

# ANNUAL FINANCIAL STATEMENTS

For the financial year ending 30 June 2020

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

# Waverley Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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*Connecting the city and the sea.*

*A welcoming and cohesive community that celebrates and enhances our spectacular coastline, vibrant places, and rich cultural heritage.*



# General Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
<b>1. Understanding Council's Financial Statements</b>	<b>3</b>
<b>2. Statement by Councillors &amp; Management</b>	<b>4</b>
<b>3. Primary Financial Statements:</b>	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
<b>4. Notes to the Financial Statements</b>	<b>10</b>
<b>5. Independent Auditor's Reports:</b>	
On the Financial Statements (Sect 417 [2])	82
On the Financial Statements (Sect 417 [3])	85

## Overview

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

55 Spring Street  
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).

# General Purpose Financial Statements

for the year ended 30 June 2020

## Understanding Council's Financial Statements

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### Introduction

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

### What you will find in the Statements

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

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

### About the Councillor/Management Statement

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

### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

#### 1. The Income Statement

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

#### 2. The Statement of Comprehensive Income

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

#### 3. The Statement of Financial Position

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

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

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

#### 5. The Statement of Cash Flows

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

### About the Notes to the Financial Statements

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

### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

### Who uses the Financial Statements?

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

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

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

## Waverley Council

### General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 15 September 2020.



Paula Masselos  
Mayor  
15 September 2020

  
Elaine Keenan  
Deputy Mayor  
15 September 2020

Ross McLeod  
General Manager  
15 September 2020



Darren Smith  
Responsible Accounting Officer  
15 September 2020

## Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Income from continuing operations</b>				
63,194	Rates and annual charges	3a	63,403	61,429
37,124	User charges and fees	3b	32,450	37,278
11,692	Other revenues	3c	10,952	18,683
8,915	Grants and contributions provided for operating purposes	3d,3e	9,750	8,378
12,675	Grants and contributions provided for capital purposes	3d,3e	21,084	9,411
3,865	Interest and investment income	4	3,383	5,266
–	Fair value increment on investment properties	11	–	592
7,404	Rental income	13e	6,616	–
144,869	<b>Total income from continuing operations</b>		147,638	141,037
<b>Expenses from continuing operations</b>				
68,036	Employee benefits and on-costs	5a	70,122	63,857
89	Borrowing costs	5b	128	90
23,042	Materials and contracts	5c	22,495	21,666
21,282	Depreciation and amortisation	5d	20,678	20,363
22,857	Other expenses	5e	24,093	23,829
(471)	Net losses from the disposal of assets	6	7,806	3,732
–	Fair value decrement on investment properties	11	45,734	–
134,835	<b>Total expenses from continuing operations</b>		191,056	133,537
10,034	<b>Operating result from continuing operations</b>		(43,418)	7,500
10,034	<b>Net operating result for the year</b>		(43,418)	7,500
10,034	Net operating result attributable to council		(43,418)	7,500
(2,641)	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		(64,502)	(1,911)

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

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

## Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Net operating result for the year (as per Income Statement)</b>		<b>(43,418)</b>	<b>7,500</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	(21,908)	–
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>(21,908)</b>	<b>–</b>
<b>Total other comprehensive income for the year</b>		<b>(21,908)</b>	<b>–</b>
<b>Total comprehensive income for the year</b>		<b>(65,326)</b>	<b>7,500</b>
Total comprehensive income attributable to Council		(65,326)	7,500

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

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

## Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7(a)	36,225	14,141
Investments	7(b)	123,921	141,288
Receivables	8	10,126	7,464
Other	9	60	202
<b>Total current assets</b>		<u>170,332</u>	<u>163,095</u>
<b>Non-current assets</b>			
Investments	7(b)	12,500	24,000
Receivables	8	1,210	1,844
Infrastructure, property, plant and equipment	10(a)	925,932	936,082
Investment property	11	113,910	158,474
Right of use assets	13a	1,206	–
<b>Total non-current assets</b>		<u>1,054,758</u>	<u>1,120,400</u>
<b>Total assets</b>		<u>1,225,090</u>	<u>1,283,495</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	14	26,669	20,697
Income received in advance	14	618	996
Contract liabilities	12	997	–
Lease liabilities	13b	405	–
Borrowings	14	435	423
Provisions	15	16,417	15,322
<b>Total current liabilities</b>		<u>45,541</u>	<u>37,438</u>
<b>Non-current liabilities</b>			
Lease liabilities	13b	852	–
Borrowings	14	2,488	2,923
Provisions	15	1,125	724
<b>Total non-current liabilities</b>		<u>4,465</u>	<u>3,647</u>
<b>Total liabilities</b>		<u>50,006</u>	<u>41,085</u>
<b>Net assets</b>		<u>1,175,084</u>	<u>1,242,410</u>
<b>EQUITY</b>			
Accumulated surplus	16	665,600	711,018
Revaluation reserves	16	509,484	531,392
<b>Council equity interest</b>		<u>1,175,084</u>	<u>1,242,410</u>
<b>Total equity</b>		<u>1,175,084</u>	<u>1,242,410</u>

