

# ANNUAL FINANCIAL STATEMENTS

For the financial year ending 30 June 2018

---

**Incorporating:** General Purpose Financial Statements, Special Purpose,  
Financial Statements, Special Schedules



# Waverley Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

---

*"We are united by a common passion for our  
beautiful home between the city and the sea."*



# Waverley Council

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

Contents	Page
<b>1. Understanding Council's Financial Statements</b>	2
<b>2. Statement by Councillors and Management</b>	3
<b>3. Primary Financial Statements:</b>	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
<b>4. Notes to the Financial Statements</b>	9
<b>5. Independent Auditor's Reports:</b>	
– On the Financial Statements (Sect 417 [2])	76
– On the Conduct of the Audit (Sect 417 [3])	79

---

### Overview

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

Cnr. Paul St and Bondi Rd  
Bondi Junction NSW 2022

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.waverley.nsw.gov.au](http://www.waverley.nsw.gov.au).

## Waverley Council

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

## Understanding Council's financial statements

---

### Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

### What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2018.

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

### About the Councillor/Management Statement

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

### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

#### 1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

#### 2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

#### 3. The Statement of Financial Position

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

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

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

### 5. The Statement of Cash Flows

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

### About the Notes to the Financial Statements

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

### About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

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

### Who uses the financial statements?

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

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

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



## Waverley Council

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

### Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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

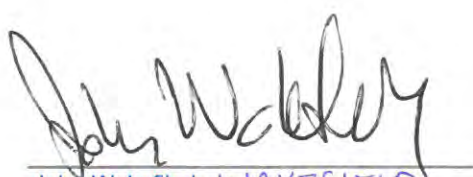
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

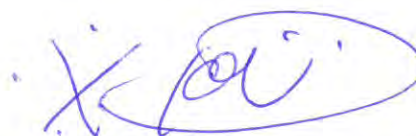
- present fairly the Council's operating result and financial position for the year,
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 27 September 2018.



John Wakefield WAKEFIELD  
Mayor  
27 September 2018



Dominic Wy Kanak  
Deputy Mayor  
27 September 2018



Ross McLeod  
General Manager  
27 September 2018



Teena Su  
Responsible Accounting Officer  
27 September 2018

## Waverley Council

## Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
58,970	Rates and annual charges	3a	59,104	57,375
36,141	User charges and fees	3b	35,575	34,230
3,771	Interest and investment revenue	3c	4,583	4,481
17,044	Other revenues	3d	18,361	20,448
8,183	Grants and contributions provided for operating purposes	3e,f	8,020	9,521
13,550	Grants and contributions provided for capital purposes	3e,f	10,371	8,663
<b>Other income:</b>				
1,360	Net gains from the disposal of assets	5	—	—
—	Fair value increment on investment property	10	8,099	3,388
<b>139,019</b>	<b>Total income from continuing operations</b>		<b>144,113</b>	<b>138,106</b>
<b>Expenses from continuing operations</b>				
62,474	Employee benefits and on-costs	4a	55,865	58,268
122	Borrowing costs	4b	120	142
23,573	Materials and contracts	4c	22,387	22,975
22,281	Depreciation and amortisation	4d	19,902	19,211
22,169	Other expenses	4e	24,984	22,295
—	Net losses from the disposal of assets	5	3,742	4,042
<b>130,619</b>	<b>Total expenses from continuing operations</b>		<b>127,000</b>	<b>126,933</b>
<b>8,400</b>	<b>Operating result from continuing operations</b>		<b>17,113</b>	<b>11,173</b>
<b>8,400</b>	<b>Net operating result for the year</b>		<b>17,113</b>	<b>11,173</b>
8,400	Net operating result attributable to Council		17,113	11,173
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>				
(5,150)			6,742	2,510



## Waverley Council

# Statement of Comprehensive Income

for the year ended 30 June 2018

\$ '000	Notes	2018	2017
<b>Net operating result for the year</b> (as per Income Statement)		<b>17,113</b>	<b>11,173</b>
<b>Other comprehensive income:</b>			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	—	32,835
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>—</b>	<b>32,835</b>
<b>Total other comprehensive income for the year</b>		<b>—</b>	<b>32,835</b>
<b>Total comprehensive income for the year</b>		<b>17,113</b>	<b>44,008</b>
Total comprehensive income attributable to Council		17,113	44,008

## Waverley Council

Statement of Financial Position  
as at 30 June 2018

\$ '000	Notes	2018	2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	18,213	14,505
Investments	6b	136,070	129,222
Receivables	7	6,467	8,476
Other	8	817	954
<b>Total current assets</b>		<b>161,567</b>	<b>153,157</b>
<b>Non-current assets</b>			
Investments	6b	17,500	14,000
Receivables	7	2,117	1,604
Infrastructure, property, plant and equipment	9	940,031	944,410
Investment property	10	154,795	145,945
<b>Total non-current assets</b>		<b>1,114,443</b>	<b>1,105,959</b>
<b>TOTAL ASSETS</b>		<b>1,276,010</b>	<b>1,259,116</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	11	20,854	18,176
Income received in advance	11	1,419	1,288
Borrowings	11	412	815
Provisions	12	14,555	16,462
<b>Total current liabilities</b>		<b>37,240</b>	<b>36,741</b>
<b>Non-current liabilities</b>			
Borrowings	11	3,346	3,758
Provisions	12	514	820
<b>Total non-current liabilities</b>		<b>3,860</b>	<b>4,578</b>
<b>TOTAL LIABILITIES</b>		<b>41,100</b>	<b>41,319</b>
<b>Net assets</b>		<b>1,234,910</b>	<b>1,217,797</b>
<b>EQUITY</b>			
Accumulated surplus	13	703,518	686,405
Revaluation reserves	13	531,392	531,392
<b>Total equity</b>		<b>1,234,910</b>	<b>1,217,797</b>



## Waverley Council

## Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018	IPP&E	Total equity	2017	IPP&E	Total equity
		Accumulated surplus	revaluation reserve		Accumulated surplus	revaluation reserve	
<b>Opening balance</b>		686,405	531,392	<b>1,217,797</b>	674,330	499,459	<b>1,173,789</b>
Net operating result for the year prior to correction of errors and changes in accounting policies		<b>17,113</b>	–	<b>17,113</b>	11,173	–	<b>11,173</b>
<b>Net operating result for the year</b>		<b>17,113</b>	–	<b>17,113</b>	<b>11,173</b>	–	<b>11,173</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	9a	–	–	–	–	32,835	<b>32,835</b>
<b>Other comprehensive income</b>		–	–	–	–	<b>32,835</b>	<b>32,835</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>17,113</b>	–	<b>17,113</b>	<b>11,173</b>	<b>32,835</b>	<b>44,008</b>
Transfers between equity items		–	–	–	902	(902)	–
<b>Equity – balance at end of the reporting period</b>		<b>703,518</b>	<b>531,392</b>	<b>1,234,910</b>	<b>686,405</b>	<b>531,392</b>	<b>1,217,797</b>

## Waverley Council

Statement of Cash Flows  
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
59,042	Rates and annual charges		59,445	56,843
36,222	User charges and fees		37,952	36,976
3,794	Investment and interest revenue received		4,431	3,597
21,646	Grants and contributions		18,189	17,986
–	Bonds, deposits and retention amounts received		306	342
17,089	Other		23,238	23,805
<b>Payments:</b>				
(53,640)	Employee benefits and on-costs		(58,460)	(57,016)
(31,348)	Materials and contracts		(26,608)	(25,897)
(145)	Borrowing costs		(122)	(133)
–	Bonds, deposits and retention amounts refunded		(126)	(178)
(22,102)	Other		(23,366)	(22,415)
<b>30,558</b>	<b>Net cash provided (or used in) operating activities</b>	14b	<b>34,877</b>	<b>33,910</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		126,538	164,910
1,360	Sale of investment property		–	–
–	Sale of infrastructure, property, plant and equipment		845	5,729
<b>Payments:</b>				
(3,848)	Purchase of investment securities		(136,676)	(180,822)
–	Purchase of investment property		(751)	(251)
(36,945)	Purchase of infrastructure, property, plant and equipment		(20,310)	(24,268)
<b>(39,433)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(30,354)</b>	<b>(34,702)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
–	Proceeds from borrowings and advances		–	2,200
<b>Payments:</b>				
(815)	Repayment of borrowings and advances		(815)	(960)
<b>(815)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(815)</b>	<b>1,240</b>
<b>(9,690)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,708</b>	<b>448</b>
20,900	Plus: cash and cash equivalents – beginning of year	14a	14,505	14,057
<b>11,210</b>	<b>Cash and cash equivalents – end of the year</b>	14a	<b>18,213</b>	<b>14,505</b>
Additional Information:				
plus:	Investments on hand – end of year	6b	153,570	143,222
<b>Total cash, cash equivalents and investments</b>			<b>171,783</b>	<b>157,727</b>



# Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Contents of the notes accompanying the financial statements

Note	Details	Page
<b>1</b>	Basis of preparation	10
<b>2(a)</b>	Council functions/activities – financial information	14
<b>2(b)</b>	Council functions/activities – component descriptions	15
<b>3</b>	Income from continuing operations	18
<b>4</b>	Expenses from continuing operations	24
<b>5</b>	Gains or losses from the disposal of assets	30
<b>6(a)</b>	Cash and cash equivalent assets	30
<b>6(b)</b>	Investments	31
<b>6(c)</b>	Restricted cash, cash equivalents and investments – details	32
<b>7</b>	Receivables	33
<b>8</b>	Inventories and other assets	34
<b>9(a)</b>	Infrastructure, property, plant and equipment	35
<b>9(b)</b>	Externally restricted infrastructure, property, plant and equipment	37
<b>10</b>	Investment property	38
<b>11</b>	Payables and borrowings	40
<b>12</b>	Provisions	43
<b>13</b>	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	45
<b>14</b>	Statement of cash flows – additional information	46
<b>15</b>	Interests in other entities	47
<b>16</b>	Commitments for expenditure	48
<b>17</b>	Contingencies and other liabilities/assets not recognised	49
<b>18</b>	Financial risk management	52
<b>19</b>	Material budget variations	56
<b>20</b>	Fair value measurement	58
<b>21</b>	Related party transactions	67
<b>22</b>	Statement of developer contributions	69
<b>23(a)</b>	Statement of performance measures – consolidated results	70
<b>Additional council disclosures (unaudited)</b>		
<b>23(b)</b>	Statement of performance measures – consolidated results (graphs)	72
<b>24</b>	Financial review and commentary	74
<b>25</b>	Council information and contact details	75

n/a – not applicable

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation

---

These financial statements were authorised for issue by Council on 27/09/2018.

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

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

#### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not-for-profit entity for the purpose of preparing these financial statements.

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

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

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 19 – Material budget variations

and are clearly marked.

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

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

#### (b) Historical cost convention

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

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

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

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



## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

---

##### ***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***

- (iv) Impairment of receivables

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

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

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

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

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

- General purpose operations

##### **(b) The Trust Fund**

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and other assets subject to Council's control have been included in these reports.

The following Trust monies and other assets are held by Council but are not considered to be under the control of Council and therefore are excluded from these financial statements:

- Staff Charitable Funds

A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

#### **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.

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

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

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

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

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

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

- AASB 9 *Financial Instruments*

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

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

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

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

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

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

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

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

- AASB 16 *Leases*

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

## Waverley Council

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

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

---

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

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

A corresponding right-of-use asset will also be recognised over the lease term. Council has not elected to apply any pronouncements before their operative date in these financial statements.

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Asset Management Services	17,589	13,628	26,958	23,250	(9,369)	(9,622)	1,479	1,908	321,934	322,084
Beach Services, Maintenance & Safety	655	765	5,574	5,453	(4,919)	(4,688)	4	6	286	371
Cemetery Services	1,256	1,713	1,270	1,170	(14)	543	49	115	49,697	50,355
Child Care Services	7,398	7,353	7,551	7,500	(153)	(147)	3,049	3,022	6,573	6,501
Community Services	665	947	1,883	2,110	(1,218)	(1,163)	384	486	160,953	164,225
Corporate Support Services	52,032	51,594	11,990	12,374	40,042	39,220	2,199	2,867	69,658	46,467
Cultural Services	573	587	4,043	4,193	(3,470)	(3,606)	1	8	–	10
Customer Services & Communication	1	2	1,281	1,201	(1,280)	(1,199)	–	–	–	1,249
Development, Building & Health Services	13,612	12,015	9,943	10,210	3,669	1,805	176	–	15,658	11,009
Emergency Management Services	38	45	214	223	(176)	(178)	–	–	1,029	1,072
Environmental Services	619	511	2,175	2,890	(1,556)	(2,379)	367	273	731	1,026
Governance, Integrated Planning & Community Engagement	8	6	4,850	5,444	(4,842)	(5,438)	5	–	–	–
Library Services	281	384	3,618	3,708	(3,337)	(3,324)	226	331	39,891	40,783
Parking Services	26,140	26,664	9,972	9,308	16,168	17,356	–	–	13,338	13,951
Parks Services & Maintenance	112	104	7,757	9,687	(7,645)	(9,583)	–	–	172,331	171,690
Place Management	630	555	689	615	(59)	(60)	–	–	–	–
Recreation Services	18	359	428	461	(410)	(102)	13	347	277	256
Regulatory Services	1,006	221	1,276	1,638	(270)	(1,417)	–	–	–	–
Social & Affordable Housing	984	496	1,838	4,336	(854)	(3,840)	–	–	51,307	52,308
Traffic & Transport Services	–	–	10	3	(10)	(3)	–	–	42,078	43,068
Urban Open Space Maintenance & Accessibility	537	1,084	4,188	1,547	(3,651)	(463)	–	–	318,264	322,730
Waste Services	19,959	19,073	19,492	19,612	467	(539)	95	105	12,004	9,961
<b>Total functions and activities</b>	<b>144,113</b>	<b>138,106</b>	<b>127,000</b>	<b>126,933</b>	<b>17,113</b>	<b>11,173</b>	<b>8,047</b>	<b>9,468</b>	<b>1,276,010</b>	<b>1,259,116</b>



## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

##### **Asset Management Services**

This service includes planning for renewal of assets, financial management and project delivery of works on vital infrastructure. The Service contributes to every aspect of Council's operations, to our ability to deliver our services cost effectively and to the community's social, environmental and economic well being.

##### **Beach Services, Maintenance & Safety**

This service includes beach safety, beach maintenance and cleaning and also supports voluntary surf lifesaving clubs.

