	(4,728)	—	—	109,107	449,601	—	449,601
– Community land	262,574	—	262,574	—	—	—	—	—	4,729	—	—	—	267,303	—	267,303
Land improvements – depreciable	2,608	(259)	2,349	99	173	—	(78)	—	—	—	—	1,922	4,998	(533)	4,465
Infrastructure:															
– Buildings – non-specialised	14,110	(1,951)	12,159	—	800	—	(123)	—	—	—	—	474	13,440	(130)	13,310
– Buildings – specialised	290,092	(13,670)	276,422	1,367	83	(877)	(1,496)	335	107	—	(14,157)	—	321,924	(60,129)	261,795
– Other structures	13,193	(2,191)	11,002	—	—	—	(244)	—	(3,193)	—	—	251	8,988	(1,172)	7,816
– Roads	271,765	(71,405)	200,360	3,230	101	—	(3,071)	—	—	—	(418)	—	282,051	(81,849)	200,202
– Bridges	10,558	(1,378)	9,180	113	—	—	(272)	—	—	—	(223)	—	10,296	(1,498)	8,798
– Footpaths	70,926	(10,076)	60,850	1,093	40	—	(783)	—	—	—	(2,505)	—	71,592	(12,897)	58,695
– Bulk earthworks (non-depreciable)	20,824	—	20,824	—	—	—	—	—	—	—	—	1,108	21,932	—	21,932
– Stormwater drainage	116,714	(30,512)	86,202	1,629	12	—	(1,098)	—	—	—	—	86	117,654	(30,823)	86,831
– Swimming pools	4,216	(1,009)	3,207	52	—	—	(47)	—	—	—	—	188	4,470	(1,070)	3,400
– Other open space/recreational assets	45,694	(14,072)	31,622	3,100	74	—	(3,201)	2,550	3,086	—	—	1,674	56,723	(17,818)	38,905
– Other infrastructure	16,595	(3,547)	13,048	57	—	—	(217)	—	—	—	—	1,089	16,122	(4,145)	13,977
Other assets:															
– Library books	8,673	(7,343)	1,330	—	451	—	(439)	—	—	—	—	—	9,125	(7,783)	1,342
Total infrastructure, property, plant and equipment	1,515,452	(167,172)	1,348,280	14,988	3,303	(969)	(12,805)	—	—	(21)	(17,303)	115,899	1,681,725	(230,362)	1,451,363

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

	Years		Years
Plant and equipment		Transportation assets (cont)	
Office equipment	5 to 10	Footpaths bitumen	30
Office furniture	10 to 20	Carparks: pavement	40 to 100
Computer equipment	5		
Vehicles	5	Buildings	
Heavy plant/road making equipment	5	Envelope	40 to 150
Other plant and equipment	5 to 20	Roof	40 to 90
		Floors	60 to 150
Open Space/Recreational Assets		Floor Coverings	15 to 80
Playground equipment	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		
		Other infrastructure assets	
Transportation assets		Other infrastructure	60 to 100
Sealed roads: surface	20 to 40	Land improvements	5 to 50
Sealed roads: pavement	100	Other structures	10 to 100
Major bridges	15 to 100		
Major culverts	20 to 50	Stormwater assets	
Minor structures	60 to 100	Drains	40 to 150
Kerb & gutter concrete	100	Culverts	100 to 150
Footpaths concrete	80	Swimming Pools	100 to 150
		Library Books	5

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

Land under roads

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Crown reserves

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

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

Rural Fire Service assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Investment property

\$ '000	2019	2018
(a) Investment property at fair value		
Investment property on hand	85,921	78,080
Reconciliation of annual movement:		
Opening balance	78,080	74,285
– Capitalised expenditure – this year	90	38
– Net gain/(loss) from fair value adjustments	7,751	3,736
– Transfers from/(to) owner occupied (Note 10)	–	21
CLOSING BALANCE – INVESTMENT PROPERTY	85,921	78,080

(b) Valuation basis

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

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

(c) Contractual obligations at reporting date

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

(d) Leasing arrangements – Council as lessor

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

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

Within 1 year	4,709	4,742
Later than 1 year but less than 5 years	23,985	13,500
Later than 5 years	36,426	5,809
Total minimum lease payments receivable	65,120	24,051

(e) Investment property income and expenditure – summary

Rental income from investment property:		
– Minimum lease payments	4,999	5,508
Direct operating expenses on investment property:		
– that did not generate rental income	(486)	(306)
Net revenue contribution from investment property	4,513	5,202
plus:		
Fair value movement for year	7,751	3,736
Total income attributable to investment property	12,264	8,938

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	9,749	–	10,735	–
Accrued expenses:				
– Borrowings	95	–	102	–
– Other expenditure accruals	37	–	31	–
Security bonds, deposits and retentions	11,770	–	11,747	–
Other	283	–	268	–
Total payables	21,934	–	22,883	–
Income received in advance				
Payments received in advance	1,360	–	325	–
Total income received in advance	1,360	–	325	–
Borrowings				
Loans – secured ¹	1,705	38,756	1,624	40,902
Deferred payment liabilities	75	640	75	715
Total borrowings	1,780	39,396	1,699	41,617
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>25,074</u>	<u>39,396</u>	<u>24,907</u>	<u>41,617</u>

(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 17.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Domestic waste management	92	–	80	–
Payables and borrowings relating to externally restricted assets	92	–	80	–
Total payables and borrowings relating to restricted assets	92	–	80	–
Total payables and borrowings relating to unrestricted assets	24,982	39,396	24,827	41,617
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>25,074</u>	<u>39,396</u>	<u>24,907</u>	<u>41,617</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

\$ '000	2019	2018
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(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

Payables – security bonds, deposits and retentions	9,266	9,220
Total payables and borrowings	9,266	9,220

(c) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018					as at 30/6/2019
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	42,526	(1,654)	–	(411)	–	40,461
Deferred payment liabilities	790	(75)	–	–	–	715
TOTAL	43,316	(1,729)	–	(411)	–	41,176

\$ '000	as at 30/6/2017					as at 30/6/2018
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	43,344	(1,545)	–	727	–	42,526
Deferred payment liabilities	866	(76)	–	–	–	790
TOTAL	44,210	(1,621)	–	727	–	43,316

\$ '000	2019	2018
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(d) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities ¹	1,200	1,200
Total financing arrangements	1,200	1,200

Undrawn facilities as at balance date:

– Bank overdraft facilities	1,200	1,200
Total undrawn financing arrangements	1,200	1,200

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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

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

There are no changes in the classification of financial liabilities held by council upon adoption of AASB9 Financial Instruments.

Payables

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

Borrowings

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	2,728	–	2,643	–
Long service leave	7,518	298	6,886	175
Gratuities	–	167	–	154
ELE on-costs	946	–	812	–
Sub-total – aggregate employee benefits	11,192	465	10,341	329
Other provisions				
Public liability claims	13	25	80	47
Sub-total – other provisions	13	25	80	47
TOTAL PROVISIONS	11,205	490	10,421	376

(a) Provisions relating to restricted assets

Total provisions relating to restricted assets	–	–	–	–
Total provisions relating to unrestricted assets	11,205	490	10,421	376
TOTAL PROVISIONS	11,205	490	10,421	376

\$ '000	2019	2018
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(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	8,308	7,430
	8,308	7,430

(c) Description of and movements in provisions

\$ '000	ELE provisions					Other employee benefits	Total
	Annual leave	Sick leave	Long service leave	ELE on-costs			
2019							
At beginning of year	2,643	–	7,061	812	154		10,670
Other	85	–	755	134	13		987
Total ELE provisions at end of period	2,728	–	7,816	946	167		11,657
2018							
At beginning of year	2,486	112	7,162	761	–		10,521
Additional provisions	2,161	42	591	51	–		2,845
Amounts used (payments)	(2,004)	–	(692)	–	–		(2,696)
Other	–	(154)	–	–	154		–
Total ELE provisions at end of period	2,643	–	7,061	812	154		10,670

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

\$ '000	Other provisions	
	Public liability claims	Total
2019		
At beginning of year	127	127
Unused amounts reversed	(89)	(89)
Total other provisions at end of period	38	38
2018		
At beginning of year	130	130
Unused amounts reversed	(3)	(3)
Total other provisions at end of period	127	127

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

To recognise provision of potential payment of excess to council's insurer in relation to unsettled public liability claims as at 30th June 2019.