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

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

## Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
<b>Opening balance</b>		711,018	531,392	1,242,410	703,518	531,392	1,234,910
Changes due to AASB 1058 and AASB 15 adoption	16	(2,000)	–	(2,000)	–	–	–
Changes due to AASB 16 adoption	16	–	–	–	–	–	–
<b>Net operating result for the year</b>		(43,418)	–	(43,418)	7,500	–	7,500
<b>Restated net operating result for the period</b>		(43,418)	–	(43,418)	7,500	–	7,500
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	10(a)	–	(21,908)	(21,908)	–	–	–
<b>Other comprehensive income</b>		–	(21,908)	(21,908)	–	–	–
<b>Total comprehensive income</b>		(43,418)	(21,908)	(65,326)	7,500	–	7,500
<b>Equity – balance at end of the reporting period</b>		665,600	509,484	1,175,084	711,018	531,392	1,242,410

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

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

## Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
63,147	Rates and annual charges		62,403	61,620
38,157	User charges and fees		32,428	37,734
3,887	Investment and interest revenue received		4,886	4,619
21,607	Grants and contributions		27,297	17,513
–	Bonds, deposits and retention amounts received		3,818	163
18,033	Other		26,062	17,601
<b>Payments:</b>				
(63,688)	Employee benefits and on-costs		(68,129)	(63,430)
(28,685)	Materials and contracts		(21,817)	(24,038)
(101)	Borrowing costs		(123)	(101)
–	Bonds, deposits and retention amounts refunded		(3,815)	(51)
(21,699)	Other		(30,231)	(23,237)
<b>30,658</b>	<b>Net cash provided (or used in) operating activities</b>	17b	<b>32,779</b>	<b>28,393</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
11,290	Sale of investment securities		141,200	125,500
471	Sale of infrastructure, property, plant and equipment		469	992
<b>Payments:</b>				
–	Purchase of investment securities		(112,705)	(137,007)
–	Purchase of investment property		(1,170)	(1,560)
(41,831)	Purchase of infrastructure, property, plant and equipment		(37,703)	(19,978)
<b>(30,070)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(9,909)</b>	<b>(32,053)</b>
<b>Cash flows from financing activities</b>				
<b>Payments:</b>				
(423)	Repayment of borrowings and advances		(423)	(412)
–	Lease liabilities (principal repayments)		(363)	–
<b>(423)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(786)</b>	<b>(412)</b>
<b>165</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>22,084</b>	<b>(4,072)</b>
18,184	Plus: cash and cash equivalents – beginning of year	17a	14,141	18,213
<b>18,349</b>	<b>Cash and cash equivalents – end of the year</b>	17a	<b>36,225</b>	<b>14,141</b>
142,394	plus: Investments on hand – end of year	7(b)	136,421	165,288
<b>160,743</b>	<b>Total cash, cash equivalents and investments</b>		<b>172,646</b>	<b>179,429</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Contents of the Notes accompanying the General Purpose Financial Statements

Note	Details	Page
1	Basis of preparation	11
2(a)	Council functions/activities – financial information	14
2(b)	Council functions/activities – component descriptions	15
3	Revenue from continuing operations	17
4	Interest and investment income	24
5	Expenses from continuing operations	26
6	Gain or loss from disposal of assets	30
7(a)	Cash and cash equivalents	30
7(b)	Investments	31
7(c)	Restricted cash, cash equivalents and investments	33
8	Receivables	34
9	Inventories and other assets	36
10(a)	Infrastructure, property, plant and equipment	37
10(b)	Externally restricted infrastructure, property, plant and equipment	40
11	Investment properties	40
12	Contract assets and liabilities	41
13	Leases	42
14	Payables and borrowings	46
15	Provisions	48
16	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	51
17	Statement of cash flow information	56
18	Interests in other entities	57
19	Commitments	58
20	Contingencies	59
21	Financial risk management	62
22	Material budget variations	66
23	Fair Value Measurement	68
24	Related party disclosures	75
25	Events occurring after the reporting date	76
26	Statement of developer contributions	76
27(a)	Statement of performance measures – consolidated results	77
	<b>Additional Council disclosures (unaudited)</b>	
27(b)	Statement of performance measures – consolidated results (graphs)	78
28	Financial review	80
29	Council information and contact details	81

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 15 September 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

#### (a) Historical cost convention

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

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

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

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

- (i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note 8.