##### **Cemetery Services**

This service currently includes interment of ashes and remains at two sites, Waverley and South Head. Waverley Cemetery is a fully operational Cemetery with sales in excess of \$1million per annum.

##### **Child Care Services**

Providing quality, affordable long day care and family day care for children aged 0-5 as well as parenting programs and counselling for families.

##### **Community Services**

Council provides a range of community services within Waverley in addition to supporting a broad range of community organisations. Our services and support for other groups and agencies ensure that the community has access to relevant, accessible and affordable facilities, spaces, programs and activities.

##### **Corporate Support Services**

This service includes a range of professional support services for financial planning and management, workforce planning, organisational development and performance management, business systems improvement, risk management and insurance, procurement, telecommunications and IT and special projects to support the Executive in customer service and organisational review.

##### **Cultural Services**

Council provides and supports a range of activities that celebrate and strengthen an appreciation of our cultural heritage and diversity.

##### **Customer Services & Communication**

This area is responsible for ensuring that customer service is provided in a professional, friendly and timely way, and that our community is informed about Council's plans, initiatives, services and activities. Provide additional information about the objectives of each function or activity...

##### **Development, Building & Health Services**

This service involves preparing new Local Environmental Plans, Development Control Plans and Planning Strategies relating to future land use planning and heritage conservation.

It also assesses and determines development applications in accordance with the EP&A Act and provides Council with a digital mapping service.

## Waverley Council

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

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

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

##### **Emergency Management Services**

Waverley and Woollahra have a joint relationship in funding and supporting the local SES unit and it is a requirement under the NSW State Emergency Act.

##### **Environmental Services**

This is a growing service area covering all aspects of the aquatic, biological and air environments. Its sub-services are specifically geared to meet the requirements of our Environmental Action Plan 2 (EAP2) adopted in February 2010. EAP2 is a key element of Waverley's resourcing strategy for Waverley Together 2.

##### **Governance, Integrated Planning & Community Engagement**

This service is designed to ensure we can engage with our community in an open and responsive way, discussing and making decisions with them about their future on the basis of sound and balanced judgement and policies. It also ensures that we can be properly held to account for planning decisions and for the efficiency and effectiveness of the services we deliver.

##### **Library Services**

The Library offers information, recreation and entertainment as well as opportunities for people to train, learn or simply interact with neighbours and friends. The Library is a major education and community capacity building resource.

##### **Parking Services**

This service provides substantial community safety and amenity by ensuring that our very limited supply of public parking opportunities (limited relative to demand) is shared fairly by all. This service is more effectively delivered if its implemented in close conjunction with Environmental Services and Traffic and Transport Services.

##### **Parks Services & Maintenance**

This service maintains and cares for Council's 99 parks. The park and reserves are divided into a number of categories including regional parks, coastal reserves, small parks, pocket parks, linkages and remnant vegetation.

##### **Place Management**

Bondi Beach and Bondi Junction are important places for Waverley residents and for the wider Sydney community. They contain a world famous beach and one of Sydney's most vibrant retail precincts and play a significant role in delivering recreational and commercial experiences to the region. A Place Management approach has been adopted to allow Council to give special focus to these areas, as well as ensuring that our smaller retail villages continue thrive.

An ongoing challenge for the Place Managers is to find the right balance between the needs of visitors, residents and the business sector.

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

##### **Recreation Services**

This includes all aspects of sport and active leisure, from broad LGA-wide planning, through to the detailed design and construction of specific facilities. A newly emerging area is sports facilities management, programming and maintenance.

##### **Regulatory Services**

In the summer season there is an increased demand for this service due to the large influx of visitors. Core areas of focus are:

- Monitoring building sites to ensure adequate pollution control is in place
- Ensuring companion animals are effectively and responsibly managed and cared for in accordance with the Companion Animals Act and Regulation
- Providing education material and information to the public investigating reports of abandoned vehicles and removing them in accordance with Impounding Act
- The quantitative volume of noise, time, place and the frequency of the noise

##### **Social & Affordable Housing**

This service includes creating and managing secure housing for local people on very low incomes in addition to providing medium term accommodation at subsidised rents to those on low-to-middle income levels.

##### **Traffic & Transport Services**

This service helps ensure that traffic flows as smoothly, efficiently and safely in Waverley as is possible, given the very small amount of road space we have to share, relative to the very high demand of the residents and visitors who use it.

The service also functions to help provide as many alternatives as possible to private car use including planning and design of pedestrian and cycling routes, and negotiation with the community and other levels of government for improved traffic and parking distribution systems such as residential preferred parking schemes.

##### **Urban Open Space Maintenance & Accessibility**

This service maintains the roads, footpaths, drains, trees and grass along the 123.46 km of local and regional roads within Waverley Council.

##### **Waste Services**

This service provides waste and recycling collection services to 28,500 residential properties as well as a commercial collection to businesses within Waverley Council.

## Waverley Council

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

## Note 3. Income from continuing operations

\$ '000	2018	2017
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	31,152	30,409
Business	11,728	11,444
<b>Total ordinary rates</b>	<b>42,880</b>	<b>41,853</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	16,166	15,466
Section 611 charges	58	56
<b>Total annual charges</b>	<b>16,224</b>	<b>15,522</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>59,104</b>	<b>57,375</b>

Council has used 2017 year valuations provided by the NSW Valuer General in calculating its rates.

**Accounting policy for rates and annual charges**

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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

**(b) User charges and fees****Specific user charges** (per s.502 – specific ‘actual use’ charges)

Waste management services (non-domestic)	3,407	3,141
<b>Total specific user charges</b>	<b>3,407</b>	<b>3,141</b>

**Other user charges and fees****(i) Fees and charges – statutory and regulatory functions (per s.608)**

Hoarding/crane permits	1,326	1,420
Planning and building regulation	2,717	2,199
Section 149 certificates (EPA Act)	216	234
Section 603 certificates	115	129
<b>Total fees and charges – statutory/regulatory</b>	<b>4,374</b>	<b>3,982</b>



## Waverley Council

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

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

\$ '000	2018	2017
<b>(b) User charges and fees (continued)</b>		
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Admission and service fees	337	169
Bus shelter fees	1,411	1,372
Car parking fees	5,815	5,981
Car parking meter income	11,222	10,824
Cemeteries	1,189	1,511
Child care	4,304	4,271
Leaseback fees – Council vehicles	135	133
Park rents	513	499
Restoration charges	181	291
Road opening permits	186	106
Temporary truck zone permit	1,595	1,101
Other	906	849
<b>Total fees and charges – other</b>	<b>27,794</b>	<b>27,107</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>35,575</b>	<b>34,230</b>

**Accounting policy for user charges and fees**

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

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

– Overdue rates and annual charges (incl. special purpose rates)	130	146
– Cash and investments	4,281	4,152

**Fair value adjustments**

– Fair valuation movements in investments (at fair value or held for trading)	172	183
---	-----	-----

**TOTAL INTEREST AND INVESTMENT REVENUE**

**4,583**      **4,481**

**Interest revenue is attributable to:****Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	130	146
General Council cash and investments	4,308	4,077

**Restricted investments/funds – external:**

Development contributions		
– Section 7.11	52	54
Domestic waste management operations	79	141

**Restricted investments/funds – internal:**

Internally restricted assets	14	63
------------------------------	----	----

**Total interest and investment revenue recognised**

**4,583**      **4,481**

**Accounting policy for interest and investment revenue**

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

## Waverley Council

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

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

\$ '000	Notes	2018	2017
<b>(d) Other revenues</b>			
Rental income – investment property	10	2,377	2,497
Rental income – other council properties		5,304	5,191
Ex gratia rates		23	23
Fines		158	206
Fines – parking		8,921	9,400
Legal fees recovery – rates and charges (extra charges)		6	–
Legal fees recovery – other		194	236
Insurance claim recoveries		200	565
Recycling income (non-domestic)		193	211
Sale of abandoned vehicles		1	1
Sales – general		99	121
Other		885	1,997
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>18,361</u></b>	<b><u>20,448</u></b>

#### Accounting policy for other revenue

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

Parking fees and fines are recognised 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 income is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

## Waverley Council

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

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

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	749	2,423	–	–
Financial assistance – local roads component	207	421	–	–
<b>Payment in advance – future year allocation</b>				
Financial assistance – general component	775	–	–	–
Financial assistance – local roads component	224	–	–	–
<b>Other</b>				
Pensioners' rates subsidies – general component	167	187	–	–
Other grants	220	340	–	–
<b>Total general purpose</b>	<b>2,342</b>	<b>3,371</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Domestic waste management	95	105	–	–
Child care	3,049	3,022	–	–
Community care	459	486	–	–
Community centres	–	–	–	40
Employment and training programs	4	6	–	–
Environmental protection	285	271	–	–
Library	91	49	–	–
Library – per capita	136	134	–	–
Recreation and culture	–	3	–	347
Street lighting	185	181	–	–
Transport (roads to recovery)	402	464	–	–
Transport (other roads and bridges funding)	32	294	953	660
Other	14	35	–	–
<b>Total specific purpose</b>	<b>4,752</b>	<b>5,050</b>	<b>953</b>	<b>1,047</b>
<b>Total grants</b>	<b>7,094</b>	<b>8,421</b>	<b>953</b>	<b>1,047</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	5,869	6,529	–	337
– State funding	1,225	1,888	953	710
– Other funding	–	4	–	–
	<b>7,094</b>	<b>8,421</b>	<b>953</b>	<b>1,047</b>

## Waverley Council

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

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

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(f) Contributions</b>					
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 – EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.4 – contributions using planning agreements		–	–	6,507	4,331
S 7.12 – fixed development consent levies		–	–	2,865	3,214
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>9,372</b>	<b>7,545</b>
<b>Total developer contributions</b>	22	<b>–</b>	<b>–</b>	<b>9,372</b>	<b>7,545</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Community services		234	423	–	–
Other councils – joint works/services		625	614	–	–
Recreation and culture		63	56	46	49
Other		4	7	–	22
<b>Total other contributions – cash</b>		<b>926</b>	<b>1,100</b>	<b>46</b>	<b>71</b>
<b>Total other contributions</b>		<b>926</b>	<b>1,100</b>	<b>46</b>	<b>71</b>
<b>Total contributions</b>		<b>926</b>	<b>1,100</b>	<b>9,418</b>	<b>7,616</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>8,020</b>	<b>9,521</b>	<b>10,371</b>	<b>8,663</b>

**Accounting policy for contributions**

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

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

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.

## Waverley Council

# Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	1,681	691
<b>Add:</b> operating grants recognised in the current period but not yet spent	1,179	1,087
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(1,056)	(97)
<b>Unexpended and held as restricted assets (operating grants)</b>	<b>1,804</b>	<b>1,681</b>
<b>Capital grants</b>		
<b>Add:</b> capital grants recognised in the current period but not yet spent	86	–
<b>Unexpended and held as restricted assets (capital grants)</b>	<b>86</b>	<b>–</b>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	10,821	7,481
<b>Add:</b> contributions recognised in the current period but not yet spent	9,043	7,560
<b>Add:</b> contributions received for the provision of goods and services in a future period	(4,206)	(4,220)
<b>Unexpended and held as restricted assets (contributions)</b>	<b>15,658</b>	<b>10,821</b>



## Waverley Council

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

#### Note 4. Expenses from continuing operations

\$ '000	2018	2017
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	45,985	45,767
Travel expenses	202	185
Employee leave entitlements (ELE)	2,843	5,277
Superannuation	5,004	5,019
Workers' compensation insurance	1,894	1,989
Fringe benefit tax (FBT)	128	120
Training costs (other than salaries and wages)	368	332
Other	273	218
<b>Total employee costs</b>	<b>56,697</b>	<b>58,907</b>
Less: capitalised costs	(832)	(639)
<b><u>TOTAL EMPLOYEE COSTS EXPENSED</u></b>	<b><u>55,865</u></b>	<b><u>58,268</u></b>
Number of 'full-time equivalent' employees (FTE) at year end	<b>583</b>	<b>585</b>

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

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

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

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

Future planned contributions being made to the defined benefit scheme to rectify past (and projected) deficit positions will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

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

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

##### Superannuation plans (continued)

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

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

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

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

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$874,894.99.

The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ended 30 June 2017.

Council's expected contributions to the Fund for the next annual reporting period is \$ 935,015.28.

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

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

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

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

##### Superannuation plans (continued)

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

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

\* Plus promotional increases

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

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

Council's additional lump sum contribution is around 1.06% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

\$ '000	Notes	2018	2017
<b>(b) Borrowing costs</b>			
<b>Interest bearing liability costs</b>			
Interest on loans		120	142
<b>Total interest bearing liability costs expensed</b>		<b>120</b>	<b>142</b>
<b><u>TOTAL BORROWING COSTS EXPENSED</u></b>		<b><u>120</u></b>	<b><u>142</u></b>

##### Accounting policy for borrowing costs

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

## Waverley Council

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

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

\$ '000	2018	2017
<b>(c) Materials and contracts</b>		
Raw materials and consumables	6,627	7,309
Contractor and consultancy costs	7,250	5,986
Contractor and consultancy costs (temporary staff)	3,635	4,452
Auditors remuneration <sup>(2)</sup>	78	73
Infringement notice contract costs (SEINS)	1,212	1,310
Legal expenses:		
– Legal expenses: planning and development	710	879
– Legal expenses: other	477	725
Operating leases:		
– Operating lease rentals: minimum lease payments <sup>(1)</sup>	1,848	1,747
Other (fuel and gas)	550	494
<b><u>TOTAL MATERIALS AND CONTRACTS</u></b>	<b><u>22,387</u></b>	<b><u>22,975</u></b>

**Operating leases**

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

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

Buildings	741	721
Computers	982	837
Motor vehicles	125	189
	<b><u>1,848</u></b>	<b><u>1,747</u></b>

**2. Auditor remuneration**

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

**Non NSW Auditor-General audit firms:****(i) Audit and other assurance services**

Audit and review of financial statements	78	73
<b>Remuneration for audit and other assurance services</b>	<b><u>78</u></b>	<b><u>73</u></b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b><u>78</u></b>	<b><u>73</u></b>
<b>Total Auditor remuneration</b>	<b><u>78</u></b>	<b><u>73</u></b>

# Waverley Council

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

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

\$ '000	Notes	2018	2017
<b>(d) Depreciation, amortisation and impairment</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		2,165	2,030
Office equipment		339	304
<b>Infrastructure:</b>			
– Buildings – non-specialised		2,796	2,911
– Buildings – specialised		3,943	3,517
– Other structures		791	539
– Roads		4,965	4,997
– Footpaths		1,413	1,432
– Stormwater drainage		1,152	1,159
– Other open space/recreational assets		2,077	2,058
<b>Other assets:</b>			
– Library books		214	217
– Other		47	47
<b>Total gross depreciation and amortisation costs</b>		<b>19,902</b>	<b>19,211</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</b>		<b>19,902</b>	<b>19,211</b>

#### Accounting policy for depreciation, amortisation and impairment expenses

##### 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

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

##### Impairment of financial assets

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.



## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>(e) Other expenses</b>		
Abandonment of fines by office of state debt recovery	1,984	952
Advertising	408	431
Bad and doubtful debts	–	131
Bank charges	849	807
Car park levy	120	124
Cleaning	1,551	1,285
Computer software charges	1,821	1,543
Contributions/levies to other levels of government	339	2
– Department of planning levy	490	350
– Emergency services levy (includes FRNSW, SES, and RFS levies)	116	130
– NSW fire brigade levy	1,596	1,601
Councillor expenses – mayoral fee	40	41
Councillor expenses – councillors' fees	226	226
Councillors' expenses (incl. mayor) – other (excluding fees above)	160	137
Donations, contributions and assistance to other organisations (Section 356)	706	647
Electricity and heating	582	592
Family day care subsidy	762	766
Insurance	1,324	1,297
Land tax – crown land	521	555
Office expenses (including computer expenses)	348	85
Postage	178	187
Printing and stationery	669	559
Street lighting	951	1,008
Subscriptions and publications	358	292
Telephone and communications	206	232
Valuation fees	90	132
Waste disposal charges	7,284	6,695
Water rates and charges	336	321
Other	969	1,167
<b>Total other expenses</b>	<b>24,984</b>	<b>22,295</b>
<b><u>TOTAL OTHER EXPENSES</u></b>	<b><u>24,984</u></b>	<b><u>22,295</u></b>

#### Accounting policy for other expenses

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

## Waverley Council

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

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

\$ '000	Notes	2018	2017
<b>Plant and equipment</b>	9		
Proceeds from disposal – plant and equipment		845	321
Less: carrying amount of plant and equipment assets sold/written off		(336)	(165)
<b>Net gain/(loss) on disposal</b>		<b>509</b>	<b>156</b>
<b>Infrastructure</b>	9		
Proceeds from disposal – infrastructure		–	5,408
Less: carrying amount of infrastructure assets sold/written off		(4,289)	(9,616)
<b>Net gain/(loss) on disposal</b>		<b>(4,289)</b>	<b>(4,208)</b>
<b>Financial assets <sup>(1)</sup></b>	6		
Proceeds from disposal/redemptions/maturities – financial assets		126,538	164,910
Less: carrying amount of financial assets sold/redeemed/matured		(126,500)	(164,900)
<b>Net gain/(loss) on disposal</b>		<b>38</b>	<b>10</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(3,742)</b>	<b>(4,042)</b>
<b>1. Financial assets disposals/redemptions include:</b>			
– Net gain/(loss) from financial instruments 'at fair value through profit and loss'		38	10
<b>Net gain/(loss) on disposal of financial instruments</b>		<b>38</b>	<b>10</b>

**Accounting policy for disposal of assets**

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

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

<b>Cash and cash equivalents</b>		
Cash on hand and at bank	8,881	1,157
Cash-equivalent assets		
– Deposits at call	2,650	6,800
– Managed funds	6,682	6,548
<b>Total cash and cash equivalents</b>	<b>18,213</b>	<b>14,505</b>

**Accounting policy for cash and cash equivalents**

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

# Waverley Council

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

### Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
<b>Investments</b>				
a. 'At fair value through the profit and loss'				
– 'Held for trading'	36,570	–	29,222	–
b. 'Held to maturity'	99,500	17,500	100,000	14,000
<b>Total investments</b>	<b>136,070</b>	<b>17,500</b>	<b>129,222</b>	<b>14,000</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>				
	<b>154,283</b>	<b>17,500</b>	<b>143,727</b>	<b>14,000</b>
<b>Financial assets at fair value through the profit and loss</b>				
NCD's, FRN's (with maturities > 3 months)	36,570	–	29,222	–
<b>Total</b>	<b>36,570</b>	<b>–</b>	<b>29,222</b>	<b>–</b>
<b>Held to maturity investments</b>				
Long term deposits	99,500	17,500	100,000	14,000
<b>Total</b>	<b>99,500</b>	<b>17,500</b>	<b>100,000</b>	<b>14,000</b>

#### Accounting policy for investments

##### Classification

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

##### (a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are held at fair value with changes in value taken through profit or loss at each reporting period.

##### (b) Held to maturity investments

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

##### Recognition and de-recognition

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

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

##### Impairment of available for sale investments

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

## Waverley Council

# Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
<b>Total cash, cash equivalents and investments</b>	<b>154,283</b>	<b>17,500</b>	<b>143,727</b>	<b>14,000</b>
<b>attributable to:</b>				
External restrictions (refer below)	5,180	17,500	4,067	14,000
Internal restrictions (refer below)	140,107	–	132,690	–
Unrestricted	8,996	–	6,970	–
	<b>154,283</b>	<b>17,500</b>	<b>143,727</b>	<b>14,000</b>

\$ '000	2018	2017
---------	------	------

### Details of restrictions

#### External restrictions – other

Developer contributions – general	15,617	10,821
Specific purpose unexpended grants	1,890	1,087
Domestic waste management	5,173	5,565
Other	–	594

<b>External restrictions – other</b>	<b>22,680</b>	<b>18,067</b>
<b>Total external restrictions</b>	<b>22,680</b>	<b>18,067</b>

#### Internal restrictions

Plant and vehicle replacement	5,499	4,445
Infrastructure replacement	10,750	9,237
Employees leave entitlement	4,832	5,496
Carry over works	5,871	6,062
Deposits, retentions and bonds	11,779	9,797
Affordable housing	1,764	1,669
Cemetery funds	1,892	2,369
Election	123	379
Future capital works	15,411	11,929
IT equipment and upgrade	2,732	1,935
Insurance claims	200	200
Investment strategy	67,614	68,087
Looking good	53	53
Parking meters	3,429	2,828
Parking – off-street	654	204
Social housing	758	679
Street tree (sewer) aerial building	252	252
Unexpended loans	51	51
Other	6,443	7,018

<b>Total internal restrictions</b>	<b>140,107</b>	<b>132,690</b>
------------------------------------	----------------	----------------

<b>TOTAL RESTRICTIONS</b>	<b>162,787</b>	<b>150,757</b>
---------------------------	----------------	----------------

## Waverley Council

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

## Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Purpose</b>				
Rates and annual charges	1,100	562	1,431	572
Interest and extra charges	112	148	140	93
User charges and fees	1,811	–	2,106	–
Accrued revenues				
– Interest on investments	1,442	–	1,481	–
– Interest on impaired investments	–	–	8	–
– Other income accruals	190	–	335	–
Government grants and subsidies	643	–	349	–
Parking fines	1,311	2,790	2,857	2,735
<b>Total</b>	<b>6,609</b>	<b>3,500</b>	<b>8,707</b>	<b>3,400</b>
<b>Less: provision for impairment</b>				
User charges and fees	(142)	–	(231)	–
Parking fines	–	(1,383)	–	(1,796)
<b>Total provision for impairment – receivables</b>	<b>(142)</b>	<b>(1,383)</b>	<b>(231)</b>	<b>(1,796)</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>6,467</u></b>	<b><u>2,117</u></b>	<b><u>8,476</u></b>	<b><u>1,604</u></b>
<b>Externally restricted receivables</b>				
<b>Domestic waste management</b>	<b>931</b>	<b>223</b>	<b>924</b>	<b>231</b>
<b>Total external restrictions</b>	<b>931</b>	<b>223</b>	<b>924</b>	<b>231</b>
<b>Unrestricted receivables</b>	<b>5,536</b>	<b>1,894</b>	<b>7,552</b>	<b>1,373</b>
<b>TOTAL NET RECEIVABLES</b>	<b>6,467</b>	<b>2,117</b>	<b>8,476</b>	<b>1,604</b>
<b>Movement in provision for impairment of receivables</b>				
Balance at the beginning of the year			2,027	1,949
+ new provisions recognised during the year			–	130
– amounts already provided for and written off this year			(51)	(53)
– amounts provided for but recovered during the year			(451)	–
<b>Balance at the end of the year</b>			<b>1,525</b>	<b>2,026</b>

## Waverley Council

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

#### Note 7. Receivables (continued)

##### Accounting policy for receivables

##### Recognition and measurement

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

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

##### Impairment

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

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

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

#### Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Other assets				
Prepayments	817	—	954	—
<b>TOTAL OTHER ASSETS</b>	<b>817</b>	<b>—</b>	<b>954</b>	<b>—</b>

##### Externally restricted assets

There are no restrictions applicable to the above assets.



## Waverley Council

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

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

Asset class  \$ '000	as at 30/6/2017			Asset movements during the reporting period					as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	11,394	–	11,394	10,778	–	(1,230)	–	(2,714)	18,228	–	18,228
Plant and equipment	20,313	11,743	8,570	212	2,503	(337)	(2,165)	–	19,634	10,851	8,783
Office equipment	10,506	8,882	1,624	–	140	–	(339)	–	10,646	9,221	1,425
<b>Land:</b>											
– Operational land	78,473	–	78,473	300	–	–	–	38	78,811	–	78,811
– Community land	275,427	–	275,427	–	–	–	–	–	275,427	–	275,427
<b>Infrastructure:</b>											
– Buildings – non-specialised	123,310	38,144	85,166	211	–	–	(2,796)	–	123,521	40,940	82,581
– Buildings – specialised	119,966	60,082	59,884	584	154	–	(3,943)	–	120,704	64,025	56,679
– Other structures	25,402	9,815	15,587	139	168	(37)	(791)	487	26,117	10,564	15,553
– Roads	348,254	137,629	210,625	2,115	89	(1,738)	(4,965)	1,069	348,545	141,350	207,195
– Footpaths	49,425	13,288	36,137	1,882	19	(927)	(1,413)	111	50,151	14,342	35,809
– Stormwater drainage	136,514	45,444	91,070	134	–	(42)	(1,152)	–	136,585	46,575	90,010
– Other open space/recreational assets	102,160	35,738	66,422	288	227	(315)	(2,077)	1,009	103,118	37,564	65,554
<b>Other assets:</b>											
– Library books	3,347	2,130	1,217	–	206	–	(214)	–	3,553	2,344	1,209
– Other	4,020	1,206	2,814	–	–	–	(47)	–	4,020	1,253	2,767
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>1,308,511</b>	<b>364,101</b>	<b>944,410</b>	<b>16,643</b>	<b>3,506</b>	<b>(4,625)</b>	<b>(19,902)</b>	<b>–</b>	<b>1,319,060</b>	<b>379,029</b>	<b>940,031</b>

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

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 9(a). 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 valuations are performed at least every five years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

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

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

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

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
<b>Other Assets</b>		<b>Stormwater assets</b>	
Library books	5 to 10	Drains	80 to 100
Other	5 to 10	Culverts	50 to 80
		Flood control structures	80 to 100
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Road pavements	60		
Kerb, gutter and footpaths	40		

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

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

##### Land under roads

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

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

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

##### Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

##### Rural Fire Service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will/will not recognise rural fire service assets including land, buildings, plant and vehicles.

#### Note 9(b). Externally restricted infrastructure, property, plant and equipment

\$ '000

\$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Domestic waste management</b>						
Plant and equipment	10,883	6,142	4,741	11,351	7,291	4,060
<b>Total DWM</b>	<b>10,883</b>	<b>6,142</b>	<b>4,741</b>	<b>11,351</b>	<b>7,291</b>	<b>4,060</b>
<b>TOTAL RESTRICTED IPP&amp;E</b>	<b>10,883</b>	<b>6,142</b>	<b>4,741</b>	<b>11,351</b>	<b>7,291</b>	<b>4,060</b>

## Waverley Council

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

#### Note 10. Investment property

\$ '000	2018	2017
(a) Investment property at fair value		
<u>Investment property on hand</u>	<u>154,795</u>	<u>145,945</u>
<b>Reconciliation of annual movement:</b>		
Opening balance	145,945	142,306
– Capitalised expenditure – this year	751	251
– Net gain/(loss) from fair value adjustments	8,099	3,388
<b>CLOSING BALANCE – INVESTMENT PROPERTY</b>	<b><u>154,795</u></b>	<b><u>145,945</u></b>

#### (b) Valuation basis

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

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

Refer to Note 16 for disclosures relating to any capital and service obligations that have been contracted.

#### (d) Leasing arrangements – Council as lessor

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

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

Within 1 year	2,566	2,555
Later than 1 year but less than 5 years	4,620	6,729
Later than 5 years	8	–
<b>Total minimum lease payments receivable</b>	<b><u>7,194</u></b>	<b><u>9,284</u></b>

## Waverley Council

# Notes to the Financial Statements

for the year ended 30 June 2018

## Note 10. Investment property (continued)

\$ '000	2018	2017
<b>(e) Investment property income and expenditure – summary</b>		
<b>Rental income from investment property:</b>		
– Minimum lease payments	2,377	2,497
– Other income	3,980	4,236
<b>Direct operating expenses on investment property:</b>		
– that generated rental income	(2,025)	(1,880)
– that did not generate rental income	(539)	(490)
<b>Net revenue contribution from investment property</b>	<b>3,793</b>	<b>4,363</b>
plus:		
<b>Fair value movement for year</b>	<b>8,099</b>	<b>3,388</b>
<b>Total income attributable to investment property</b>	<b>11,892</b>	<b>7,751</b>

### Accounting policy for investment property

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

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

## Waverley Council

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

## Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Payables</b>				
Goods and services – operating expenditure	3,910	–	6,096	–
Goods and services – capital expenditure	–	–	162	–
Accrued expenses:				
– Borrowings	25	–	27	–
– Salaries and wages	965	–	1,082	–
– Other expenditure accruals	3,812	–	892	–
Security bonds, deposits and retentions	1,202	–	1,022	–
ATO – net GST payable	–	–	12	–
Builders deposits	10,578	–	8,777	–
Other	362	–	106	–
<b>Total payables</b>	<b>20,854</b>	<b>–</b>	<b>18,176</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	1,419	–	1,288	–
<b>Total income received in advance</b>	<b>1,419</b>	<b>–</b>	<b>1,288</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	412	3,346	815	3,758
<b>Total borrowings</b>	<b>412</b>	<b>3,346</b>	<b>815</b>	<b>3,758</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>22,685</b>	<b>3,346</b>	<b>20,279</b>	<b>3,758</b>

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

	2018		2017	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Domestic waste management	1,229	246	2,024	90
Payables and borrowings relating to externally restricted assets	1,229	246	2,024	90
<b>Total payables and borrowings relating to restricted assets</b>	<b>1,229</b>	<b>246</b>	<b>2,024</b>	<b>90</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>21,456</b>	<b>3,100</b>	<b>18,255</b>	<b>3,668</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>22,685</b>	<b>3,346</b>	<b>20,279</b>	<b>3,758</b>

<sup>1</sup> Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 18.