Accounting policy for provisions

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

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

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

Employee benefits**Short-term obligations**

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

Other long-term employee benefit obligations

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

On-costs

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

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

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

(b) Changes in accounting estimates

Nature and effect of changes in accounting estimates on current year

Council for the 2018/2019 Financial year used straight line depreciation to depreciate asset categories that had been previously depreciated on a consumption based approach. The asset categories included Roads, Bridges, Footpaths, Stormwater Drainage, Other Infrastructure and Open Space recreational assets.

Nature and effect of changes in accounting estimates on future years

The depreciation of the abovementioned assets will continue to be based on the straight line approach in line with all other categories of assets.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	5,161	11,348
Balance as per the Statement of Cash Flows		5,161	11,348
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		37,014	37,131
Adjust for non-cash items:			
Depreciation and amortisation		16,308	12,805
Net losses/(gains) on disposal of assets		(120)	487
Non-cash capital grants and contributions		(8,950)	(800)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		–	8
– investment property		(7,751)	(3,736)
Fair revaluation of borrowings		(441)	727
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,652)	(584)
Increase/(decrease) in provision for impairment of receivables		(319)	(119)
Decrease/(increase) in inventories		6	(4)
Decrease/(increase) in other current assets		(448)	(29)
Increase/(decrease) in payables		(986)	2,105
Increase/(decrease) in accrued interest payable		(7)	(7)
Increase/(decrease) in other accrued expenses payable		6	(3)
Increase/(decrease) in other liabilities		1,073	796
Increase/(decrease) in provision for employee benefits		987	149
Increase/(decrease) in other provisions		(89)	(3)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		34,631	48,923
(c) Non-cash investing and financing activities			
Contributed Assets – Building		8,950	800
Total non-cash investing and financing activities		8,950	800

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Commitments

\$ '000	2019	2018
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	151	355
Plant and equipment	544	–
Other Structures	35	5
Other Assets	99	23
Roads	75	404
Carparks	–	7
Drainage	7	75
Open Space	1,674	7,596
Other	25	–
Total commitments	2,610	8,465
These expenditures are payable as follows:		
Within the next year	2,610	8,465
Total payable	2,610	8,465
Sources for funding of capital commitments:		
Unrestricted general funds	401	259
Future grants and contributions	–	7,173
Sect 64 and 94 funds/reserves	668	211
Unexpended grants	–	26
Other reserves	1,541	796
Total sources of funding	2,610	8,465

Details of capital commitments

Council has committed to improve open space recreation facilities.

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

Within the next year	367	317
Later than one year and not later than 5 years	662	498
Total non-cancellable operating lease commitments	1,029	815

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

Computer, photocopier and printer equipment.

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

Conditions relating to finance and operating leases:

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED**1. Guarantees****(i) Defined benefit superannuation contribution plans**

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

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

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

Description of the funding arrangements.

Pooled employers are required to pay future service employer contributions and past service employer contributions to the fund.

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

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

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

The past service contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are used to maintain the adequacy of the funding position of the accrued liabilities.

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised (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 2019 was \$ 509,583.39. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2018.

The amount of additional contributions included in the total employer contribution advised above is \$288,000. Council's expected contribution to the plan for the next annual reporting period is \$297,900.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$595,800 as at 30 June 2019.

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised (continued)

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED

Infringement notices/fines

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

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

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

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	5,161	11,348	5,161	11,348
Receivables	7,889	5,918	7,889	5,918
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	149,527	135,000	149,527	135,000
Total financial assets	162,577	152,266	162,577	152,266
Financial liabilities				
Payables	21,934	22,883	21,934	22,883
Borrowings	41,176	43,316	41,176	43,316
Total financial liabilities	63,110	66,199	63,110	66,199

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 1% movement in interest rates	1,546	1,546	(1,546)	(1,546)
2018				
Possible impact of a 1% movement in interest rates	1,462	1,462	(1,462)	(1,462)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

(b) Credit risk

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

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

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

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

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

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

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

Credit risk profile**Receivables – rates and annual charges**

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	1,112	–	–	–	–	1,112
2018						
Gross carrying amount	–	715	55	47	55	872

Receivables - non-rates and annual charges

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

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	6,884	–	–	–	–	6,884
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	(8)	(10)	(10)	(79)	(107)
2018						
Gross carrying amount	4,334	319	133	313	373	5,472
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2019							
Trade/other payables	0.00%	11,770	10,164	–	–	21,934	21,934
Borrowings	4.35%	–	3,348	11,667	71,054	86,069	41,176
Total financial liabilities		11,770	13,512	11,667	71,054	108,003	63,110
2018							
Trade/other payables	0.00%	11,747	11,136	–	–	22,883	22,883
Borrowings	4.44%	–	3,352	14,149	68,230	85,731	43,316
Total financial liabilities		11,747	14,488	14,149	68,230	108,614	66,199

Loan agreement breaches

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

Council's original financial budget for 18/19 was adopted by Council on 25/06/2018 and is unaudited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----		
REVENUES					
Rates and annual charges	66,253	66,322	69	0%	F
User charges and fees	18,264	18,774	510	3%	F
Interest and investment revenue	3,001	4,261	1,260	42%	F
The positive variance can be attributed to a greater than anticipated amount invested over 12 months.					
Other revenues	19,253	20,035	782	4%	F
Operating grants and contributions	5,829	6,277	448	8%	F
Capital grants and contributions	9,697	21,945	12,248	126%	F
The positive variance can be mainly attributed to the value of a number of gifted units in developments totalling \$9M as well as extra developer contributions of \$2.4M and affordable housing contributions of \$555K.					
Net gains from disposal of assets	420	120	(300)	(71)%	U
The budget for Gain on sale of assets can be offset by the budget for net loss from the disposal of assets.					
Fair value increment on investment property	–	7,751	7,751	∞	F
The positive variance can be attributed to an unbudgeted fair value increment on investment properties.					
EXPENSES					
Employee benefits and on-costs	44,107	41,727	2,380	5%	F
Borrowing costs	1,638	1,166	472	29%	F
The favorable variance can be mainly attributed to the unbudgeted reduction in the amortisation cost of the CPI Linked loan by \$441K.					
Materials and contracts	35,189	36,345	(1,156)	(3)%	U
Depreciation and amortisation	11,734	16,308	(4,574)	(39)%	U
A combined increase in Depreciation of \$1.1M for Drainage, Roads, Bridges, K&G & Footpaths resulted from using straight line depreciation instead of consumption based for 2018/2019. A total increase of \$3M was made for Buildings with the majority being for the Westfield Carpark, the Concourse and the Depot.					
Other expenses	14,146	12,925	1,221	9%	F
Net losses from disposal of assets	300	–	300	100%	F
The budget for the loss on disposal of assets can be offset by the budget for the gain on disposal of assets.					