#### Monies and other assets received by Council

##### (a) The Consolidated Fund

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

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

- General purpose operations

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### (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 property 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 property subject to Council's control have been included in these reports.

The following Trust monies and properties are held by Council but 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.

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

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

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

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2020 reporting period.

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

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

##### **AASB 1059 Service Concession Arrangements: Grantors**

##### **AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of AASB 1059**

##### **AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059**

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

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

This standard has an effective date for the 30 June 2021 reporting period.

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

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2019:

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

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

#### **Key Event 2019-20**

##### **COVID-19**

The COVID-19 pandemic has had a material impact on Council's operations which is reflected in the financial statements.

In April 2020, Council endorsed a small Business Support Package that provided financial support to the business community. Additionally, a number of facilities, services and events were significantly affected during the period of pandemic restrictions which resulted in reduced revenues of approximately \$8.2 million compared to original budget; and approximately \$938,000 of COVID-19 related expenditure was incurred to protect staff and the community.

The financial difficulty experienced by many debtors led to a higher than normal level of outstanding collections for the financial year.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Functions or activities</b>										
Asset Management Services	20,038	15,534	63,617	28,948	(43,579)	(13,414)	10,121	4,537	281,970	321,188
Beach Services, Maintenance & Safety	295	438	7,677	6,304	(7,382)	(5,866)	2	2	254	278
Cemetery Services	856	1,489	986	1,551	(130)	(62)	–	47	53,864	49,849
Child Care Services	8,392	7,760	10,379	8,748	(1,987)	(988)	4,263	3,854	6,173	6,355
Community Services	568	552	2,450	1,898	(1,882)	(1,346)	204	228	156,413	161,027
Corporate Support Services	53,761	53,487	10,370	10,773	43,391	42,714	2,324	1,717	72,645	71,064
Cultural Services	597	727	4,824	4,307	(4,227)	(3,580)	–	–	–	–
Customer Services & Communication	1,396	19	–	1,016	1,396	(997)	–	–	–	–
Development, Building & Health Services	15,983	11,147	23,278	11,543	(7,295)	(396)	107	–	21,625	18,995
Emergency Management Services	46	42	253	243	(207)	(201)	–	–	942	986
Environmental Services	805	606	3,024	1,979	(2,219)	(1,373)	356	298	400	584
Governance, Integrated Planning & Community Engagement	4	3	2,403	4,317	(2,399)	(4,314)	–	–	–	–
Library Services	272	242	5,380	3,967	(5,108)	(3,725)	237	175	38,798	39,597
Parking Services	19,965	25,458	11,916	10,606	8,049	14,852	–	–	12,197	13,811
Parks Services & Maintenance	97	109	10,216	7,656	(10,119)	(7,547)	5	–	152,939	173,300
Place Management	693	586	874	641	(181)	(55)	–	–	19	–
Recreation Services	1,007	–	265	775	742	(775)	1,003	–	247	262
Regulatory Services	166	366	2,107	1,452	(1,941)	(1,086)	–	–	82	–
Social & Affordable Housing	999	1,009	2,123	1,843	(1,124)	(834)	–	–	47,891	50,494
Traffic & Transport Services	145	–	65	20	80	(20)	–	–	46,072	42,426
Urban Open Space Maintenance & Accessibility	420	626	7,314	4,472	(6,894)	(3,846)	–	–	316,003	318,469
Waste Services	21,133	20,837	21,535	20,478	(402)	359	–	–	16,556	14,810
<b>Total functions and activities</b>	<b>147,638</b>	<b>141,037</b>	<b>191,056</b>	<b>133,537</b>	<b>(43,418)</b>	<b>7,500</b>	<b>18,622</b>	<b>10,858</b>	<b>1,225,090</b>	<b>1,283,495</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

#### 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.

#### 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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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This is a growing service area covering all aspects of the aquatic, biological and air environments. Its subservices are specifically geared to meet the requirements of our Environmental Action Plan (EAP). EAP is a key element of Waverley's resourcing strategy for Waverley Community Strategic Plan.

#### **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.

#### **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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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.

## Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential	1058 (1)	33,634	32,297
Business	1058 (1)	12,120	11,889
Less: pensioner rebates (mandatory)	1058 (1)	(285)	(294)
Less: pensioner rebates (Council policy)	1058 (1)	(91)	(92)
<b>Rates levied to ratepayers</b>		<b>45,378</b>	<b>43,800</b>
Pensioner rate subsidies received	1058 (1)	160	163
<b>Total ordinary rates</b>		<b>45,538</b>	<b>43,963</b>
<b>Annual charges</b>			
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>			
Domestic waste management services	1058 (1)	17,884	17,486
Section 611 charges	1058 (1)	55	57
Less: pensioner rebates (mandatory)	1058 (1)	(168)	(172)
<b>Annual charges levied</b>		<b>17,771</b>	<b>17,371</b>
Pensioner subsidies received:			
– Domestic waste management	1058 (1)	94	95
<b>Total annual charges</b>		<b>17,865</b>	<b>17,466</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>63,403</b>	<b>61,429</b>

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

- 15 (1)** indicates income recognised under AASB 15 “at a point in time”,
- 15 (2)** indicates income recognised under AASB 15 “over time”,
- 1058 (1)** indicates income recognised under AASB 1058 “at a point in time”, while
- 1058 (2)** indicates income recognised under AASB 1058 “over time”.

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

**Accounting policy for rates and charges**

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are in substance a rates payment.

#### **2019 accounting policy**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	2020	2019
<b>(b) User charges and fees</b>			
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Waste management services (non-domestic)	15 (1)	3,076	3,127
<b>Total specific user charges</b>		<b>3,076</b>	<b>3,127</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Planning and building regulation	1058 (1)	2,494	2,763
Section 10.7 certificates (EP&A Act)	15 (1)	198	181
Section 603 certificates	15 (1)	124	101
Hoarding/crane permits	15 (2)	2,370	2,524
<b>Total fees and charges – statutory/regulatory</b>		<b>5,186</b>	<b>5,569</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Cemeteries	15 (1)	833	1,383
Child care	15 (1)	4,101	3,880
Leaseback fees – Council vehicles	15 (1)	146	139
Park rents	15 (2)	294	301
Restoration charges	15 (1)	500	406
Room/facility hires	15 (2)	655	834
Admission and service fees	15 (2)	297	401
Bus shelter fees	15 (2)	1,432	1,392
Car parking fees	15 (1)	4,323	5,331
Car parking meter income	15 (1)	8,108	10,759
Road opening permits	15 (1)	317	620
Temporary truck zone permit	15 (2)	1,640	1,795
Other	15 (1)	1,542	1,341
<b>Total fees and charges – other</b>		<b>24,188</b>	<b>28,582</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>32,450</b>	<b>37,278</b>

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

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

**Accounting policy for user charges and fees**

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

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

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

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

**2019 accounting policy**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	2020	2019
<b>(c) Other revenues</b>			
Rental income – investment property		–	2,673
Rental income – other council properties (2019 only)		–	4,661
Ex gratia rates	1058 (1)	24	23
Fines	1058 (1)	205	316
Fines – parking	1058 (1)	8,468	8,890
Legal fees recovery – rates and charges (extra charges)	1058 (1)	4	10
Legal fees recovery – other	1058 (1)	612	344
Insurance claims recoveries	1058 (1)	288	346
Recycling income (non-domestic)	15 (1)	103	135
Sale of abandoned vehicles	15 (1)	16	1
Sales – general	15 (1)	88	92
Other	15 (1)	1,144	1,192
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>10,952</u></b>	<b><u>18,683</u></b>

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

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

**Accounting policy for other revenue**

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

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

**2019 accounting policy:**

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

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

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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(d) Grants</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	1058 (1)	752	748	–	–
Financial assistance – local roads component	1058 (1)	251	213	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	1058 (1)	826	772	–	–
Financial assistance – local roads component	1058 (1)	237	225	–	–
<b>Total general purpose</b>		<b>2,066</b>	<b>1,958</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>					
Child care	1058 (1)	4,255	3,855	–	–
Community care	1058 (1)	383	364	–	–
Employment and training programs	1058 (1)	42	2	–	–
Environmental programs	1058 (1)	378	226	–	–
Library	1058 (1)	56	–	–	–
Library – per capita	1058 (1)	182	175	–	–
Recreation and culture - stronger community grant	1058 (2)	–	–	1,003	2,000
Street lighting	1058 (1)	193	189	–	–
Transport (roads to recovery)	1058 (1)	278	194	–	–
Transport (other roads and bridges funding)	1058 (2)	113	–	9,651	1,839
Other	1058 (1)	22	56	–	–
<b>Total specific purpose</b>		<b>5,902</b>	<b>5,061</b>	<b>10,654</b>	<b>3,839</b>
<b>Total grants</b>		<b>7,968</b>	<b>7,019</b>	<b>10,654</b>	<b>3,839</b>
<b>Grant revenue is attributable to:</b>					
– Commonwealth funding		6,231	6,410	500	–
– State funding		1,650	609	10,154	3,839
– Other funding		87	–	–	–
		<b>7,968</b>	<b>7,019</b>	<b>10,654</b>	<b>3,839</b>