## Waverley Council

# Notes to the Financial Statements

for the year ended 30 June 2018

## Note 11. Payables and borrowings (continued)

\$ '000	2018	2017
---------	------	------

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

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

Payables – security bonds, deposits and retentions	10,699	8,801
	<b>10,699</b>	<b>8,801</b>

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

Class of borrowings	2017	Non-cash changes				2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	4,573	(815)	–	–	–	3,758
<b>TOTAL</b>	<b>4,573</b>	<b>(815)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,758</b>

\$ '000	2018	2017
---------	------	------

### (d) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

Bank overdraft facilities <sup>(1)</sup>	250	250
Credit cards/purchase cards	30	25
<b>Total financing arrangements</b>	<b>280</b>	<b>275</b>

Undrawn facilities as at balance date:

– Bank overdraft facilities	250	250
– Credit cards/purchase cards	30	25
<b>Total undrawn financing arrangements</b>	<b>280</b>	<b>275</b>

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

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

---

##### Accounting policy for payables and borrowings

###### Payables

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

###### Borrowings

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

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

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

###### Finance leases

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

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

## Waverley Council

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

## Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Provisions</b>				
<b>Employee benefits:</b>				
Annual leave	5,215	–	5,881	–
Sick leave	1,571	–	1,967	–
Long service leave	7,124	514	7,922	820
Gratuities	445	–	445	–
Time off in lieu	200	–	247	–
<b><u>TOTAL PROVISIONS</u></b>	<b><u>14,555</u></b>	<b><u>514</u></b>	<b><u>16,462</u></b>	<b><u>820</u></b>

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

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

\$ '000	2018	2017
---------	------	------

**(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	10,000	13,996
	<b><u>10,000</u></b>	<b><u>13,996</u></b>

## Waverley Council

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

#### Note 12. Provisions (continued)

\$ '000

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

2018	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	5,881	1,967	8,742	–	692	17,282
Additional provisions	2,604	–	143	–	96	2,843
Amounts used (payments)	(3,270)	(396)	(1,247)	–	(143)	(5,056)
Total ELE provisions at end of year	<b>5,215</b>	<b>1,571</b>	<b>7,638</b>	<b>–</b>	<b>645</b>	<b>15,069</b>

2017	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	5,294	2,205	7,917	–	674	16,090
Additional provisions	3,445	–	1,674	–	176	5,295
Amounts used (payments)	(2,858)	(238)	(849)	–	(158)	(4,103)
Total ELE provisions at end of year	<b>5,881</b>	<b>1,967</b>	<b>8,742</b>	<b>–</b>	<b>692</b>	<b>17,282</b>

##### 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.

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. Provisions (continued)

---

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

##### **Employee benefits**

##### **Short-term obligations**

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

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

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

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

---

##### **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.

## Waverley Council

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

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

\$ '000	Notes	2018	2017
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	18,213	14,505
Less bank overdraft	11	—	—
<b>Balance as per the Statement of Cash Flows</b>		<b>18,213</b>	<b>14,505</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>17,113</b>	<b>11,173</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		19,902	19,211
Net losses/(gains) on disposal of assets		3,742	4,042
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(172)	(183)
– investment property		(8,099)	(3,388)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		1,998	681
Increase/(decrease) in provision for doubtful debts		(502)	78
Decrease/(increase) in other assets		137	(48)
Increase/(decrease) in payables		(2,186)	(833)
Increase/(decrease) in accrued interest payable		(2)	9
Increase/(decrease) in other accrued expenses payable		2,803	659
Increase/(decrease) in other liabilities		2,356	1,317
Increase/(decrease) in employee leave entitlements		(2,213)	1,192
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>34,877</b>	<b>33,910</b>

# Waverley Council

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

### Note 15. Interests in other entities

\$ '000

#### Joint arrangements

#### Joint operations

##### (a) Council is involved in the following joint operations (JO's)

Name of joint operation	Principal activity	Place of business	Interest in ownership		Interest in voting	
			2018	2017	2018	2017
Bourke Road Integrated Facility	Council main depot operation		59%	59%	50%	50%

##### (b) Council assets employed in the joint operations

	2018	2017
<b>Council's own assets employed in the operations</b>		
<b>Current assets:</b>		
Receivables	51	76
<b>Non-current assets</b>		
Property, plant and equipment	18,543	19,813
<b>Total assets – Council owned</b>	<b>18,594</b>	<b>19,889</b>
<b>Total net assets employed – Council and jointly owned</b>	<b>18,594</b>	<b>19,889</b>

#### Accounting policy for joint arrangements

##### Joint operations

In relation to its joint operations, where the venturer has the rights to the individual assets and obligations arising from the arrangement, the Council has recognised:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

These figures are incorporated into the relevant line item in the primary statements



## Waverley Council

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

#### Note 16. Commitments for expenditure

\$ '000	2018	2017
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	444	1,029
Plant and equipment	2,962	2,599
Infrastructure	2,129	2,109
<b>Total commitments</b>	<b>5,535</b>	<b>5,737</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	5,535	5,737
<b>Total payable</b>	<b>5,535</b>	<b>5,737</b>
<b>Sources for funding of capital commitments:</b>		
Section 7.11 and 64 funds/reserves	1,137	508
Unexpended grants	5	78
Externally restricted reserves	2,928	560
Internally restricted reserves	1,465	4,555
Unexpended loans	–	36
<b>Total sources of funding</b>	<b>5,535</b>	<b>5,737</b>

#### (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	66	160
Later than one year and not later than 5 years	64	81
<b>Total non-cancellable operating lease commitments</b>	<b>130</b>	<b>241</b>

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

Motor Vehicles - \$127k, and IT equipment - \$114k.

Contingent Rentals may be payable depending on the condition of items or usage during the term of the leases, average 4 years

##### Conditions relating to operating leases:

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

## Waverley Council

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

#### Note 17. Contingencies and other liabilities/assets 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) 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.

###### **(ii) 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.

###### **(iii) 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.

## Waverley Council

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

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

---

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

##### **1. Guarantees** (continued)

##### **(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 bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

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.

##### **(iii) Legal Expenses**

Court's normal practice that parties bear their own under the Environmental Planning & Assessment Act (as amended). Pursuant to that act, certain persons aggrieved by a planning decision of the Council may appeal to the Land & Environment Court. It is the Court's normal practice that parties bear their own legal costs.

At reporting date, all known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

##### **ASSETS NOT RECOGNISED:**

##### **(i) Land under roads**

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

##### **(ii) 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.

## Waverley Council

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

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

---

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

##### **(iii) Affordable Housing**

Under Council's Development Consent Policy 1 (DCP1) developers can if they wish for gain increased floor space ratio.

To offset the increased floor space ratio the developer makes available to council Affordable Housing for low to moderate income persons.

Council and the applicant enter into a Deed of Agreement to offer council a unit or units in either perpetuity or fixed periods of time.

These units are managed by a Community Organisation identified by Council. Affordable Housing units offered to council in perpetuity are recognised as an asset while those fixed for periods of time are not recognised in council's accounts.

## Waverley Council

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

#### Note 18. Financial risk management

\$ '000

##### Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2018	2017	2018	2017
<b>Financial assets</b>				
Cash and cash equivalents	18,213	14,505	18,212	14,505
Investments				
– 'Held for trading'	36,570	29,222	138,904	29,222
– 'Held to maturity'	117,000	114,000	14,600	114,000
Receivables	8,584	10,080	9,900	10,080
<b>Total financial assets</b>	<b>180,367</b>	<b>167,807</b>	<b>181,616</b>	<b>167,807</b>
<b>Financial liabilities</b>				
Payables	20,854	18,176	20,831	18,176
Loans/advances	3,758	4,573	3,758	4,573
<b>Total financial liabilities</b>	<b>24,612</b>	<b>22,749</b>	<b>24,589</b>	<b>22,749</b>

Fair value is determined as follows:

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

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

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

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2018</b>				
Possible impact of a 10% movement in market values	3,657	3,657	(3,657)	(3,657)
Possible impact of a 1% movement in interest rates	1,352	1,352	(1,352)	(1,352)
<b>2017</b>				
Possible impact of a 10% movement in market values	2,922	2,922	(2,922)	(2,922)
Possible impact of a 1% movement in interest rates	1,285	1,285	(1,285)	(1,285)

# Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000

#### (b) Credit risk

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

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

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

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	0%	59%	0%	59%
Overdue	100%	41%	100%	41%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>				
<b>Rates and annual charges</b>			<b>2018</b>	<b>2017</b>
< 1 year overdue			1,662	2,003
			<b>1,662</b>	<b>2,003</b>
<b>Other receivables</b>				
Current			4,844	5,973
0 – 30 days overdue			505	98
31 – 60 days overdue			130	147
61 – 90 days overdue			22	90
> 91 days overdue			2,946	3,796
			<b>8,447</b>	<b>10,104</b>



## Waverley Council

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

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

\$ '000

##### (c) Liquidity risk

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

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

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

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 by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 – 5 Years	> 5 Years		
<b>2018</b>							
Trade/other payables	-	1,202	19,665	-	-	20,867	<b>20,854</b>
Loans and advances	2.68%	-	412	1,766	1,580	3,758	<b>3,758</b>
<b>Total financial liabilities</b>		<b>1,202</b>	<b>20,077</b>	<b>1,766</b>	<b>1,580</b>	<b>24,625</b>	<b>24,612</b>
<b>2017</b>							
Trade/other payables	-	1,022	17,154	-	-	18,176	<b>18,176</b>
Loans and advances	3.03%	-	815	1,717	2,041	4,573	<b>4,573</b>
<b>Total financial liabilities</b>		<b>1,022</b>	<b>17,969</b>	<b>1,717</b>	<b>2,041</b>	<b>22,749</b>	<b>22,749</b>

## Waverley Council

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

#### Note 19. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 20 June 2017 and is not required to be audited.

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

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

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

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
<b>REVENUES</b>					
Rates and annual charges	58,970	59,104	134	0%	<b>F</b>
User charges and fees	36,141	35,575	(566)	(2%)	<b>U</b>
Interest and investment revenue	3,771	4,583	812	22%	<b>F</b>
Interest earned from cash investments has achieved higher than original anticipated largely attributed to a well-diversified investment strategy and spending on capital expense is lower than anticipated.					
Other revenues	17,044	18,361	1,317	8%	<b>F</b>
Operating grants and contributions	8,183	8,020	(163)	(2%)	<b>U</b>
Capital grants and contributions	13,550	10,371	(3,179)	(23%)	<b>U</b>
Grants originally estimated for number of capital projects were lower the actual due to projects timeline deferral.					
Net gains from disposal of assets	1,360	–	(1,360)	(100%)	<b>U</b>
The proceeds from plant replacement program did not fully delivered hence its associated fleet disposal was lower than originally anticipated. Plus other infrastructure assets wrote off were not anticipated in the budget.					
Fair value increment on investment property	–	8,099	8,099	0%	<b>F</b>
Movement from desktop fair valuation on the Investment Property portfolio is not anticipated in the budget.					

## Waverley Council

# Notes to the Financial Statements

for the year ended 30 June 2018

## Note 19. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	<b>62,474</b>	<b>55,865</b>	<b>6,609</b>	<b>11% F</b>
The lower than anticipated employees cost was due to position vacancies.				
<b>Borrowing costs</b>	<b>122</b>	<b>120</b>	<b>2</b>	<b>2% F</b>
<b>Materials and contracts</b>	<b>23,573</b>	<b>22,387</b>	<b>1,186</b>	<b>5% F</b>
The lower than anticipated spending was largely due to the three bins replacement project deferral.				
<b>Depreciation and amortisation</b>	<b>22,281</b>	<b>19,902</b>	<b>2,379</b>	<b>11% F</b>
Delay in capital works program projects and other capital spending have resulted a lower depreciation expense than original anticipated.				
<b>Other expenses</b>	<b>22,169</b>	<b>24,984</b>	<b>(2,815)</b>	<b>(13%) U</b>
The higher than anticipated spending was mainly due to aging outstanding parking fines abandonment, computer software upgrade & improvement works and cost increase for the waste disposal charges.				
<b>Net losses from disposal of assets</b>	<b>–</b>	<b>3,742</b>	<b>(3,742)</b>	<b>0% U</b>
The losses from disposal of assets largely contributed to the infrastructure assets such as roads, footpath, kerbs & gutter, etc., to meet the partial write off requirements. These infrastructure assets partially wrote off as resulted from renewal/upgrades works were not in the budget.				