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----		
STATEMENT OF CASH FLOWS					
Net cash provided from (used in) operating activities	32,340	34,631	2,291	7%	F
Net cash provided from (used in) investing activities	(22,877)	(39,119)	(16,242)	71%	U
The variance is mainly attributable to a lower than budgeted purchase of Assets \$9.1M along with the sale of Investment securities of \$112.4M over budget and the purchase of Investment securities of \$137.2M which was not budgeted for. It is difficult to be accurate in setting a budget for both the sale and purchase of investment securities as it is dependent on cash flow and interest rates at the time of maturity.					
Net cash provided from (used in) financing activities	(1,684)	(1,699)	(15)	1%	U

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Investment property

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

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

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

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

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

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

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Investment property						
	10					
Retail & Commercial Premises		30/06/19	–	85,921	–	85,921
Total investment property			–	85,921	–	85,921
Infrastructure, property, plant and equipment						
	9					
Operational Land		30/06/19	–	464,813	–	464,813
Community Land		30/06/17	–	–	267,303	267,303
Land Improvements Depreciable		30/06/19	–	–	4,806	4,806
Buildings-Non Specialised		30/06/19	–	22,029	–	22,029
Buildings-Specialised		30/06/19	–	–	267,008	267,008
Other Structures		30/06/19	–	–	7,892	7,892
Roads		30/06/19	–	–	197,253	197,253
Bridges		30/06/19	–	–	8,858	8,858
Footpaths		30/06/19	–	–	62,154	62,154
Bulk Earthworks		30/06/19	–	–	22,281	22,281
Stormwater Drainage		30/06/19	–	–	114,408	114,408
Swimming Pools		30/06/19	–	–	3,534	3,534
Other Open Space/Recreational		30/06/19	–	–	50,289	50,289
Other Infrastructure Assets		30/06/19	–	–	14,969	14,969
Total infrastructure, property, plant and equipment			–	486,842	1,020,755	1,507,597

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Investment property						
	10					
Retail & Commercial Premises		30/06/18	–	78,080	–	78,080
Total investment property			–	78,080	–	78,080
Infrastructure, property, plant and equipment						
	9					
Operational Land		30/06/18	–	449,601	–	449,601
Community Land		30/06/17	–	–	267,303	267,303
Land Improvements Depreciable		30/06/18	–	–	4,465	4,465
Buildings-Non Specialised		30/06/18	–	13,310	–	13,310
Buildings-Specialised		30/06/18	–	–	261,795	261,795
Other Structures		30/06/18	–	–	7,816	7,816
Roads		30/06/18	–	–	200,202	200,202
Bridges		30/06/18	–	–	8,798	8,798
Footpaths		30/06/18	–	–	58,695	58,695
Bulk Earthworks		30/06/18	–	–	21,932	21,932
Stormwater Drainage		30/06/18	–	–	86,831	86,831
Swimming Pools		30/06/18	–	–	3,400	3,400
Other Open Space/Recreational		30/06/18	–	–	38,905	38,905
Other Infrastructure Assets		30/06/18	–	–	13,977	13,977
Total infrastructure, property, plant and equipment			–	462,911	974,119	1,437,030

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

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

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

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

– at the end of the reporting period.

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

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

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

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

Investment property

Council obtains independent valuations of its investment property on an annual basis to ensure 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 2019. 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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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 (IPP&E)

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 2019 by APV Valuers and Asset Management.

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

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

Community Land

Council's Community Land valuations have been performed internally based on Valuer General's valuations for rating purposes where available, or the average total Valuer General rate divided by the total land area to derive a unit rate. For parcels not in the Valuer general report, the value is derived from the average of the community land parcels unit rate rather than the municipal average. Community Land was last valued at 30th June 2017.

Land Improvements - Depreciable

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

Buildings - Non Specialised

Buildings were valued by APV Valuers and Asset Management in June 2019 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 2019 using the cost approach. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres could be supported from market evidence (Level 2), other inputs (such as estimates of useful lives, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

Other Structures

This asset class includes assets such as The Chatswood Solar Farm, Public Art structures and The Water Treatment Tank at The Concourse were valued by APV Valuers and Asset Management in June 2016 with a desktop valuation in June 2018 and again June 2019 using the cost approach. Under this approach the cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. The valuer disaggregated the assets into different components and for each component determined a value based on such factors as asset condition, legal and commercial obsolescence.

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

Roads

This class of asset includes road pavement, surface and formation, kerb and guttering and car parks. The fair valuation is undertaken annually by Council staff. Whilst the unit and linear metre rates could be supported from market evidence (Level 2), other inputs (such as useful lives, pattern of consumption and asset condition) required extensive professional judgement which impacted significantly on the final determination of fair value.

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

Bridges

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

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

Footpaths

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

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

Bulk Earthworks

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

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

Stormwater Drainage

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

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

Swimming Pools

This class of asset includes the pool at the Willoughby Leisure Centre together with the Ocean pool at Northbridge Baths. Valuation information has been provided from both in house and by APV Valuers and Asset Management in June 2019.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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

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

Other Open Space/Recreational

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

Other Infrastructure Assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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

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

\$ '000	Community Land	Land improv- ements depreciable	Building specialised	Other structures	Roads
2018					
Opening balance	262,574	2,349	276,422	11,002	200,360
Transfers from/(to) another asset class	4,729	-	-	-	-
Transfers to & from Other Category	-	-	442	(3,193)	-
Purchases (GBV)	-	272	1,461	-	3,331
Disposals (WDV)	-	-	(877)	-	-
Depreciation and impairment	-	(78)	(1,496)	(244)	(3,071)
FV gains – other comprehensive income	-	1,922	-	251	-
FV losses – other comprehensive income	-	-	(14,157)	-	(418)
Closing balance	267,303	4,465	261,795	7,816	200,202
2019					
Opening balance	267,303	4,465	261,795	7,816	200,202
Transfers from/(to) another asset class	-	-	205	-	-
Purchases (GBV)	-	276	3,005	-	4,080
Depreciation and impairment	-	(106)	(4,725)	(244)	(3,508)
FV gains – other comprehensive income	-	171	6,728	320	-
FV losses – other comprehensive income	-	-	-	-	(3,521)
Closing balance	267,303	4,806	267,008	7,892	197,253

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

\$ '000	Bridges	Footpaths	Bulk earthworks (non- depreciable)	Stormwater drainage	Swimming pools
2018					
Opening balance	9,180	60,850	20,824	86,202	3,207
Purchases (GBV)	113	1,133	–	1,641	52
Depreciation and impairment	(272)	(783)	–	(1,098)	(47)
FV gains – other comprehensive income	–	–	1,108	86	188
FV losses – other comprehensive income	(223)	(2,505)	–	–	–
Closing balance	8,798	58,695	21,932	86,831	3,400
2019					
Opening balance	8,798	58,695	21,932	86,831	3,400
Transfers from/(to) another asset class	–	2,175	–	–	–
Purchases (GBV)	372	–	–	5,026	65
Depreciation and impairment	(372)	(1,243)	–	(1,279)	(39)
FV gains – other comprehensive income	60	2,527	349	23,830	108
Closing balance	8,858	62,154	22,281	114,408	3,534

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

\$ '000	Other open space recreational	Other infrastructure assets	Total
2018			
Opening balance	31,622	13,048	977,640
Transfers from/(to) another asset class	5,636	–	10,365
Transfers to & from Other Category	–	–	(2,751)
Purchases (GBV)	3,174	57	11,234
Disposals (WDV)	–	–	(877)
Depreciation and impairment	(3,201)	(217)	(10,507)
FV gains – other comprehensive income	1,674	1,089	6,318
FV losses – other comprehensive income	–	–	(17,303)
Closing balance	38,905	13,977	974,119
2019			
Opening balance	38,905	13,977	974,119
Transfers from/(to) another asset class	4,779	–	7,159
Purchases (GBV)	6,452	583	19,859
Depreciation and impairment	(2,625)	(231)	(14,372)
FV gains – other comprehensive income	2,778	640	37,511
FV losses – other comprehensive income	–	–	(3,521)
Closing balance	50,289	14,969	1,020,755

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

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

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

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

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Community Land	267,303	Cost Approach	Unimproved Capital Value provided by NSW Valuer General.
Land improvements depreciable	4,806	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	267,008	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	7,892	Cost Approach	Replacement Cost vary from asset to asset. Asset Condition rating 1 to 5 Excellent to very poor. Useful life 10 to 100 years.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Roads	197,253	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	8,858	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	62,154	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)	22,281	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	114,408	Cost Approach	Replacement cost vary from asset to asset. Asset Condition rating 1 to 5 Excellent to very poor. Useful life 40 to 150 years.
Swimming pools	3,534	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	50,289	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	14,969	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.