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

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## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(e) Contributions</b>						
<b>Developer contributions: (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		1058 (1)	–	–	7,751	2,668
S 7.12 – fixed development consent levies		1058 (1)	–	–	2,679	2,904
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>10,430</b>	<b>5,572</b>
<b>Total developer contributions</b>	26		<b>–</b>	<b>–</b>	<b>10,430</b>	<b>5,572</b>
<b>Other contributions:</b>						
<b>Cash contributions</b>						
Community services		1058 (1)	624	582	–	–
Other councils – joint works/services		1058 (1)	824	681	–	–
Recreation and culture		1058 (1)	75	74	–	–
Roads and bridges		1058 (1)	259	17	–	–
Other		1058 (1)	–	5	–	–
<b>Total other contributions – cash</b>			<b>1,782</b>	<b>1,359</b>	<b>–</b>	<b>–</b>
<b>Total other contributions</b>			<b>1,782</b>	<b>1,359</b>	<b>–</b>	<b>–</b>
<b>Total contributions</b>			<b>1,782</b>	<b>1,359</b>	<b>10,430</b>	<b>5,572</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>			<b>9,750</b>	<b>8,378</b>	<b>21,084</b>	<b>9,411</b>

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

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

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

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

Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

**Grant income**

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

#### Capital grants

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

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

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

#### Contributions

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

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

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

#### Accounting policy prior to 1 July 2019

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(f) Unspent grants and contributions – external restrictions</b>		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	1,816	1,804
<b>Add:</b> operating grants recognised as income in the current period but not yet spent (2019 only)	252	2,204
<b>Less:</b> operating grants recognised in a previous reporting period now spent (2019 only)	(1,591)	(278)
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<b>477</b>	<b>3,730</b>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	2,000	86
<b>Less:</b> capital grants recognised in a previous reporting period now spent (2019 only)	(997)	–
<b>Less:</b> capital grants received in a previous reporting period recognised as a liability and transferred to internal restrictions.	(1,003)	–
<b>Unexpended and held as externally restricted assets (capital grants)</b>	<b>–</b>	<b>86</b>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	18,995	15,617
<b>Add:</b> contributions recognised as income in the current period but not yet spent	10,503	5,572
<b>Less:</b> contributions recognised in a previous reporting period now spent	(7,125)	(2,194)
<b>Unexpended and held as externally restricted assets (contributions)</b>	<b>22,373</b>	<b>18,995</b>

## Note 4. Interest and investment income

\$ '000	2020	2019
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	133	128
– Cash and investments	3,622	4,927
<b>Fair value adjustments</b>		
– Movements in investments at fair value through profit and loss	(372)	211
Finance income on the net investment in the lease	–	–
<b>Total Interest and investment income</b>	<b>3,383</b>	<b>5,266</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	133	128
General Council cash and investments	3,013	4,818

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 4. Interest and investment income (continued)

\$ '000	2020	2019
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	75	104
Domestic waste management operations	139	158
<b>Restricted investments/funds – internal:</b>		
Internally restricted assets	23	58
<b>Total interest and investment revenue</b>	<u>3,383</u>	<u>5,266</u>

**Accounting policy for interest and investment revenue**

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations

\$ '000	2020	2019
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	56,532	51,501
Employee leave entitlements (ELE)	5,152	5,117
Superannuation	5,856	5,458
Workers' compensation insurance	3,326	2,447
Fringe benefit tax (FBT)	185	157
Other	157	219
<b>Total employee costs</b>	<b>71,208</b>	<b>64,899</b>
Less: capitalised costs	(1,086)	(1,042)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>70,122</b>	<b>63,857</b>

Number of 'full-time equivalent' employees (FTE) at year end	612	605
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**Accounting policy for employee benefits and on-costs**

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

*Retirement benefit obligations*

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

*Superannuation plans*

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 17 for more information.

\$ '000	2020	2019
<b>(b) Borrowing costs</b>		
<b>(i) Interest bearing liability costs</b>		
Interest on leases	34	–
Interest on loans	94	90
<b>Total interest bearing liability costs</b>	<b>128</b>	<b>90</b>
<b>Total interest bearing liability costs expensed</b>	<b>128</b>	<b>90</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>128</b>	<b>90</b>

**Accounting policy for borrowing costs**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(c) Materials and contracts</b>		
Raw materials and consumables	6,509	6,842
Contractor and consultancy costs	8,049	5,852
Contractor and consultancy costs (temporary staff)	2,404	3,376
Auditors remuneration <sup>2</sup>	83	76
Infringement notice contract costs (SEINS)	1,192	1,233
<b>Legal expenses:</b>		
– Legal expenses: planning and development	1,191	1,021
– Legal expenses: other	1,520	909
Variable lease expense relating to usage (2020 only)	1,033	–
<b>Operating leases expense (2019 only):</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	–	1,778
Other (fuel and gas)	514	579
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>22,495</b>	<b>21,666</b>