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

<b>Cash flows from operating activities</b>	<b>30,558</b>	<b>34,877</b>	<b>4,319</b>	<b>14.1% F</b>
The actual cash inflows from operating activities is better than the original budget largely attributed to a higher income receipts.				
<b>Cash flows from investing activities</b>	<b>(39,433)</b>	<b>(30,354)</b>	<b>9,079</b>	<b>(23.0%) F</b>
The actual cash outflows from investing activities is higher than the original budget largely due to more cash to invest on the financial market.				
<b>Cash flows from financing activities</b>	<b>(815)</b>	<b>(815)</b>	<b>–</b>	<b>0.0% F</b>

# Waverley Council

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

### Note 20. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets and liabilities

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

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

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

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

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

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

Fair value measurement hierarchy					
2018		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– ‘Held for trading’	30/06/18	–	–	36,570	36,570
Total financial assets		–	–	36,570	36,570
Investment property					
Investment properties	30/06/18	–	–	154,795	154,795
Total investment property		–	–	154,795	154,795
Infrastructure, property, plant and equipment					
Buildings – non-specialised	30/06/17	–	–	82,581	82,581
Buildings special	30/06/17	–	–	56,679	56,679
Community land	30/06/17	–	–	275,427	275,427
Operational land	30/06/17	–	–	78,811	78,811
Footpaths	30/06/16	–	–	35,809	35,809
Roads	30/06/16	–	–	207,195	207,195
Stormwater drainage	30/06/16	–	–	90,010	90,010
Office equipment and furniture	30/06/16	–	–	1,425	1,425
Plant and equipment	30/06/16	–	–	8,783	8,783
Open space and recreation	30/06/16	–	–	65,554	65,554
Library books and resources	30/06/16	–	–	1,209	1,209
Other structures	30/06/16	–	–	15,553	15,553
Other assets	30/06/16	–	–	2,767	2,767
Total infrastructure, property, plant and equipment		–	–	921,803	921,803

## Waverley Council

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

## Note 20. Fair value measurement

\$ '000

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

		Fair value measurement hierarchy			
2017		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– ‘Held for trading’	30/06/17	–	–	29,222	29,222
Total financial assets		–	–	29,222	29,222
Investment property					
Investment properties	30/06/17	–	–	145,945	145,945
Total investment property		–	–	145,945	145,945
Infrastructure, property, plant and equipment					
Buildings – non-specialised	30/06/17	–	85,166	–	85,166
Buildings special	30/06/17	–	–	59,884	59,884
Community land	30/06/17	–	–	275,427	275,427
Operational land	30/06/17	–	78,473	–	78,473
Footpaths	30/06/15	–	–	36,137	36,137
Roads	30/06/15	–	–	210,625	210,625
Stormwater drainage	30/06/15	–	–	91,070	91,070
Office equipment and furniture	30/06/17	–	–	1,624	1,624
Plant and equipment	30/06/17	–	8,570	–	8,570
Open space and recreation	30/06/17	–	–	66,422	66,422
Library books and resources	30/06/17	–	–	1,217	1,217
Other structures	30/06/17	–	–	15,587	15,587
Other assets	30/06/17	–	–	2,814	2,814
Total infrastructure, property, plant and equipment		–	172,209	760,807	933,016

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

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

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

##### (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 (i.e. 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:

##### Financial assets

At fair value through profit and loss are represented by Floating Rate Notes, Covered Bonds and Term Deposits. Council obtains valuations from its Investment Advisor on a monthly basis and at the end of each accounting period to ensure the financial statements reflect the most up to date valuation. The valuations of Floating Rate Notes are sourced base on mid-market prices. That is, valuations are marked at the mid-point of the bid and ask prices in the secondary market. This price represents a general market value for the asset. There has been no change to the valuation techniques during the reporting period.

##### Investment properties

The valuation of Council's investment properties was undertaken at June 2018 by Scott Fullarton Valuations Pty Ltd, FAPI, Certified Practising Valuer, Registration No. VAL2144.

Investment properties such as commercial units, commercial terraces and retail shops have been valued as market value, having regard to the "highest and best use", taking in consideration the criteria of physical possibility, legal permissibility and financial feasibility. Implied within these criteria is the recognition of the contribution of that specific use to community environment or to community development goals, in addition to wealth maximisation to the individual owner.

The valuation technique utilised is Level 2 inputs (observable inputs), where applicable, included:

- Current rental income
- Rent reviews
- Capitalisation rate
- Price per square metre
- Direct comparison to sales evidence
- Zoning
- Location
- Land area and configuration
- Planning controls

Other investment properties such as public car park and shopping centre office space have been valued using Cost approach with Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

##### Operational Land

The asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The last valuation was undertaken at June 2017 and was performed by Scott Fullarton Valuations Pty Ltd, FAPI, Certified Practising Valuer, Registration No. VAL2144.

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

Operational land has been valued at market value, having regard to the “highest and best use”, after identifying all elements that would be taken into account by buyers and sellers in settling the price, including but not limited to:

- The land’s description and/or dimensions;
- Planning and other constraints on development; and
- The potential for alternative use.

Sale prices of comparable land parcels in close proximity were adjusted for differences in key attributes such as size and configuration. The most significant inputs into this valuation approach are price per square metre. Since extensive professional judgements were required to determine the inputs these assets were classified as having been valued using Level 3 valuation input. There has been no change to the valuation process during the reporting period.

#### Community Land

Valuations of all Council’s Community Land and Council managed land were based on either the land value provided by the Valuer-General or an average unit rate based on land value for similar properties where the Valuer-General did not provide a land value having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as Level 3. There has been no change to the valuation process during the reporting period.

#### Buildings – Non Specialised and Specialised

Council’s buildings are valued utilising the cost approach by Scott Fullarton Valuations Pty Ltd in June 2017. The approach estimated the replacement cost of each building and componentising of significant parts with different useful lives and taking into account a range of factors. The unit rates could be supported by market evidence (Level 2 inputs), other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued using Level 3 inputs. There has been no change to the valuation process during the reporting period.

#### Roads

The roads asset class includes roads, defined as the trafficable portion of a road, between but not including the kerb and gutter. It also includes “other roads” assets including Bridges, Carparks, Kerb and Gutter and Traffic facilities.

The ‘Cost Approach’ using Level 3 inputs was used to value the road carriageway and other road infrastructure. Valuations for the road carriageway, comprising surface, pavement and formation were based primarily on unit rates derived from the Councils schedule of rates tender. Other inputs (such as estimates pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is some uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period

#### Footpaths

The ‘Cost Approach’ using Level 3 inputs was used to value footpaths. Valuation for the footpath was based primarily on unit rates derived from the Councils schedule of rates tender. Other inputs (such as estimates pattern of consumption, asset condition and useful life) required extensive professional judgement and



## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there some uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

##### Stormwater Drainage

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit on similar could be supported from market evidence (Level 2) other inputs) such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

##### Plant & Equipment, Office Equipment and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- Plant and Equipment      Trucks, tractors, ride on mowers, street sweepers, earthmoving equipment, buses and motor vehicles
- Office Equipment          Refrigerators, electronic appliances, flat-screen monitors and computer equipment
- Furniture & Fittings      Chairs, desks and display systems.

The key unobservable inputs to the valuation are the remaining useful life and residual value. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

##### Other Open Space / Recreational Assets

Assets within this class comprise Soft Fall Surfaces, BBQs, Regional Sporting Facilities and Playgrounds. All assets in this class were valued in-house by experienced engineering & asset management staff. While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

---

##### Library Books and Resources

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

---

##### Other Structures

This asset class comprises Mall Light, Shade Structure, Flag Pole, Planter Boxes and Garden Beds.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. As such there assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

---

##### Other Assets

This asset class comprises trees and other miscellaneous assets.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. As such there assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

---

## Waverley Council

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

## Note 20. Fair value measurement (continued)

\$ '000

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

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

	Financial Assets	Investment Properties	Buildings	Land	Total
<b>Opening balance – 1/7/16</b>	27,717	142,306	133,921	336,900	640,844
Transfers from/(to) another asset class	–	–	(2,205)	–	(2,205)
Purchases (GBV)	–	251	3,364	3,250	6,865
Disposals (WDV)	–	–	(1,197)	(1,490)	(2,687)
Depreciation and impairment	–	–	(6,428)	–	(6,428)
FV gains – other comprehensive income	–	3,388	17,595	15,240	36,223
<b>Closing balance – 30/6/17</b>	<b>27,717</b>	<b>145,945</b>	<b>145,050</b>	<b>353,900</b>	<b>672,612</b>
Purchases (GBV)	8,855	751	948	338	10,892
Depreciation and impairment	–	–	(6,739)	–	(6,739)
FV gains – Income Statement	–	8,099	–	–	8,099
<b>Closing balance – 30/6/18</b>	<b>36,572</b>	<b>154,795</b>	<b>139,259</b>	<b>354,238</b>	<b>684,864</b>

	Plant & Equipment	Infrastruc- ture	Other Assets	Total
<b>Opening balance – 1/7/16</b>	9,083	415,387	4,061	428,531
Transfers from/(to) another asset class	–	2,205	–	2,205
Purchases (GBV)	3,610	17,380	234	21,224
Disposals (WDV)	(165)	(4,946)	–	(5,111)
Depreciation and impairment	(2,334)	(10,185)	(264)	(12,783)
<b>Closing balance – 30/6/17</b>	<b>10,194</b>	<b>419,841</b>	<b>4,031</b>	<b>434,066</b>
Purchases (GBV)	2,854	7,736	206	10,796
Disposals (WDV)	(336)	(3,060)	–	(3,396)
Depreciation and impairment	(2,503)	(10,397)	(262)	(13,162)
<b>Closing balance – 30/6/18</b>	<b>10,209</b>	<b>414,120</b>	<b>3,975</b>	<b>428,304</b>

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Fair value measurement (continued)

\$ '000

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

**b. 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.

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
<b>Financial assets</b>			
Investments	153,569	Advisor report	* Unit price
<b>Investment property</b>			
Commercial Office, Retail and Carpark	154,795	Valuer report	* Estimated rental Value (rate per square metre) * Rental Yield
<b>IPP&amp;E</b>			
Buildings	139,259	Non-Specialised Buildings: Market Value Specialised Buildings: Depreciated replacement cost	* Gross replacement cost * Asset Condition * Remaining useful life
Community Land	275,427	Land values obtained from the NSW Valuer- General	* Price Per square metre
Operational Land	78,811	Market Value	* Price Per square metre
Footpaths	35,808	Unit rates per m2 or length	* Gross replacement cost * Asset Condition * Remaining useful life
Roads	207,195	Unit rates per m2 or length	* Gross replacement cost * Asset Condition * Remaining useful life
Stormwater Drainage	90,010	Unit rates per m2 or length	* Gross replacement cost * Asset Condition * Remaining useful life
Plant & Equipment	8,784	Historical Cost	* Gross replacement cost * Remaining useful life
Office Equipment	1,425	Historical Cost	* Gross replacement cost * Remaining useful life

# Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000

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

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

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
<b>IPP&amp;E (continued)</b>			
Open Space & Recreation	65,554	Depreciated replacement cost	* Gross replacement cost * Asset Condition * Remaining useful life
Library Books	1,209	Historical Cost	* Gross replacement cost * Remaining useful life
Other Structures	15,553	Depreciated replacement cost	* Gross replacement cost * Asset Condition * Remaining useful life
Other Assets	2,766	Historical Cost	* Gross replacement cost * Remaining useful life

#### (5). Highest and best use

All of Council's non-financial assets are considered as being utilised for their highest and best use.

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 21. Related party transactions

---

\$ '000

---

##### a. Key management personnel

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

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

<b>Compensation:</b>	<b>2018</b>	<b>2017</b>
Short-term benefits	1,358	1,332
Post-employment benefits	187	101
Termination benefits	33	17
<b>Total</b>	<b>1,578</b>	<b>1,450</b>

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 21. Related party transactions (continued)

## b. Other transactions with KMP and their related parties (continued)

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
<b>2018</b>						
Grants & Contributions Provided to Waverley Action for Youth Services	1	79,000	-		-	-
Subsidised Property Rental from Waverley Action for Youth Services	2	12,000	-		-	-
<b>2017</b>						
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
Grants & Contributions provided to Waverley Action for Youth Services	1	80,000	-		-	-
Subsidised Property Rental from Waverley Action for Youth Services	2	11,000	2,000		-	-

- 1 Council Provides a Community Grants Program to ensure the delivery of a range of services to the local community. A KMP is a member of the management committee of one of its supported Community Organisations - Waverley Action For Youth Services.
- 2 A KMP is member of the Waverley Action For Youth Services (WAYS) management committee. WAYS rents two properties for its operation from Council and Council provides rental subsidies of \$60k annually to WAYS for the two property leases. WAYS paid the Council at \$12k of rent and utility expenses in 2017/18.

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22. Statement of developer contributions

\$ '000

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

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

## SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S7.12 levies – under a plan	2,474	2,865	–	52	(2,980)	–	2,411	–
Total S7.11 and S7.12 revenue under plans	2,474	2,865	–	52	(2,980)	–	2,411	–
S7.4 planning agreements	8,347	6,507	–	–	(1,648)	–	13,206	–
<b>Total contributions</b>	<b>10,821</b>	<b>9,372</b>	<b>–</b>	<b>52</b>	<b>(4,628)</b>	<b>–</b>	<b>15,617</b>	<b>–</b>

## S7.12 LEVIES – UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	2,474	2,865	–	52	(2,980)	–	2,411	–
<b>Total</b>	<b>2,474</b>	<b>2,865</b>	<b>–</b>	<b>52</b>	<b>(2,980)</b>	<b>–</b>	<b>2,411</b>	<b>–</b>



## Waverley Council

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

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

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>2,213</b>	<b>1.76%</b>	2.37%	3.20%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>125,471</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<b>117,451</b>	<b>86.46%</b>	86.48%	89.39%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>	<b>135,842</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<b>155,456</b>	<b>10.15x</b>	12.43x	11.84x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<b>15,312</b>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>22,235</b>	<b>23.78x</b>	20.27x	24.74x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>935</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>1,922</b>	<b>3.13%</b>	3.78%	2.92%	5%
Rates, annual and extra charges collectible	<b>61,476</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>135,213</b>	<b>14.82 mths</b>	14.5 mths	12.6 mths	> 3 mths
Payments from cash flow of operating and financing activities	<b>9,125</b>				

## Notes

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

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

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

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

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

**END OF AUDITED FINANCIAL STATEMENTS**

## Waverley Council

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

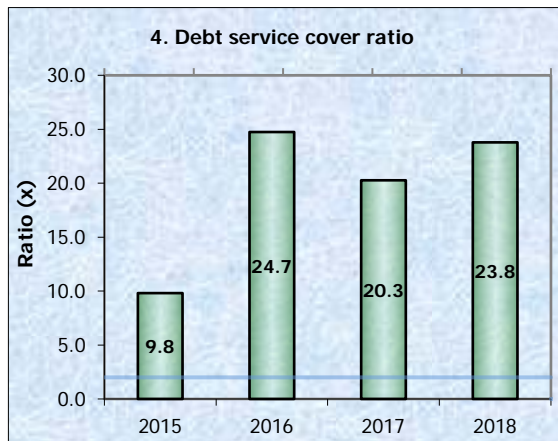
#### Note 23(b). Statement of performance measures – consolidated results (graphs)

<p><b>1. Operating performance ratio</b></p> <p>Benchmark: — Minimum <math>\geq 0.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p><b>Purpose of operating performance ratio</b></p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 ratio 1.76%</b></p> <p>The ratio compares favourably with the industry benchmark of greater than 0%</p>
<p><b>2. Own source operating revenue ratio</b></p> <p>Benchmark: — Minimum <math>\geq 60.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p><b>Purpose of own source operating revenue ratio</b></p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 ratio 86.46%</b></p> <p>The ratio compares well with the industry benchmark of greater than 60%, it shows Waverley Council is less reliant on external funding sources to carry out its activities.</p>
<p><b>3. Unrestricted current ratio</b></p> <p>Benchmark: — Minimum <math>\geq 1.50</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p><b>Purpose of unrestricted current ratio</b></p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 ratio 10.15x</b></p> <p>This ratio indicates that Waverley Council has sufficient liquid assets on hand to meet short term obligations as they fall due and compares favourably with the industry benchmark.</p>

# Waverley Council

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

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



Benchmark: — Minimum  $\geq 2.00$

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

#### Purpose of debt service cover ratio

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

#### Commentary on 2017/18 result

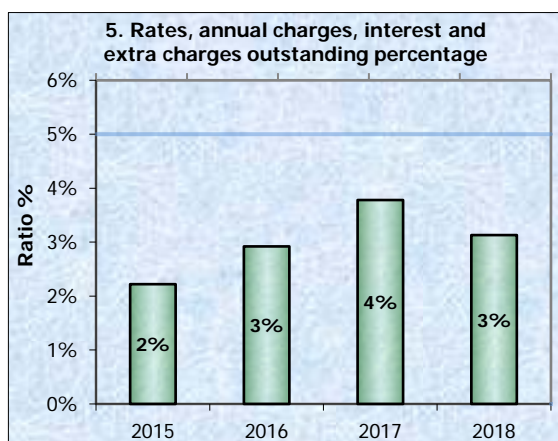
**2017/18 ratio 23.78x**

This ratio shows that Waverley Council has strong capacity to repay additional debt and provides a favourable comparison with the industry benchmark of greater than 2.0.



Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: — Maximum  $< 5.00\%$

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

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

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

#### Commentary on 2017/18 result

**2017/18 ratio 3.13%**

This ratio shows that Waverley Council's rates base debt control within the industry benchmark of less than 5%.



Ratio is within Benchmark

Ratio is outside Benchmark



Benchmark: — Minimum  $\geq 3.00$

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

#### Purpose of cash expense cover ratio

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

#### Commentary on 2017/18 result

**2017/18 ratio 14.82 mths**

This ratio compares favourably with the industry benchmark of greater than 3%.



Ratio achieves benchmark

Ratio is outside benchmark

# Waverley Council

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

### Note 24. Financial review and commentary

\$ '000

#### Key financial figures of Council over the past 5 years (consolidated)

<b>Financial performance figures</b>	<b>Actual 2018</b>	<b>Actual 2017</b>	Actual 2016	Actual 2015	Actual 2014
<b>Inflows:</b>					
Rates and annual charges revenue	<b>59,104</b>	57,375	55,992	54,467	52,867
User charges revenue	<b>35,575</b>	34,230	35,414	32,705	31,977
Interest and investment revenue (losses)	<b>4,583</b>	4,481	4,366	2,890	2,637
Grants income – operating and capital	<b>8,047</b>	9,468	8,176	8,409	6,192
Total income from continuing operations	<b>144,113</b>	138,106	138,013	180,021	123,078
Sale proceeds from IPP&E	<b>845</b>	5,729	11,796	83,149	167
New loan borrowings and advances	<b>–</b>	2,200	2,252	–	–
<b>Outflows:</b>					
Employee benefits and on-cost expenses	<b>55,865</b>	58,268	55,794	56,269	54,229
Borrowing costs	<b>120</b>	142	95	153	189
Materials and contracts expenses	<b>22,387</b>	22,975	22,254	24,884	17,974
Total expenses from continuing operations	<b>127,000</b>	126,933	120,226	119,934	113,026
Total cash purchases of IPP&E	<b>20,310</b>	24,268	29,570	21,553	24,093
Total loan repayments (incl. finance leases)	<b>815</b>	960	836	1,118	1,252
Operating surplus/(deficit) (excl. capital income)	<b>6,742</b>	2,510	12,621	53,142	187
<b>Financial position figures</b>	<b>Actual 2018</b>	<b>Actual 2017</b>	Actual 2016	Actual 2015	Actual 2014
Current assets	<b>161,567</b>	153,157	151,436	124,974	95,600
Current liabilities	<b>37,240</b>	36,741	34,480	33,306	39,860
Net current assets	<b>124,327</b>	116,416	116,956	91,668	55,740
Available working capital (Unrestricted net current assets)	<b>4,882</b>	6,811	5,769	11,296	31,295
Cash and investments – unrestricted	<b>8,996</b>	6,970	4,736	1,016	2,077
Cash and investments – internal restrictions	<b>140,107</b>	132,690	121,526	112,376	41,536
Cash and investments – total	<b>171,783</b>	157,727	141,174	130,171	57,013
Total borrowings outstanding (Loans, advances and finance leases)	<b>3,758</b>	4,573	3,333	1,917	3,035
Total value of IPP&E (excl. land and earthwork)	<b>964,822</b>	954,611	933,932	889,023	831,810
Total accumulated depreciation	<b>379,029</b>	364,101	354,416	340,292	341,621
Indicative remaining useful life (as a % of GBV)	61%	62%	62%	62%	59%

**Source:** published audited financial statements of Council (current year and prior year)

# Waverley Council

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

### Note 25. Council information and contact details

---

#### Principal place of business:

Cnr. Paul St and Bondi Rd  
Bondi Junction NSW 2022

#### Contact details

##### Mailing address:

PO Box 9  
Bondi Junction NSW 1355

##### Opening hours:

Customer Service Centre  
55 Spring Street, Bondi Junction  
Monday to Friday 8:30am to 5:00pm

**Telephone:** 02 9369 8000

**Facsimile:** 02 9387 1820

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

**Email:** [info@waverley.nsw.gov.au](mailto:info@waverley.nsw.gov.au)

#### Officers

##### GENERAL MANAGER

Ross McLeod

##### RESPONSIBLE ACCOUNTING OFFICER

Teena Su

##### PUBLIC OFFICER

Jane Worthy

##### AUDITORS

The Audit Office of New South Wales  
Level 15, 1 Margaret St, Sydney

#### Elected members

##### MAYOR

John Wakefiled

##### COUNCILLORS

Clr Angela Burrill  
Clr Dominic Wy Kanak  
Clr Elaine Keenan  
Clr George Copeland  
Clr John Wakefiled  
Clr Leon Goltsman  
Clr Marjorie O'Neil  
Clr Paula Masselos  
Clr Sally Betts  
Clr Steve Lewis  
Clr Tony Kay  
Clr Will Nemesh

#### Other information

**ABN:** 12 502 583 608



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial report

#### Waverley Council

To the Councillors of the Waverley Council

### Opinion

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

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial report:
  - has been presented, in all material respects, in accordance with the requirements of this Division
  - is consistent with the Council's accounting records
  - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial report have come to light during the audit.

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

### Basis for Opinion

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

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

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

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

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

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

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

## **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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



My opinion does *not* provide assurance:

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



Weini Liao  
Director, Financial Audit Services

30 October 2018  
SYDNEY

Cr John Wakefield  
Mayor  
Waverley Council  
Cnr Paul St and Bondi Road  
BONDI JUNCTION NSW 2022

Contact: Weini Liao  
Phone no: 02 9275 7432  
Our ref: D1826732/1804

30 October 2018

Dear Mayor

## Report on the Conduct of the Audit for the year ended 30 June 2018 Waverley Council

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

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

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

### INCOME STATEMENT

#### Operating result

	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	59.1	57.4	↑ 3.0
Grants and contributions revenue	18.4	18.2	↑ 1.1
Operating result for the year	17.1	11.2	↑ 53.2
Net operating result before capital amounts	6.7	2.5	↑ 168

Council's operating result (\$17.1 million including the effect of depreciation and amortisation expense of \$19.9 million) was \$5.9 million higher than the 2016–17 result. The increase was mainly attributable to the fair value increment of \$4.7 million relating to investment property or the current year.

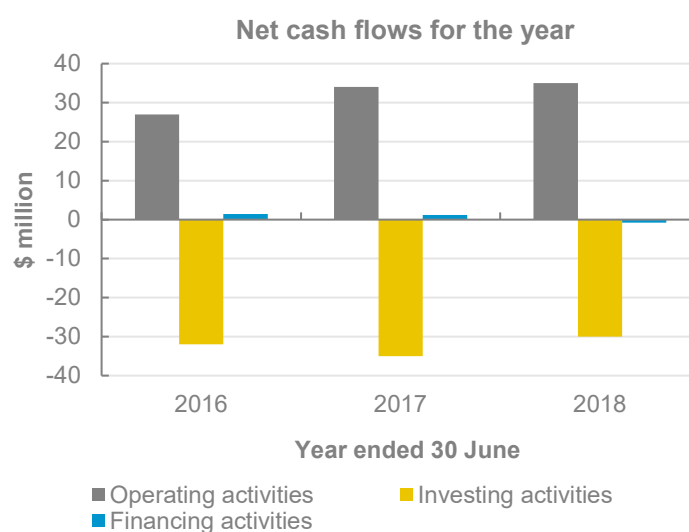
The net operating result before capital grants and contributions (\$6.7 million) was \$4.2 million higher than the 2016–17 for the reasons noted above.

Rates and annual charges revenue (\$59.1 million) increased by \$1.7 million (3 per cent) in 2017–18 due to the application of the rate peg limit and an increase in domestic waste management charges.

Grants and contributions revenue (\$18.4 million) increased by \$0.2 million (1.1 per cent) in 2017–18 showing no significant movement from the prior year.

## STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased from \$14.5 million to \$18.2 million at the close of the year.
- Cash inflows from operations remained steady whereas cash outflows from investing activities slightly reduced due to lower acquisition of investment securities.
- Cashflows from financing activities were insignificant.



## FINANCIAL POSITION

### Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	22.7	18.1	<ul style="list-style-type: none"> <li>External restrictions include unspent specific purpose grants, developer contributions, and domestic waste and stormwater management charges and increased due to funds held from developers.</li> </ul>
Internal restrictions	140.1	132.7	
Unrestricted	9.0	7.0	
<b>Cash and investments</b>	<b>171.8</b>	<b>157.8</b>	<ul style="list-style-type: none"> <li>Balances are internally restricted due to Council policy or decisions for forward plans including works program. The increase was substantially due to increased funds set aside for future capital works.</li> <li>Unrestricted balances provide liquidity for day-to-day operations.</li> </ul>

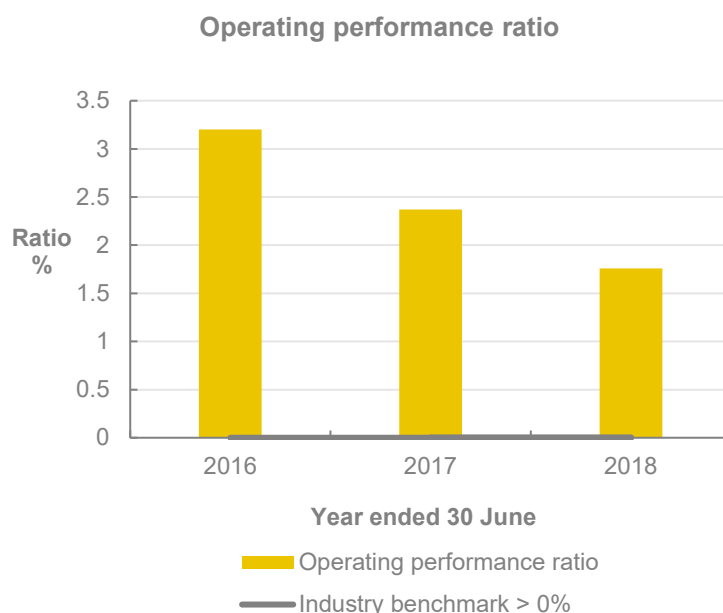
## PERFORMANCE RATIOS

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

### Operating performance ratio

- Council has exceeded the benchmark of zero per cent for the last three years. This has resulted from the Council running an operating surplus. The indicator of 1.8 per cent was above the industry benchmark.
- The reduction from the previous year is due to the lower operating result after excluding fair value adjustment.

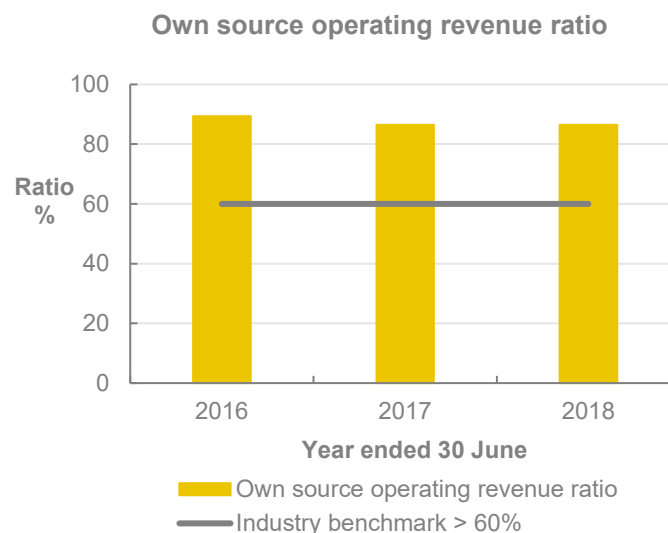
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



### Own source operating revenue ratio

- Council's own source operating revenue ratio of 86.5 per cent exceeded the industry benchmark. This reflects that rates and user charges are significant revenue source for Council.
- This indicator fluctuates with movements in rates and revenue, which increased slightly from the prior year.

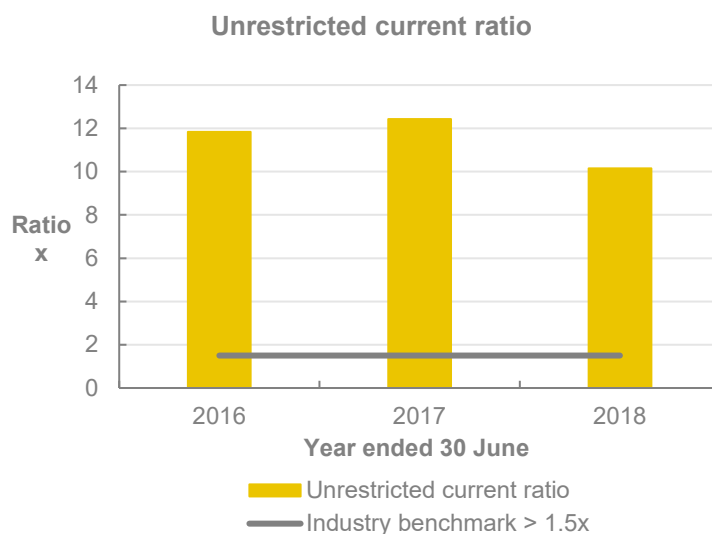
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



## Unrestricted current ratio

- Council has exceeded the benchmark of 1.5 times for the last three years.
- This ratio indicated that Council currently had \$10.2 of unrestricted current assets available to service every one dollar of its unrestricted current liabilities. This exceeded the industry benchmark. There has been a slight decrease in this ratio during the year, due to increase in current liabilities at year end.