d. The valuation process for level 3 fair value measurements

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

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

Fair Value - Valuation Techniques

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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

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

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

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Level 2 Valuation:

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

Level 3 Valuation:

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

(2) Transfers between hierarchy

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

(5) Highest and best use

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

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

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Related Party Transactions

(a) Key management personnel

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

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

\$ '000	2019	2018
Compensation:		
Short-term benefits	1,806	1,748
Other long-term benefits	57	31
Termination benefits	-	44
Post Retirement Benefits	121	110
Total	1,984	1,933

(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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/6/2018			as at 30/6/2019				
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative Internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
Roads	327	—	—	9	(17)	—	319	—
Traffic facilities	2,603	—	—	66	(249)	—	2,420	—
Parking	957	—	—	23	(171)	—	809	—
Child Care	4,387	—	—	116	—	—	4,503	—
(R/A) Inc Non CBD	9,292	4,315	—	296	(767)	—	13,136	—
(R/A) Inc CBD	2,231	1,364	—	73	(439)	—	3,229	—
S7.11 contributions – under a plan	19,797	5,679	—	583	(1,643)	—	24,416	—
Total S7.11 and S7.12 revenue under plans	19,797	5,679	—	583	(1,643)	—	24,416	—
S7.11 not under plans	27	—	—	—	—	—	27	—
S7.4 planning agreements	18,452	280	—	492	—	—	19,224	—
Total contributions	38,276	5,959	—	1,075	(1,643)	—	43,667	—

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2018	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S7.11 Contributions – under a plan								
CONTRIBUTION PLAN NUMBER 1 – WILLOUGHBY CITY COUNCIL								
Roads	327	–	–	9	(17)	–	319	–
Traffic facilities	2,603	–	–	66	(249)	–	2,420	–
Parking	957	–	–	23	(171)	–	809	–
Child Care	4,387	–	–	116	–	–	4,503	–
(R/A) Inc Non CBD	9,292	4,315	–	296	(767)	–	13,136	–
(R/A) Inc CBD	2,231	1,364	–	73	(439)	–	3,229	–
Total	19,797	5,679	–	583	(1,643)	–	24,416	–
S7.11 Contributions – not under a plan								
CONTRIBUTION NOT UNDER A PLAN								
Traffic facilities	25	–	–	–	–	–	25	–
Parking	2	–	–	–	–	–	2	–
Total	27	–	–	–	–	–	27	–
S7.4 planning agreements								
S7.4 planning agreements								
Gore Hill Development	14,717	–	–	390	–	–	15,107	–
Thomas Street	3,735	–	–	99	–	–	3,834	–
Frederick Street	–	280	–	3	–	–	283	–
Total	18,452	280	–	492	–	–	19,224	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	7,198	6.22%	10.74%	12.68%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	115,669				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	109,138	79.31%	78.76%	89.62%	>60.00%
Total continuing operating revenue ¹	137,614				
3. Unrestricted current ratio					
Current assets less all external restrictions	88,536	4.76x	4.66x	4.70x	>1.50x
Current liabilities less specific purpose liabilities	18,613				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	24,672	8.61x	6.80x	5.97x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,865				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	1,112	1.66%	1.33%	1.38%	<5.00%
Rates, annual and extra charges collectible	67,032				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	154,688	17.67 mths	18.61 mths	14.40 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	8,753				

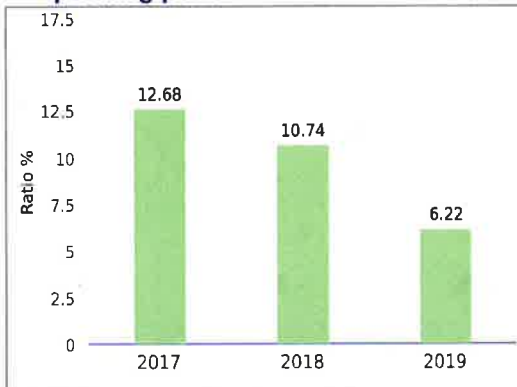
(1) Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets, and net loss of interests in joint ventures and associates.

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

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

Note 22(b). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio 6.22%

This ratio reduced as a result of a higher amount allocated to Fair Value of Investment property compared to the 2017/18 year. Council continues to trend positively against the industry benchmark of 0%.

Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

- Ratio achieves benchmark
- Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2018/19 result

2018/19 ratio 79.31%

This ratio has increased slightly from the 2017/18 ratio and continues to compare adequately to the Industry Benchmark of 60%.

Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

- Ratio achieves benchmark
- Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2018/19 result

2018/19 ratio 4.76x

This ratio has increased slightly from the 2017/18 ratio and continues to compare favourably to the Industry Benchmark of 1.50.

Benchmark: — > 1.50x

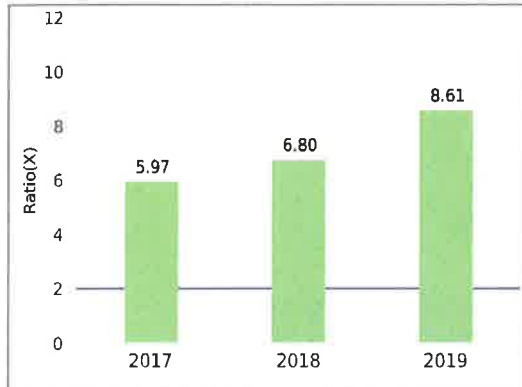
Source of benchmark: Code of Accounting Practice and Financial Reporting #27

- Ratio achieves benchmark
- Ratio is outside benchmark

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

Note 22(b). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 8.61x

This ratio has continued to increase over the past 4 years and exceeds the Industry Benchmark of 2.00.

Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark
Ratio is outside benchmark

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



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

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

Commentary on 2018/19 result

2018/19 ratio 1.66%

The result can be linked to both the capacity to pay and internal recovery policy. Whilst it has increased slightly from 2017/18 it continues to compare favourably to the Industry Benchmark of 5%.

Benchmark: — < 5.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

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 2018/19 result

2018/19 ratio 17.67 mths

This ratio has decreased slightly from the 2017/18 ratio continues to compare favourably to the Industry Benchmark of 3 months.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark
Ratio is outside benchmark

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Council information and contact details

Principal place of business:

31 Victor Street
Chatswood NSW 2067

Contact details

Mailing Address:

PO Box 57
Chatswood NSW 2057

Telephone: 02 9777 1000

Facsimile: 02 9411 8309

Opening hours:

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

Internet: www.willoughby.nsw.gov.au

Email: email@willoughby.nsw.gov.au

Officers

Chief Executive Officer

Debra Just

Responsible Accounting Officer

Stephen Naven

Public Officer

Samantha Charlton

Auditors

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

Elected members

Mayor

Gail Giles - Gidney

Councillors

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

Other information

ABN: 47 974 826 099



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

To the Councillors of the Willoughby City Council

Opinion

I have audited the accompanying financial statements of Willoughby City Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - 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.



Somaiya Ahmed
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

24 October 2019
SYDNEY



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

Contact: Somalya Ahmed
Phone no: 02 9275 7424
Our ref: D1925615/1808

24 October 2019

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2019
Willoughby City Council**

I have audited the general purpose financial statements (GPFS) of the Willoughby City Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	66.3	64.6	↑ 2.6
Grants and contributions revenue	28.2	28.2	—
Operating result for the year	37.0	37.1	↓ 0.3
Net operating result before capital grants and contributions	15.1	15.3	↓ 1.4

Council's operating result of \$37.0 million (including the effect of depreciation and amortisation expense of \$16.3 million) was \$0.1 million lower than the 2017–18 result. This has remained relatively consistent as increases in total revenue have matched the increases in total expenses.