**Accounting policy for materials and contracts**

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

**Operating leases (2019 only)**

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

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

Buildings	–	736
Computers	–	994
Motor vehicles	–	48
	<b>–</b>	<b>1,778</b>

**2. Auditor remuneration**

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

**Auditors of the Council - NSW Auditor-General:****(i) Audit and other assurance services**

Audit and review of financial statements	83	76
<b>Remuneration for audit and other assurance services</b>	<b>83</b>	<b>76</b>
<b>Total Auditor-General remuneration</b>	<b>83</b>	<b>76</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	2020	2019
<b>(d) Depreciation, amortisation and impairment of non-financial assets</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		2,098	2,308
Office equipment		351	354
<b>Infrastructure:</b>	10(a)		
– Buildings – non-specialised		3,015	3,007
– Buildings – specialised		3,882	3,803
– Other structures		782	740
– Roads		4,827	5,050
– Footpaths		1,470	1,457
– Stormwater drainage		1,186	1,162
– Other open space/recreational assets		2,299	2,209
<b>Right of use assets</b>	13	414	–
<b>Other assets:</b>			
– Library books		227	222
– Other		127	51
<b>Total depreciation and amortisation costs</b>		<b>20,678</b>	<b>20,363</b>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u></b>		<b>20,678</b>	<b>20,363</b>

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

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

Depreciation is capitalised where in-house assets have contributed to new assets.

**Impairment of non-financial assets**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(e) Other expenses</b>		
Abandonment of fines by office of state debt recovery	1,048	956
Training costs (other than salaries and wages)	339	293
Travel expenses	209	199
Advertising	437	407
Bank charges	770	870
Car park levy	138	136
Cleaning	1,749	1,630
Computer software charges	1,473	1,586
Contributions/levies to other levels of government	24	17
– Department of planning levy	330	495
– Emergency services levy (includes FRNSW, SES, and RFS levies)	114	98
– NSW fire brigade levy	1,611	1,494
Councillor expenses – mayoral fee	44	43
Councillor expenses – councillors' fees	243	237
Councillors' expenses (incl. mayor) – other (excluding fees above)	104	106
Donations, contributions and assistance to other organisations (Section 356)	870	765
Electricity and heating	603	727
Family day care subsidy	894	858
Insurance	1,282	1,601
Land tax – crown land	638	677
Office expenses (including computer expenses)	253	52
Postage	172	201
Printing and stationery	523	617
Street lighting	827	1,043
Subscriptions and publications	384	388
Telephone and communications	141	190
Valuation fees	108	102
Waste disposal charges	7,332	6,770
Water rates and charges	287	366
Strata Levy	332	–
Other	814	905
<b><u>TOTAL OTHER EXPENSES</u></b>	<b><u>24,093</u></b>	<b><u>23,829</u></b>

**Accounting policy for other expenses**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	2020	2019
<b>Plant and equipment</b>	10(a)		
Proceeds from disposal – plant and equipment		469	992
Less: carrying amount of plant and equipment assets sold/written off		(282)	(712)
<b>Net gain/(loss) on disposal</b>		<u>187</u>	<u>280</u>
<b>Infrastructure</b>	10(a)		
Less: carrying amount of infrastructure assets sold/written off		(7,993)	(4,012)
<b>Net gain/(loss) on disposal</b>		<u>(7,993)</u>	<u>(4,012)</u>
<b>Investments</b>	7(b)		
Proceeds from disposal/redemptions/maturities – investments		141,200	125,500
Less: carrying amount of investments sold/redeemed/matured		(141,200)	(125,500)
<b>Net gain/(loss) on disposal</b>		<u>–</u>	<u>–</u>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<u>(7,806)</u>	<u>(3,732)</u>

**Accounting policy for disposal of assets**

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

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

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

\$ '000	2020	2019
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	5,900	2,728
Cash-equivalent assets		
– Deposits at call	16,157	2,139
– Managed funds	14,168	9,274
<b>Total cash and cash equivalents</b>	<u>36,225</u>	<u>14,141</u>