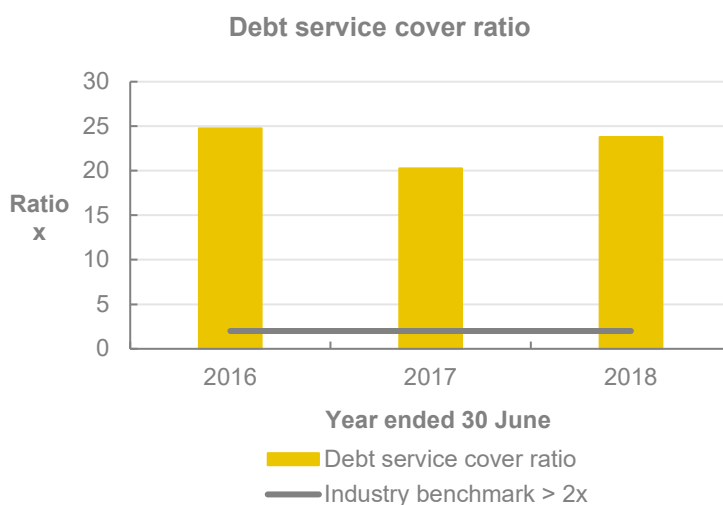
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



## Debt service cover ratio

- Council has exceeded the benchmark of two for the last three years.
- The debt service cover ratio of 23.8 times exceeded the industry benchmark. The increase compared to 2016–17 is due to a reduction in debt servicing costs.

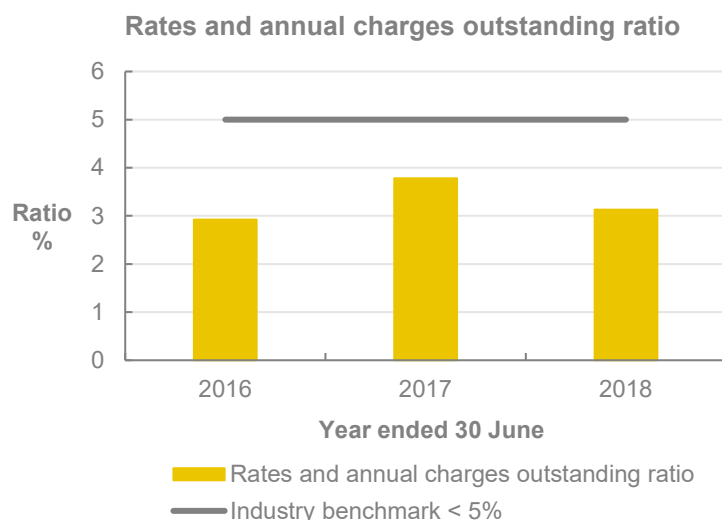
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



## Rates and annual charges outstanding ratio

- Council's outstanding rates and charges ratio of 3.1 per cent was within the industry benchmark.
- Management attribute the improvement in this ratio to their recovery efforts as rate arrears had reduced by \$0.3 million compared with 30 June 2017.

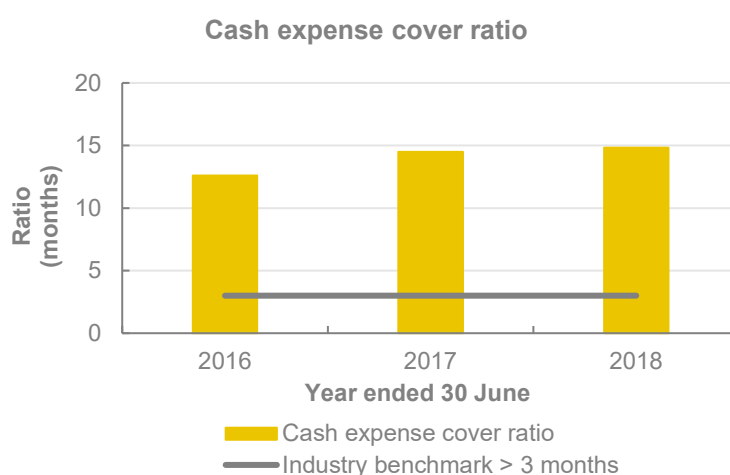
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than five per cent for metro councils.



## Cash expense cover ratio

- Council's cash expense cover ratio of 14.8 months well exceeded the industry benchmark.
- The ratio has slightly increased in 2017–18 as cash balances have slightly increased as compared to 2016–17.

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

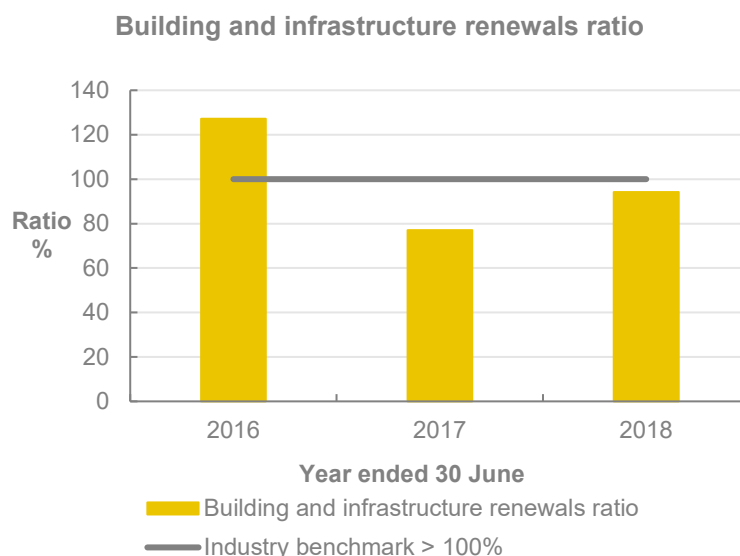


## Building and infrastructure renewals ratio (unaudited)

- Council's building and infrastructure renewals ratio of 97.1 per cent did not meet the industry benchmark, although an improvement since 2016–17.
- Council's building and infrastructure renewals ratio has declined over the past three years which demonstrates continued lower investment in the renewal of existing infrastructure.

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

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



## OTHER MATTERS

### Legislative compliance

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

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

Weini Liao  
Director, Financial Audit Services

cc: Mr Ross McLeod, General Manager  
 Mr Noel Hall, Chair of the Audit Committee  
 Mr Tim Hurst, Chief Executive of the Office of Local Government

# Waverley Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

---

*"We are united by a common passion for our  
beautiful home between the city and the sea."*





# Waverley Council

## Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
<b>1. Statement by Councillors and Management</b>	2
<b>2. Special Purpose Financial Statements:</b>	
Income Statement – Other Business Activities	3
Statement of Financial Position – Other Business Activities	5
<b>3. Notes to the Special Purpose Financial Statements</b>	7
<b>4. Auditor's Report</b>	12

---

### 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).
-

## Waverley Council

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

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

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

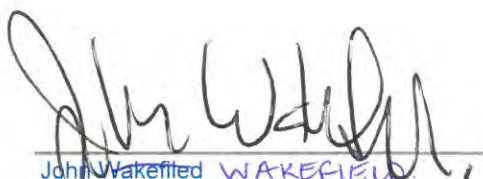
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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


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

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

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

Signed in accordance with a resolution of Council made on 27 September 2018.

  
 John Wakefield WAKEFIELD  
 Mayor

  
 Dominic Wy Kanak  
 Deputy Mayor

  
 Ross McLeod  
 General Manager

  
 Teena Sú  
 Responsible Accounting Officer

## Waverley Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

	Property Category 1		Commercial Waste Category 1	
\$ '000	2018	2017	2018	2017
<b>Income from continuing operations</b>				
User charges	4,012	4,232	3,798	3,533
Other income	10,480	5,889	–	–
<b>Total income from continuing operations</b>	<b>14,492</b>	<b>10,121</b>	<b>3,798</b>	<b>3,533</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	528	516	184	207
Materials and contracts	959	960	54	78
Depreciation, amortisation and impairment	76	76	14	17
Other expenses	1,066	1,026	2,816	2,497
<b>Total expenses from continuing operations</b>	<b>2,629</b>	<b>2,578</b>	<b>3,068</b>	<b>2,799</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>11,863</b>	<b>7,543</b>	<b>730</b>	<b>734</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>11,863</b>	<b>7,543</b>	<b>730</b>	<b>734</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>11,863</b>	<b>7,543</b>	<b>730</b>	<b>734</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(3,559)	(2,263)	(219)	(220)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>8,304</b>	<b>5,280</b>	<b>511</b>	<b>514</b>
<b>Plus opening retained profits</b>	145,788	142,179	93	114
<b>Plus adjustments for amounts unpaid:</b>				
– Corporate taxation equivalent	3,559	2,263	219	220
<b>Less:</b>				
– Dividend paid	(2,843)	(3,934)	(665)	(755)
<b>Closing retained profits</b>	<b>154,808</b>	<b>145,788</b>	<b>158</b>	<b>93</b>
<b>Return on capital %</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

## Waverley Council

# Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

Cemetery

Category 2

\$ '000	2018	2017
<b>Income from continuing operations</b>		
User charges	1,189	1,511
Interest	14	63
Grants and contributions provided for non-capital purposes	49	3
Other income	3	1
<b>Total income from continuing operations</b>	<b>1,255</b>	<b>1,578</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	657	598
Materials and contracts	311	450
Depreciation, amortisation and impairment	42	39
Other expenses	59	80
<b>Total expenses from continuing operations</b>	<b>1,069</b>	<b>1,167</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>186</b>	<b>411</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>186</b>	<b>411</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>186</b>	<b>411</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(56)	(123)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>130</b>	<b>288</b>
<b>Plus opening retained profits</b>	17,084	17,348
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	56	123
<b>Less:</b>		
– Dividend paid	(1,200)	(675)
<b>Closing retained profits</b>	<b>16,070</b>	<b>17,084</b>
<b>Return on capital %</b>	<b>0.4%</b>	<b>0.9%</b>
<b>Subsidy from Council</b>	<b>1,063</b>	<b>731</b>

## Waverley Council

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

as at 30 June 2018

	Property Category 1		Commercial Waste Category 1	
\$ '000	2018	2017	2018	2017
<b>ASSETS</b>				
<b>Current assets</b>				
Receivables	244	–	241	185
<b>Total Current Assets</b>	<b>244</b>	<b>–</b>	<b>241</b>	<b>185</b>
<b>Non-current assets</b>				
Investment property	154,795	145,945	–	–
<b>Total non-current assets</b>	<b>154,795</b>	<b>145,945</b>	<b>–</b>	<b>–</b>
<b>TOTAL ASSETS</b>	<b>155,039</b>	<b>145,945</b>	<b>241</b>	<b>185</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	92	–	–	–
Provisions	62	80	83	92
<b>Total current liabilities</b>	<b>154</b>	<b>80</b>	<b>83</b>	<b>92</b>
<b>TOTAL LIABILITIES</b>	<b>154</b>	<b>80</b>	<b>83</b>	<b>92</b>
<b>NET ASSETS</b>	<b>154,885</b>	<b>145,865</b>	<b>158</b>	<b>93</b>
<b>EQUITY</b>				
Accumulated surplus	154,808	145,788	158	93
Revaluation reserves	77	77	–	–
<b>TOTAL EQUITY</b>	<b>154,885</b>	<b>145,865</b>	<b>158</b>	<b>93</b>

## Waverley Council

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

Cemetery

Category 2

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,892	2,369
Receivables	–	7
<b>Total Current Assets</b>	<b>1,892</b>	<b>2,376</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	47,501	47,980
<b>Total non-current assets</b>	<b>47,501</b>	<b>47,980</b>
<b>TOTAL ASSETS</b>	<b>49,393</b>	<b>50,356</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	64	–
Provisions	78	91
<b>Total current liabilities</b>	<b>142</b>	<b>91</b>
<b>TOTAL LIABILITIES</b>	<b>142</b>	<b>91</b>
<b>NET ASSETS</b>	<b>49,251</b>	<b>50,265</b>
<b>EQUITY</b>		
Accumulated surplus	16,070	17,084
Revaluation reserves	33,181	33,181
<b>TOTAL EQUITY</b>	<b>49,251</b>	<b>50,265</b>

## Waverley Council

### Special Purpose Financial Statements

for the year ended 30 June 2018

#### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8

## Waverley Council

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

#### Note 1. Significant accounting policies

---

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

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

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

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

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

#### 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. Waverley Council Property Services

*Comprising the whole of the operations and assets of the property services, commercial properties controlled by Waverley Council.*

##### b. Waverley Council Trade Waste Services

*Comprising the whole of the operations and assets of the commercial waste services which service the area of Waverley. This service collects and disposes of waste collected from commercial premises.*



## Waverley Council

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

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

---

##### Category 2

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

##### a. Waverley & South Head Cemeteries

*Comprising the whole of the operations and assets of both the Waverley & South Head Cemeteries.*

*This business operates from offices located at Waverley Cemetery dealing with maintenance, sales and burials.*

##### Monetary amounts

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

##### (i) Taxation-equivalent charges

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

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

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

##### Notional rate applied (%)

Corporate income tax rate – **30%**

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

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

##### Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

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

## Waverley Council

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

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

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

The rate applied of 30% is 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 2.63% at 30/6/18.

## Waverley Council

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

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

---

##### *(iv) Dividends*

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

**END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS**



## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the special purpose financial report**

#### **Waverly Council**

To the Councillors of the Waverly Council

### **Opinion**

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

The Declared Business Activities of the Council are:

- property
- commercial waste
- cemetery.

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

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

### **Basis for Opinion**

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

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

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

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

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

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as 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 report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial report may not be suitable for another purpose.

## **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 2 - Permissible income for general rates.

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

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

I have nothing to report in this regard.

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

The Councillors are responsible for the preparation and fair presentation of the financial report and for determining that the accounting policies, described in Note 1 to the financial report, 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 report that is free from material misstatement, whether due to fraud or error.