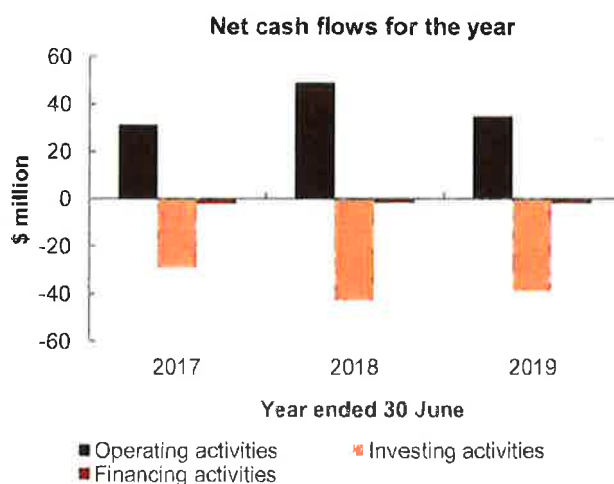
The net operating result before capital grants and contributions (\$15.1 million) was \$0.2 million lower than the 2017–18 result. This movement was in line with the slight decrease in operating result as noted above.

Rates and annual charges revenue (\$66.3 million) increased by \$1.7 million (2.6 per cent) in 2018–2019. The increase was primarily due to the rate peg increase of 2.3%.

Grants and contributions revenue (\$28.2 million) remained stable in 2018–19 compared to the prior year.

STATEMENT OF CASH FLOWS

- Cash inflows from operating activities decreased in 2018–19 mainly due to less cash grants and contributions received.
- Cash outflows from investing activities decreased in 2018–19 as a result of increased sale proceeds from investment securities.
- Cash flows from financing activities have remained fairly consistent over the last three years.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	73.9	65.1	<ul style="list-style-type: none"> External restrictions primarily include developer contributions, affordable housing funds and domestic waste management. The increase in 2019 was for additional developer contributions received.
Internal restrictions	68.2	66.8	
Unrestricted	12.6	14.4	
Cash and investments	154.7	146.3	<ul style="list-style-type: none"> Internal restrictions are due to Council policy or decisions for forward plans including the works program. These include funds for the Concourse, leisure and recreational projects, precinct upgrade and environmental development plan. Unrestricted balances provide liquidity for day-to-day operations and have decreased slightly due to increased restricted balances.

Debt

The Council has access to a bank overdraft facility with an approved drawdown maximum of \$1.2 million. There was no drawdown as at 30 June 2019.

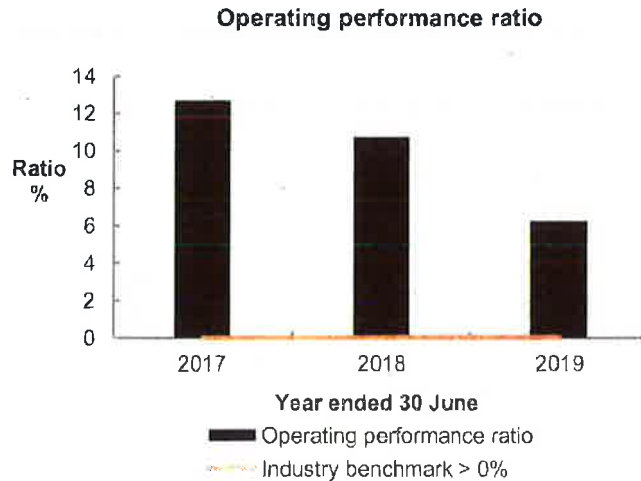
During the current and prior year, there were no defaults or breaches on any loans.

PERFORMANCE

Operating performance ratio

- Council continued to exceed the industry benchmark for the past three years.
- The ratio decreased in 2018–19 as a result of increases in employee benefits expense and materials and contracts.

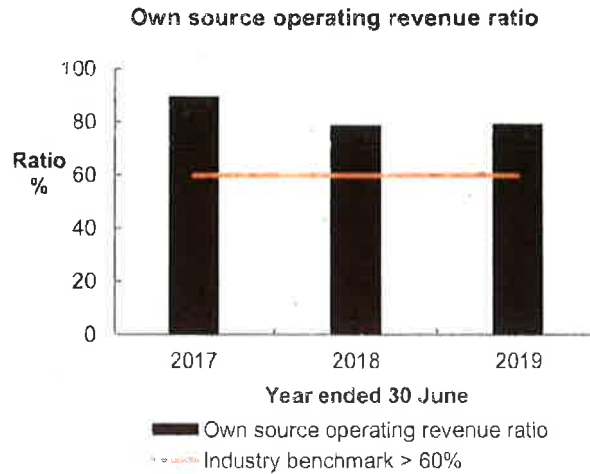
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

- Council continued to exceed the industry benchmark for the past three years.
- The ratio has not changed significantly from the previous year.

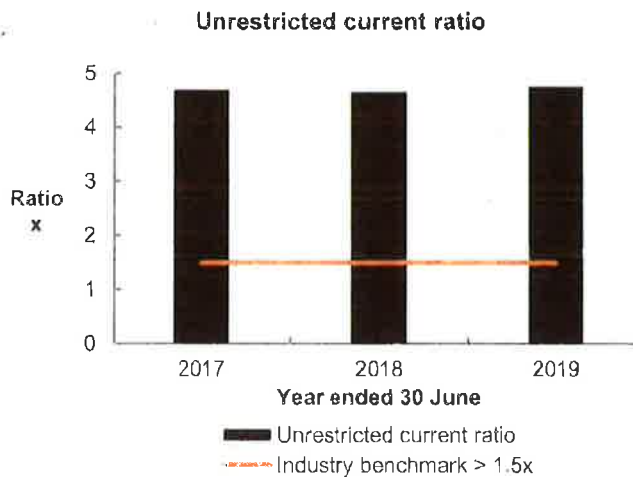
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

- Council continued to exceed the industry benchmark for the past three years.
- The ratio has remained consistent year-on-year.
- Council has sufficient liquid assets to meet its creditor payments as and when they fall due.

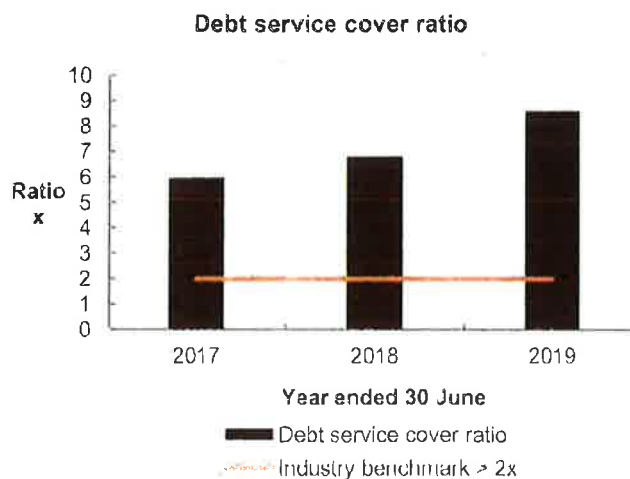
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

- Council continued to exceed the industry benchmark for the past three years.
- The ratio increased from previous year in line with the reduction in principal repayments and borrowing costs of \$1.1 million in 2018-19.