**Accounting policy for cash and cash equivalents**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Investments</b>				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	33,421	–	38,288	–
b. 'Financial assets at amortised cost'	90,500	12,500	103,000	24,000
<b>Total Investments</b>	<b>123,921</b>	<b>12,500</b>	<b>141,288</b>	<b>24,000</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>160,146</b>	<b>12,500</b>	<b>155,429</b>	<b>24,000</b>
<b>Financial assets at fair value through the profit and loss</b>				
NCD's, FRN's	33,421	–	38,288	–
<b>Total</b>	<b>33,421</b>	<b>–</b>	<b>38,288</b>	<b>–</b>
<b>Financial assets at amortised cost</b>				
Long term deposits	90,500	12,500	103,000	24,000
<b>Total</b>	<b>90,500</b>	<b>12,500</b>	<b>103,000</b>	<b>24,000</b>

**Accounting policy for investments**

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

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

**Financial assets**

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

**Classification**

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

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

**Amortised cost**

Assets measured at amortised cost are financial assets where:

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 7(b). Investments (continued)

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#### **Fair value through other comprehensive income – equity instruments**

Council has a number of strategic investments in entities over which they do not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in Other Comprehensive Income Statement.

#### **Financial assets through profit or loss**

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs and NCDs in the Statement of Financial Position.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	160,146	12,500	155,429	24,000
<b>attributable to:</b>				
External restrictions	18,743	12,500	5,692	24,000
Internal restrictions	128,765	–	141,958	–
Unrestricted	12,638	–	7,779	–
	160,146	12,500	155,429	24,000

\$ '000	2020	2019
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## Details of restrictions

**External restrictions – other**

Developer contributions – general	22,373	18,995
Specific purpose unexpended grants (recognised as revenue) – general fund	477	3,816
Domestic waste management	8,393	6,881
<b>External restrictions – other</b>	<b>31,243</b>	<b>29,692</b>

**Total external restrictions**

	<b>31,243</b>	<b>29,692</b>
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**Internal restrictions**

Plant and vehicle replacement	4,148	4,044
SAMP Infrastructure	11,645	13,739
Employees leave entitlement	5,040	5,153
Carry over works	9,422	8,223
Deposits, retentions and bonds	13,162	12,771
Affordable housing	1,886	1,772
Cemeteries	872	1,564
Election	307	215
Centralised reserve	7,714	15,577
IT Information	2,613	2,703
Property Investment strategy	61,389	64,809
Looking good	53	53
Parking meters	2,571	4,179
Car Park Parking	1,540	549
Social housing	534	728
Unexpended loans	51	51
Other	5,818	5,828

**Total internal restrictions**

	<b>128,765</b>	<b>141,958</b>
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**TOTAL RESTRICTIONS**

	<b>160,008</b>	<b>171,650</b>
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## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Purpose</b>				
Rates and annual charges	2,300	670	932	539
Interest and extra charges	145	193	146	185
User charges and fees	1,763	–	2,027	–
Accrued revenues				
– Interest on investments	669	–	1,807	–
– Other income accruals	258	–	369	–
Government grants and subsidies	3,453	–	919	–
Net GST receivable	786	–	–	–
Parking fines	933	1,730	1,353	2,503
<b>Total</b>	<b>10,307</b>	<b>2,593</b>	<b>7,553</b>	<b>3,227</b>
<b>Less: provision of impairment</b>				
User charges and fees	(181)	–	(89)	–
Parking fines	–	(1,383)	–	(1,383)
<b>Total provision for impairment – receivables</b>	<b>(181)</b>	<b>(1,383)</b>	<b>(89)</b>	<b>(1,383)</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>10,126</u></b>	<b><u>1,210</u></b>	<b><u>7,464</u></b>	<b><u>1,844</u></b>
<b>Externally restricted receivables</b>				
Domestic waste management	1,193	281	971	253
<b>Total external restrictions</b>	<b>1,193</b>	<b>281</b>	<b>971</b>	<b>253</b>
<b>Unrestricted receivables</b>	<b>8,933</b>	<b>929</b>	<b>6,493</b>	<b>1,591</b>
<b>TOTAL NET RECEIVABLES</b>	<b>10,126</b>	<b>1,210</b>	<b>7,464</b>	<b>1,844</b>

\$ '000	2020	2019
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	1,472	1,525
– amounts already provided for and written off this year	(17)	(24)
– amounts provided for but recovered during the year	109	(29)
<b>Balance at the end of the year</b>	<b>1,564</b>	<b>1,472</b>

## Accounting policy for receivables

## Recognition and measurement

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

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

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

## Impairment

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables (continued)

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

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

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

#### **Accounting policy under AASB 139 – applicable for 2019 comparatives only**

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

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

Rates and annual charges outstanding are secured against the property.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Other assets</b>				
Prepayments	60	–	202	–
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>60</u></b>	<b><u>–</u></b>	<b><u>202</u></b>	<b><u>–</u></b>