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

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

My objectives are to:

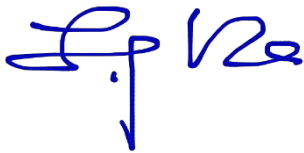
- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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



Weini Liao  
Director, Financial Audit Services

30 October 2018  
SYDNEY

# Waverley Council

SPECIAL SCHEDULES

for the year ended 30 June 2018

---

*"We are united by a common passion for our  
beautiful home between the city and the sea."*



# Waverley Council

## Special Schedules for the year ended 30 June 2018

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

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

### Background

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



## Waverley Council

# Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	–	–	–	–
<b>Administration</b>	26,715	62,546	46	35,877
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	1,980	152	–	(1,828)
Beach control	5,498	609	–	(4,889)
Enforcement of local government regulations	1,177	948	–	(229)
Animal control	99	58	–	(41)
Other	22	–	–	(22)
<b>Total public order and safety</b>	<b>8,776</b>	<b>1,767</b>	<b>–</b>	<b>(7,009)</b>
<b>Health</b>	<b>955</b>	<b>275</b>	<b>–</b>	<b>(680)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	7	–	–	(7)
Other environmental protection	1,547	213	5	(1,329)
Solid waste management	18,769	20,361	–	1,592
Street cleaning	3,610	1	–	(3,609)
Drainage	1,948	–	–	(1,948)
Stormwater management	–	–	–	–
<b>Total environment</b>	<b>25,881</b>	<b>20,575</b>	<b>5</b>	<b>(5,301)</b>
<b>Community services and education</b>				
Administration and education	977	57	–	(920)
Social protection (welfare)	65	1	–	(64)
Aged persons and disabled	1,438	885	–	(553)
Children's services	7,868	7,430	–	(438)
<b>Total community services and education</b>	<b>10,348</b>	<b>8,373</b>	<b>–</b>	<b>(1,975)</b>
<b>Housing and community amenities</b>				
Public cemeteries	1,072	1,256	–	184
Public conveniences	293	71	–	(222)
Street lighting	988	216	–	(772)
Town planning	7,261	5,184	9,371	7,294
Other community amenities	206	–	–	(206)
<b>Total housing and community amenities</b>	<b>9,820</b>	<b>6,727</b>	<b>9,371</b>	<b>6,278</b>
<b>Water supplies</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Sewerage services</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

## Waverley Council

# Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	4,932	314	—	(4,618)
Museums	—	—	—	—
Art galleries	22	—	—	(22)
Community centres and halls	—	—	—	—
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	4,464	736	—	(3,728)
Sporting grounds and venues	2,195	541	—	(1,654)
Swimming pools	76	—	—	(76)
Parks and gardens (lakes)	7,388	232	—	(7,156)
Other sport and recreation	13	50	—	37
<b>Total recreation and culture</b>	<b>19,090</b>	<b>1,873</b>	<b>—</b>	<b>(17,217)</b>
<b>Fuel and energy</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Agriculture</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Mining, manufacturing and construction</b>				
Building control	807	1,305	—	498
Other mining, manufacturing and construction	—	—	—	—
<b>Total mining, manufacturing and const.</b>	<b>807</b>	<b>1,305</b>	<b>—</b>	<b>498</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	10,109	775	949	(8,385)
Urban roads – regional	—	—	—	—
Sealed rural roads (SRR) – local	—	—	—	—
Sealed rural roads (SRR) – regional	—	—	—	—
Unsealed rural roads (URR) – local	—	—	—	—
Unsealed rural roads (URR) – regional	—	—	—	—
Bridges on UR – local	—	—	—	—
Bridges on SRR – local	—	—	—	—
Bridges on URR – local	—	—	—	—
Bridges on regional roads	—	—	—	—
Parking areas	9,972	26,141	—	16,169
Footpaths	3,881	—	—	(3,881)
Aerodromes	—	—	—	—
Other transport and communication	13	1,417	—	1,404
<b>Total transport and communication</b>	<b>23,975</b>	<b>28,333</b>	<b>949</b>	<b>5,307</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	—	—	—	—
Other economic affairs	633	1,968	—	1,335
<b>Total economic affairs</b>	<b>633</b>	<b>1,968</b>	<b>—</b>	<b>1,335</b>
<b>Totals – functions</b>	<b>127,000</b>	<b>133,742</b>	<b>10,371</b>	<b>17,113</b>
<b>General purpose revenues <sup>(1)</sup></b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>127,000</b>	<b>133,742</b>	<b>10,371</b>	<b>17,113</b>

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

## Waverley Council

## Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	43,975	42,980
Plus or minus adjustments <sup>(2)</sup>	b	(66)	226
<b>Notional general income</b>	c = (a + b)	<b>43,909</b>	<b>43,206</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	h = d x (c – g)	—	—
Or plus rate peg amount	i = c x e	1,010	648
Or plus Crown land adjustment and rate peg amount	j = c x f	—	—
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>44,919</b>	<b>43,854</b>
Plus (or minus) last year's carry forward total	l	0	38
Less valuation objections claimed in the previous year	m	(83)	—
<b>Sub-total</b>	n = (l + m)	<b>(83)</b>	<b>38</b>
<b>Total permissible income</b>	o = k + n	<b>44,836</b>	<b>43,892</b>
Less notional general income yield	p	44,833	43,975
<b>Catch-up or (excess) result</b>	q = o – p	<b>3</b>	<b>(83)</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	—	83
Less unused catch-up <sup>(5)</sup>	s	—	—
<b>Carry forward to next year</b>	t = q + r – s	<b>3</b>	<b>0</b>

## Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 2 in the financial data return (FDR) to administer this process.



## **INDEPENDENT AUDITOR'S REPORT**

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

#### **Waverley Council**

To the Councillors of Waverley Council

### **Opinion**

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

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

### **Emphasis of Matter – Basis of Accounting**

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

## Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

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

My objectives are to:

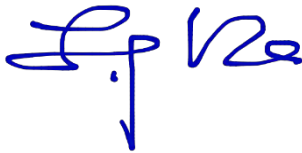
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does *not* provide assurance:

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



Weini Liao  
Director

30 October 2018  
SYDNEY

## Waverley Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings												
	Council Offices/ Administration Centres	–	–	674	812	12,587	24,425	0%	28%	69%	3%	0%
	Council Works Depot	–	–	763	743	9,241	10,885	99%	0%	1%	0%	0%
	Council Public Halls	682	682	210	133	23,716	66,326	26%	0%	70%	4%	0%
	Libraries	–	–	625	549	23,156	36,238	0%	100%	0%	0%	0%
	Cultural Facilities	–	–	1,522	1,338	13,771	21,086	82%	0%	17%	1%	0%
	Other Buildings	120	120	1,260	1,259	51,693	78,409	11%	64%	23%	2%	0%
	Specialised Buildings	500	500	302	544	5,096	6,790	82%	7%	11%	0%	0%
	<b>Sub-total</b>	<b>1,302</b>	<b>1,302</b>	<b>5,356</b>	<b>5,378</b>	<b>139,260</b>	<b>244,159</b>	<b>24.4%</b>	<b>38.4%</b>	<b>35.1%</b>	<b>2.1%</b>	<b>0.0%</b>
Other structures												
	Other structures	291	291	332	349	15,553	26,103	57%	22%	14%	6%	1%
	<b>Sub-total</b>	<b>291</b>	<b>291</b>	<b>332</b>	<b>349</b>	<b>15,553</b>	<b>26,103</b>	<b>57.0%</b>	<b>22.0%</b>	<b>14.0%</b>	<b>6.0%</b>	<b>1.0%</b>
Roads												
	Sealed roads	166	166	1,616	1,641	56,092	80,666	38%	53%	6%	2%	1%
	Footpaths	90	90	2,710	2,462	35,808	50,151	54%	32%	13%	1%	0%
	Other road assets	–	–	2,854	2,830	16,021	26,643	46%	43%	10%	1%	0%
	Sealed roads structure	–	–	–	–	68,619	144,601	0%	0%	99%	0%	1%
	Kerb and Gutter	829	829	22	62	66,464	96,649	50%	34%	13%	3%	0%
	<b>Sub-total</b>	<b>1,085</b>	<b>1,085</b>	<b>7,202</b>	<b>6,995</b>	<b>243,004</b>	<b>398,710</b>	<b>29.7%</b>	<b>25.9%</b>	<b>42.6%</b>	<b>1.3%</b>	<b>0.6%</b>

Waverley Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	115	115	77	86	17,137	24,633	22%	75%	3%	0%	0%
	Stormwater Conduits	–	–	339	378	72,873	111,952	12%	71%	17%	0%	0%
	<b>Sub-total</b>	<b>115</b>	<b>115</b>	<b>416</b>	<b>464</b>	<b>90,010</b>	<b>136,585</b>	<b>13.8%</b>	<b>71.7%</b>	<b>14.5%</b>	<b>0.0%</b>	<b>0.0%</b>
Open space/recreational assets	Swimming pools	3,008	3,008	7,112	6,057	65,554	103,118	36%	40%	21%	2%	1%
	<b>Sub-total</b>	<b>3,008</b>	<b>3,008</b>	<b>7,112</b>	<b>6,057</b>	<b>65,554</b>	<b>103,118</b>	<b>36.0%</b>	<b>40.0%</b>	<b>21.0%</b>	<b>2.0%</b>	<b>1.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>5,801</b>	<b>5,801</b>	<b>20,418</b>	<b>19,243</b>	<b>553,381</b>	<b>908,675</b>	<b>27.4%</b>	<b>37.6%</b>	<b>33.1%</b>	<b>1.5%</b>	<b>0.4%</b>

Notes:

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

Infrastructure asset condition assessment 'key'

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



## Waverley Council

## Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio <sup>(1)</sup>					
Asset renewals <sup>(2)</sup>	16,131	94.13%	77.08%	127.22%	>= 100%
Depreciation, amortisation and impairment	17,137				
2. Infrastructure backlog ratio <sup>(1)</sup>					
Estimated cost to bring assets to a satisfactory standard	5,801	1.05%	1.10%	1.39%	< 2.00%
Net carrying amount of infrastructure assets	553,381				
3. Asset maintenance ratio					
Actual asset maintenance	19,243	94.25%	98.24%	104.40%	> 100%
Required asset maintenance	20,418				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	5,801	0.64%	0.69%	0.87%	
Gross replacement cost	908,675				

## Notes

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

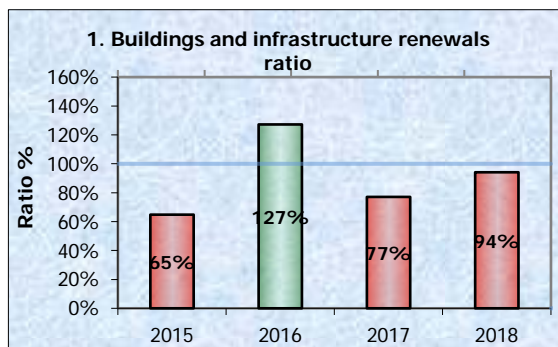
<sup>(1)</sup> Excludes Work In Progress (WIP)

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

## Waverley Council

# Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018



Benchmark: — Minimum  $\geq 100.00\%$

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

## Purpose of asset renewals ratio

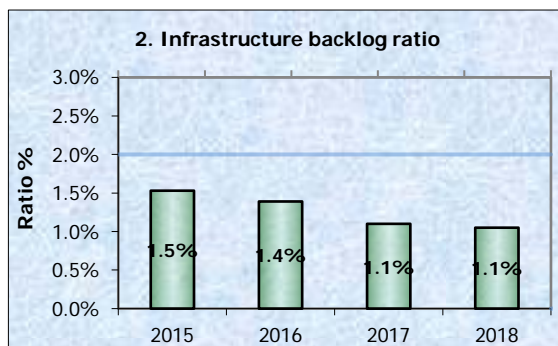
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

## Commentary on 2017/18 result

**2017/18 Ratio 94.13%**

Waverley Council's infrastructure asset upgrades and renewals are carried out as per its Strategic Asset Management Plan (SAMP) and ensure sufficient spending to bring up its assets to the community satisfactory level.

Ratio achieves benchmark  
Ratio is outside benchmark



Benchmark: — Maximum  $< 2.00\%$

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

## Purpose of infrastructure backlog ratio

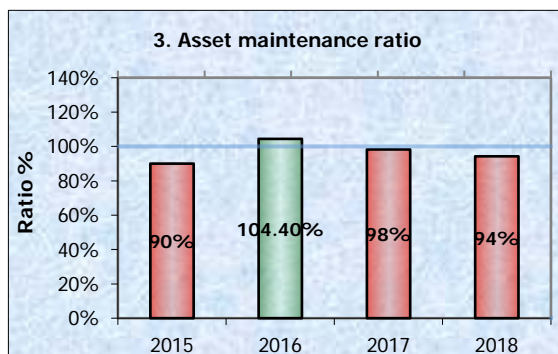
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

## Commentary on 2017/18 result

**2017/18 Ratio 1.05%**

This ratio shows that Waverley Council has a small proportion of infrastructure backlog and compares favourably with the industry benchmark of less than 2%.

Ratio achieves benchmark  
Ratio is outside benchmark



Benchmark: — Minimum  $> 100.00\%$

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

## Purpose of asset maintenance ratio

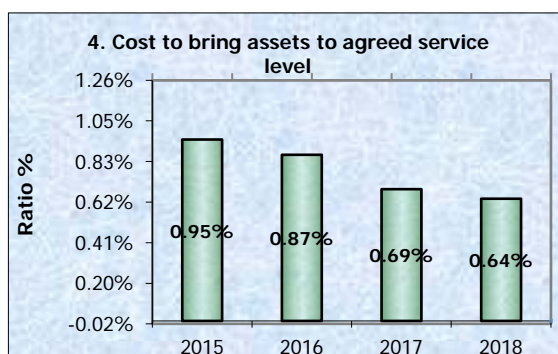
Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

## Commentary on 2017/18 result

**2017/18 Ratio 94.25%**

This ratio indicates Waverley Council's spending on asset maintenance is sufficient to stop the infrastructure backlog growing.

Ratio achieves benchmark  
Ratio is outside benchmark



## Purpose of agreed service level ratio

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

## Commentary on 2017/18 result

**2017/18 Ratio 0.64%**

This ratio shows that Waverley Council has a small proportion of outstanding infrastructure upgrade/renewal works as compared to the total value of its assets.





WAVERLEY  
COUNCIL

55 Spring St, Bondi Junction, NSW 2022  
PO Box 9 Bondi Junction NSW 1355

[info@waverley.nsw.gov.au](mailto:info@waverley.nsw.gov.au)  
[waverley.nsw.gov.au](http://waverley.nsw.gov.au)

Telephone enquiries

General business **9083 8000**

General fax **9387 1820**

TTY/voice calls for hearing/speech impaired **133 677**

After hours emergencies **9083 8000**