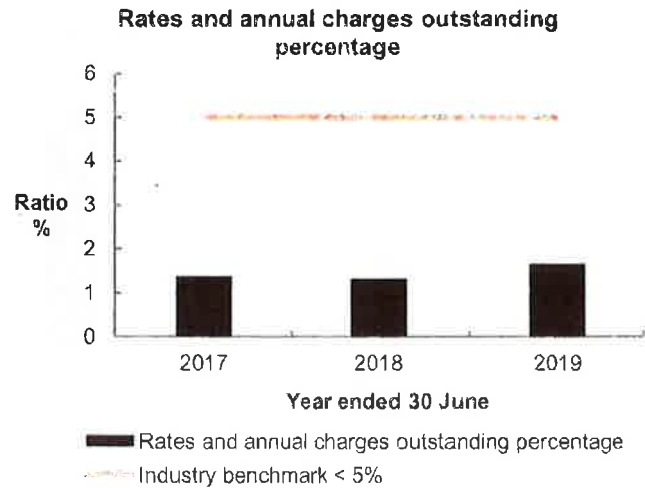
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

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

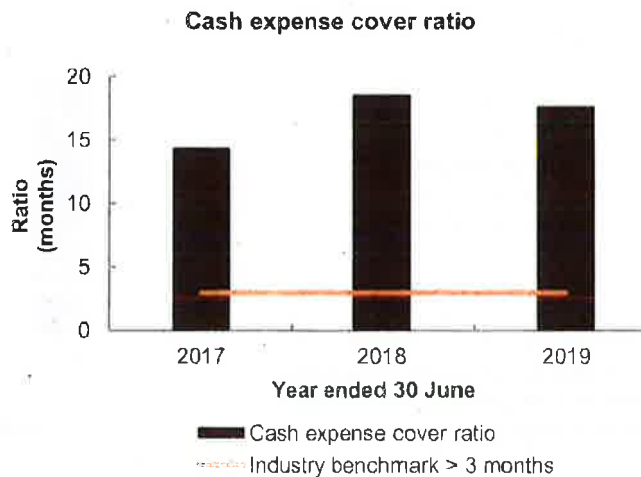
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

- Council continued to exceed the industry benchmark for the past three years.
- This indicates that Council had the capacity to cover over 17 months of cash expenditure without additional cash inflows at 30 June 2019.

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



Infrastructure, property, plant and equipment renewals

Asset renewals totalled \$15.3 million in the 2018–19 financial year (2018: \$15.0 million). Renewals have increased slightly and primarily related to roads, footpaths, stormwater drainage and other open space/ recreational assets.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9. Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 6(b).</p>

Legislative compliance

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

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



Somaiya Ahmed
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

Willoughby City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



WILLOUGHBY CITY COUNCIL

Special Purpose Financial Statements

for the year ended 30 June 2019

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Background

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Willoughby City Council

Special Purpose Financial Statements for the year ended 30 June 2019

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:

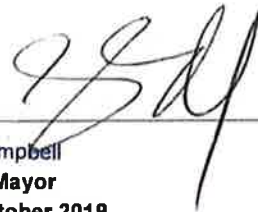
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other record

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 17th October 2019.



Gail Giles-Gidney
Mayor
22nd October 2019



Craig Campbell
Deputy Mayor
22nd October 2019



Debra Just
Chief Executive Officer
22nd October 2019



Stephen Naven
Responsible Accounting Officer
22nd October 2019

Income Statement – The Concourse Precinct

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
Income from continuing operations		
Fees	2,986	2,890
Interest	411	347
Grants and contributions provided for non-capital purposes	204	207
Other income	10,209	7,378
Total income from continuing operations	13,810	10,822
Expenses from continuing operations		
Employee benefits and on-costs	3,267	3,137
Borrowing costs	1,055	2,233
Materials and contracts	809	749
Depreciation, amortisation and impairment	3,422	1,785
Other expenses	4,406	4,343
Total expenses from continuing operations	12,959	12,247
Surplus (deficit) from continuing operations before capital amounts	851	(1,425)
Grants and contributions provided for capital purposes	–	36
Surplus (deficit) from continuing operations after capital amounts	851	(1,389)
Surplus (deficit) from all operations before tax	851	(1,389)
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(234)	–
SURPLUS (DEFICIT) AFTER TAX	617	(1,389)
Plus accumulated surplus	261,839	258,819
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	234	–
Add:		
– Subsidy paid/contribution to operations	5,828	4,409
Closing accumulated surplus	268,518	261,839
Return on capital %	0.7%	0.3%
Subsidy from Council	1,678	6,442

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

Income Statement – Willoughby Leisure Centre

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
Income from continuing operations		
Grants & contributions provided for non capital purposes	13	–
Fees	3,539	2,509
Other income	66	879
Total income from continuing operations	3,618	3,388
Expenses from continuing operations		
Employee benefits and on-costs	2,609	2,415
Materials and contracts	199	365
Depreciation, amortisation and impairment	207	922
Other expenses	1,082	1,012
Total expenses from continuing operations	4,097	4,714
Surplus (deficit) from continuing operations before capital amounts	(479)	(1,326)
Surplus (deficit) from continuing operations after capital amounts	(479)	(1,326)
Surplus (deficit) from all operations before tax	(479)	(1,326)
SURPLUS (DEFICIT) AFTER TAX	(479)	(1,326)
Plus accumulated surplus	(4,596)	(2,600)
Closing accumulated surplus	(5,075)	(3,926)
Return on capital %	(5.7)%	(14.5)%
Subsidy from Council	589	1,566

Income Statement – Devonshire Child Care
for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
Income from continuing operations		
Fees	868	925
Grants and contributions provided for non-capital purposes	832	564
Total income from continuing operations	<u>1,700</u>	<u>1,489</u>
Expenses from continuing operations		
Employee benefits and on-costs	1,387	1,403
Materials and contracts	96	54
Depreciation, amortisation and impairment	21	204
Other expenses	323	357
Total expenses from continuing operations	<u>1,827</u>	<u>2,018</u>
Surplus (deficit) from continuing operations before capital amounts	<u>(127)</u>	<u>(529)</u>
Surplus (deficit) from continuing operations after capital amounts	<u>(127)</u>	<u>(529)</u>
Surplus (deficit) from all operations before tax	<u>(127)</u>	<u>(529)</u>
SURPLUS (DEFICIT) AFTER TAX	<u>(127)</u>	<u>(529)</u>
Plus accumulated surplus	(3,252)	(2,723)
Closing accumulated surplus	(3,379)	(3,252)
Return on capital %	(12.9)%	(53.5)%
Subsidy from Council	140	555

Income Statement – Family Day Care

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
Income from continuing operations		
Other revenue from ordinary activities	10	–
Fees	199	266
Grants and contributions provided for non-capital purposes	613	485
Total income from continuing operations	822	751
Expenses from continuing operations		
Employee benefits and on-costs	146	298
Materials and contracts	4	5
Depreciation, amortisation and impairment	7	6
Other expenses	692	622
Total expenses from continuing operations	849	931
Surplus (deficit) from continuing operations before capital amounts	(27)	(180)
Surplus (deficit) from continuing operations after capital amounts	(27)	(180)
Surplus (deficit) from all operations before tax	(27)	(180)
SURPLUS (DEFICIT) AFTER TAX	(27)	(180)
Plus accumulated surplus	(1,864)	(1,684)
Closing accumulated surplus	(1,891)	(1,864)
Return on capital %	(108.0)%	(514.3)%
Subsidy from Council	27	181

Income Statement – Before/After School Care

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
Income from continuing operations		
Fees	684	972
Grants and contributions provided for non-capital purposes	593	465
Total income from continuing operations	<u>1,277</u>	<u>1,437</u>
Expenses from continuing operations		
Employee benefits and on-costs	730	744
Materials and contracts	115	97
Other expenses	158	182
Total expenses from continuing operations	<u>1,003</u>	<u>1,023</u>
Surplus (deficit) from continuing operations before capital amounts	274	414
Surplus (deficit) from continuing operations after capital amounts	274	414
Surplus (deficit) from all operations before tax	274	414
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(75)	(114)
SURPLUS (DEFICIT) AFTER TAX	<u>199</u>	<u>300</u>
Plus accumulated surplus	1,866	1,452
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	75	114
Closing accumulated surplus	<u>2,140</u>	<u>1,866</u>

Income Statement – Dougherty Food Services

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
Income from continuing operations		
Fees	154	314
Other income	116	106
Total income from continuing operations	<u>270</u>	<u>420</u>
Expenses from continuing operations		
Employee benefits and on-costs	268	323
Materials and contracts	101	163
Depreciation, amortisation and impairment	6	3
Other expenses	26	63
Total expenses from continuing operations	<u>401</u>	<u>552</u>
Surplus (deficit) from continuing operations before capital amounts	(131)	(132)
Surplus (deficit) from continuing operations after capital amounts	<u>(131)</u>	<u>(132)</u>
Surplus (deficit) from all operations before tax	<u>(131)</u>	<u>(132)</u>
SURPLUS (DEFICIT) AFTER TAX	<u>(131)</u>	<u>(132)</u>
Plus accumulated surplus	(1,716)	(1,584)
Closing accumulated surplus	<u>(1,847)</u>	<u>(1,716)</u>
Return on capital %	(3.7)%	(4.0)%
Subsidy from Council	178	219

Statement of Financial Position – The Concourse Precinct

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
ASSETS		
Current assets		
Receivables	96	–
Investments	16,090	15,065
Other	64	64
Total current assets	<u>16,250</u>	<u>15,129</u>
Non-current assets		
Infrastructure, property, plant and equipment	271,489	265,204
Investment property	49,903	43,908
Total non-current assets	<u>321,392</u>	<u>309,112</u>
TOTAL ASSETS	<u>337,642</u>	<u>324,241</u>
LIABILITIES		
Current liabilities		
Payables	262	395
Borrowings	1,036	999
Provisions	1,022	917
Total current liabilities	<u>2,320</u>	<u>2,311</u>
Non-current liabilities		
Borrowings	38,040	39,518
Provisions	15	21
Total non-current liabilities	<u>38,055</u>	<u>39,539</u>
TOTAL LIABILITIES	<u>40,375</u>	<u>41,850</u>
NET ASSETS	<u>297,267</u>	<u>282,391</u>
EQUITY		
Accumulated surplus	268,518	261,839
Revaluation reserves	28,749	20,552
TOTAL EQUITY	<u>297,267</u>	<u>282,391</u>

Statement of Financial Position – Willoughby Leisure Centre

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
ASSETS		
Current assets		
Receivables	171	42
Total current assets	171	42
Non-current assets		
Infrastructure, property, plant and equipment	8,370	9,120
Total non-current assets	8,370	9,120
TOTAL ASSETS	8,541	9,162
LIABILITIES		
Current liabilities		
Payables	46	49
Provisions	120	92
Total current liabilities	166	141
Non-current liabilities		
Borrowings	13,301	12,927
Provisions	22	20
Total non-current liabilities	13,323	12,947
TOTAL LIABILITIES	13,489	13,088
NET ASSETS	(4,948)	(3,926)
EQUITY		
Asset Revaluation Reserve	127	–
Accumulated surplus	(5,075)	(3,926)
TOTAL EQUITY	(4,948)	(3,926)

Statement of Financial Position – Devonshire Child Care

as at 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
ASSETS		
Current assets		
Receivables	3	–
Total current assets	3	–
Non-current assets		
Infrastructure, property, plant and equipment	986	988
Total non-current assets	986	988
TOTAL ASSETS	989	988
LIABILITIES		
Current liabilities		
Payables	14	11
Provisions	210	195
Total current liabilities	224	206
Non-current liabilities		
Borrowings	4,112	4,022
Provisions	6	7
Other Liabilities	6	5
Total non-current liabilities	4,124	4,034
TOTAL LIABILITIES	4,348	4,240
NET ASSETS	(3,359)	(3,252)
EQUITY		
Asset Revaluation Reserve	20	–
Accumulated surplus	(3,379)	(3,252)
TOTAL EQUITY	(3,359)	(3,252)

Statement of Financial Position – Family Day Care

as at 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	25	35
Total non-current assets	25	35
TOTAL ASSETS	25	35
LIABILITIES		
Current liabilities		
Payables	1	1
Provisions	56	60
Total current liabilities	57	61
Non-current liabilities		
Borrowings	1,859	1,838
Total non-current liabilities	1,859	1,838
TOTAL LIABILITIES	1,916	1,899
NET ASSETS	(1,891)	(1,864)
EQUITY		
Accumulated surplus	(1,891)	(1,864)
TOTAL EQUITY	(1,891)	(1,864)

Statement of Financial Position – Before/After School Care

as at 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
ASSETS		
Current assets		
Receivables	37	4
Total current assets	<u>37</u>	<u>4</u>
Non-current assets		
Receivables	2,272	2,006
Total non-current assets	<u>2,272</u>	<u>2,006</u>
TOTAL ASSETS	<u>2,309</u>	<u>2,010</u>
LIABILITIES		
Current liabilities		
Payables	33	12
Provisions	134	131
Total current liabilities	<u>167</u>	<u>143</u>
Non-current liabilities		
Provisions	2	1
Total non-current liabilities	<u>2</u>	<u>1</u>
TOTAL LIABILITIES	<u>169</u>	<u>144</u>
NET ASSETS	<u>2,140</u>	<u>1,866</u>
EQUITY		
Accumulated surplus	2,140	1,866
TOTAL EQUITY	<u>2,140</u>	<u>1,866</u>

Statement of Financial Position – Dougherty Food Services

as at 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	3,583	3,313
Total non-current assets	3,583	3,313
TOTAL ASSETS	3,583	3,313
LIABILITIES		
Current liabilities		
Payables	–	19
Provisions	37	32
Total current liabilities	37	51
Non-current liabilities		
Provisions	1	–
Borrowings	4,538	4,291
Total non-current liabilities	4,539	4,291
TOTAL LIABILITIES	4,576	4,342
NET ASSETS	(993)	(1,029)
EQUITY		
Accumulated surplus	(1,847)	(1,716)
Revaluation reserves	854	687
TOTAL EQUITY	(993)	(1,029)

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

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

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. The Concourse Precinct

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

b. Willoughby Leisure Centre

Provision of leisure facilities including a Gymnasium & Pool.

Category 2

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

c. Devonshire Street Child Care Centre

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

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

d. Family Day Care

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

e. Before/After School Care/Vacation Care

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

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

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

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

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

f. Dougherty Food Services

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

Monetary amounts

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

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

Income tax

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

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

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

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

Note 1. Significant Accounting Policies (continued)

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

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

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

Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

(iv) Dividends

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Willoughby City Council

To the Councillors of the 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 Income Statement of each declared business activity for the year ended 30 June 2019, the Statement of Financial Position of each declared business activity as at 30 June 2019, Note 1 Significant accounting policies for the business activities declared by Council, and the Statement by Councillors and Management.

The declared business activities of the Council are:

- 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 2019, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Somaiya Ahmed
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

24 October 2019
SYDNEY

Willoughby City Council

SPECIAL SCHEDULES
for the year ended 30 June 2019



WILLOUGHBY CITY COUNCIL

Special Schedules

for the year ended 30 June 2019

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Permissible income for general rates for the year ended 30 June 2019

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	50,091	49,104
Plus or minus adjustments ²	b	255	164
Notional general income	c = a + b	50,346	49,268
Permissible income calculation			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	$i = e \times (c + g)$	1,359	1,133
Sub-total	k = (c + g + h + i + j)	51,705	50,401
Less valuation objections claimed in the previous year	m	(54)	(364)
Sub-total	n = (l + m)	(54)	(364)
Total permissible income	o = k + n	51,651	50,037
Less notional general income yield	p	51,651	50,091
Catch-up or (excess) result	q = o - p	1	(54)
Plus income lost due to valuation objections claimed ⁴	r	-	54
Carry forward to next year ⁶	t = q + r + s	1	-

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (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 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Somaiya Ahmed
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

24 October 2019
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Council offices	–	–	501	501	2,216	2,696	0.0%	100.0%	0.0%	0.0%	0.0%
	Council Works Depot	–	–	255	255	21,161	24,569	98.0%	2.0%	0.0%	0.0%	0.0%
	Council Halls	2	2	283	283	642	1,018	0.0%	34.0%	65.0%	1.0%	0.0%
	Libraries	12	12	90	90	5,127	6,636	73.0%	20.0%	6.0%	1.0%	0.0%
	Council Houses	39	39	648	648	22,029	22,167	73.0%	26.0%	0.0%	1.0%	0.0%
	Commercial Buildings	–	–	318	318	65,144	81,431	47.0%	32.0%	21.0%	0.0%	0.0%
	Childcare Centres	–	–	171	171	7,600	10,316	0.0%	79.0%	21.0%	0.0%	0.0%
	Community Centres	339	339	2,668	2,669	157,003	193,799	63.0%	36.0%	0.0%	1.0%	0.0%
	Amenities/Toilets	43	43	671	671	8,115	12,424	4.0%	32.0%	62.0%	2.0%	0.0%
	Sub-total	435	435	5,605	5,606	289,037	355,056	58.0%	33.4%	7.9%	0.7%	0.0%
Other structures	Other structures	–	–	242	242	7,892	9,420	6.0%	84.0%	10.0%	0.0%	0.0%
	Sub-total	–	–	242	242	7,892	9,420	6.0%	84.0%	10.0%	0.0%	0.0%
Roads	Sealed roads	3,033	3,033	3,393	3,393	113,099	180,689	7.4%	46.1%	40.1%	5.0%	1.4%
	Bridges	227	227	–	–	8,858	10,728	81.8%	11.7%	2.7%	0.2%	3.6%
	Footpaths	937	937	1,172	1,172	62,154	76,293	48.9%	28.0%	17.4%	5.2%	0.5%
	Kerb and Gutter	1,076	1,076	84	84	78,828	93,942	46.5%	33.5%	14.6%	4.9%	0.5%
	Carparks	126	126	79	79	5,326	7,979	0.0%	7.1%	35.2%	47.5%	10.3%
	Bulk Earthworks	–	–	–	–	22,281	23,251	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	5,399	5,399	4,728	4,728	290,546	392,882	32.2%	35.1%	26.1%	5.5%	1.1%
Stormwater drainage	Pipes and Pits	2,756	2,756	467	467	112,389	144,224	33.2%	22.5%	33.5%	10.5%	0.3%
	Gross Pollutant Traps	–	–	–	–	2,019	2,286	70.5%	21.8%	7.7%	0.0%	0.0%
	Sub-total	2,756	2,756	467	467	114,408	146,510	33.8%	22.5%	33.1%	10.3%	0.3%

Report on Infrastructure Assets (continued)
as at 30 June 2019

Asset Class	Asset Category	Estimated cost to bring to the agreed level of service set by Council standard		2018/19 Required maintenance *	2018/19 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 assets to agreed level of service set by Council standard					1	2	3	4	5
Open space / recreational assets	Swimming pools	96	96	46	46	3,534	4,582	0.0%	0.0%	88.0%	12.0%	0.0%
	Other	—	—	—	—	4,933	6,169	0.0%	0.0%	0.0%	0.0%	100.0%
	Parks & Playgrounds	277	277	1,622	1,622	26,132	33,258	24.0%	18.0%	43.0%	14.0%	1.0%
	Sporting Fields	379	379	1,074	1,074	16,382	25,563	54.0%	17.0%	10.0%	16.0%	3.0%
	Bushland Assets	3	3	22	22	693	1,091	4.0%	68.0%	20.0%	8.0%	0.0%
	Tennis Courts	125	125	22	22	2,149	4,650	0.0%	44.0%	40.0%	9.0%	7.0%
	Sub-total	880	880	2,786	2,786	53,823	75,313	29.0%	17.4%	30.5%	13.0%	10.1%
Other infrastructure assets	Other – Retaining Walls	303	303	22	22	14,969	19,345	5.3%	63.1%	25.3%	5.1%	1.2%
	Sub-total	303	303	22	22	14,969	19,345	5.3%	63.1%	25.3%	5.1%	1.2%
Land Improvements Depreciable	Land Improvements Depreciable	—	—	28	28	4,806	5,445	1.0%	18.0%	0.0%	0.0%	81.0%
	Sub-total	—	—	28	28	4,806	5,445	1.0%	18.0%	0.0%	0.0%	81.0%
TOTAL - ALL ASSETS		9,773	9,773	13,878	13,879	775,481	1,003,971	40.4%	32.2%	20.7%	5.0%	1.7%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

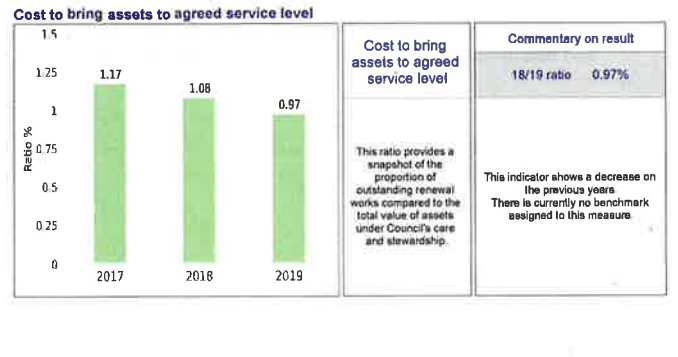
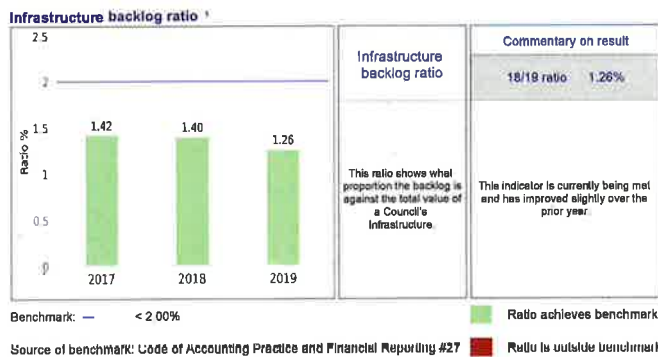
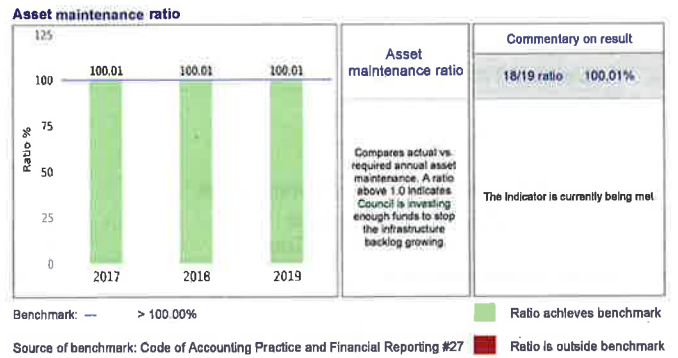
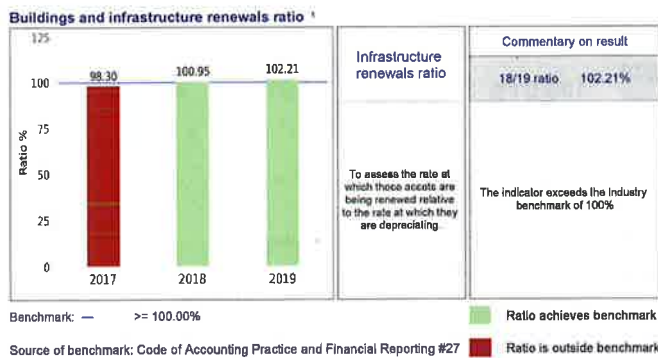
\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	<u>14,587</u>	102.21%	100.95%	98.30%	>=100.00%
Depreciation, amortisation and impairment	<u>14,271</u>				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	<u>9,773</u>	1.26%	1.40%	1.42%	<2.00%
Net carrying amount of infrastructure assets	<u>775,481</u>				
Asset maintenance ratio					
Actual asset maintenance	<u>13,879</u>	100.01%	100.01%	100.01%	>100.00%
Required asset maintenance	<u>13,878</u>				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>9,773</u>	0.97%	1.08%	1.17%	
Gross replacement cost	<u>1,003,971</u>				

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

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)
as at 30 June 2019



(1) Excludes Work In Progress (WIP)