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

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

\$ '000	as at 30/06/19			Asset movements during the reporting period							as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	9,538	–	9,538	17,763	–	(1,401)	–	(3,925)	–	–	21,976	–	21,976
Plant and equipment	21,917	(11,039)	10,878	–	992	(282)	(2,098)	–	–	–	21,535	(12,045)	9,490
Office equipment	10,878	(9,576)	1,302	–	135	–	(351)	–	–	–	11,014	(9,928)	1,086
<b>Land:</b>													
– Crown land	180,398	–	180,398	–	–	–	–	–	–	(24,197)	156,201	–	156,201
– Operational land	78,811	–	78,811	–	–	–	–	–	–	–	78,811	–	78,811
– Community land	95,029	–	95,029	–	–	–	–	–	–	6,113	101,142	–	101,142
<b>Infrastructure:</b>													
– Buildings – non-specialised	124,558	(44,092)	80,466	908	–	(162)	(3,015)	361	–	–	125,520	(46,962)	78,558
– Buildings – specialised	124,062	(67,331)	56,731	312	320	(144)	(3,882)	980	–	–	125,243	(70,926)	54,317
– Other structures	27,335	(11,121)	16,214	741	1,371	(1)	(782)	272	–	–	29,717	(11,902)	17,815
– Roads	351,119	(145,422)	205,697	3,151	4,808	(4,074)	(4,827)	341	(856)	17,974	430,657	(208,480)	222,177
– Footpaths	51,894	(15,430)	36,464	1,667	1,940	(724)	(1,470)	456	–	(4,656)	59,358	(25,681)	33,677
– Stormwater drainage	138,517	(47,535)	90,982	1,265	485	(581)	(1,186)	1,186	–	(17,142)	126,110	(51,102)	75,008
– Other open space/recreational assets	108,838	(39,545)	69,293	1,804	2,440	(869)	(2,299)	277	–	–	111,801	(41,155)	70,646
<b>Other assets:</b>													
– Library books	3,781	(2,566)	1,215	–	202	–	(227)	–	–	–	3,983	(2,793)	1,190
– Other	4,368	(1,304)	3,064	44	–	(37)	(127)	–	856	–	6,196	(2,358)	3,838
<b>Total Infrastructure, property, plant and equipment</b>	<b>1,331,043</b>	<b>(394,961)</b>	<b>936,082</b>	<b>27,655</b>	<b>12,693</b>	<b>(8,275)</b>	<b>(20,264)</b>	<b>(52)</b>	<b>–</b>	<b>(21,908)</b>	<b>1,409,264</b>	<b>(483,332)</b>	<b>925,932</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	as at 30/06/18			Asset movements during the reporting period						as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	18,228	–	18,228	6,864	–	(1,002)	–	(13,026)	(1,526)	9,538	–	9,538
Plant and equipment	19,634	(10,851)	8,783	–	5,191	(712)	(2,308)	–	(76)	21,917	(11,039)	10,878
Office equipment	10,646	(9,221)	1,425	71	147	–	(354)	13	–	10,878	(9,576)	1,302
<b>Land:</b>												
– Operational land	78,811	–	78,811	–	–	–	–	–	–	78,811	–	78,811
– Community land	95,029	–	95,029	–	–	–	–	–	–	95,029	–	95,029
– Crown land	180,398	–	180,398	–	–	–	–	–	–	180,398	–	180,398
<b>Infrastructure:</b>												
– Buildings – non-specialised	123,521	(40,940)	82,581	992	–	(54)	(3,007)	135	(181)	124,558	(44,092)	80,466
– Buildings – specialised	120,704	(64,025)	56,679	1,048	–	(55)	(3,803)	2,681	181	124,062	(67,331)	56,731
– Other structures	26,117	(10,564)	15,553	295	185	(92)	(740)	936	77	27,335	(11,121)	16,214
– Roads	348,545	(141,350)	207,195	2,685	137	(1,229)	(5,050)	1,959	–	351,119	(145,422)	205,697
– Footpaths	50,151	(14,342)	35,809	1,446	797	(938)	(1,457)	807	–	51,894	(15,430)	36,464
– Stormwater drainage	136,585	(46,575)	90,010	201	472	(322)	(1,162)	1,783	–	138,517	(47,535)	90,982
– Other open space/recreational assets	103,118	(37,564)	65,554	895	953	(314)	(2,209)	4,414	–	108,838	(39,545)	69,293
<b>Other assets:</b>												
– Library books	3,553	(2,344)	1,209	–	228	–	(222)	–	–	3,781	(2,566)	1,215
– Other	4,020	(1,253)	2,767	57	–	(7)	(51)	298	–	4,368	(1,304)	3,064
<b>Total Infrastructure, property, plant and equipment</b>	<b>1,319,060</b>	<b>(379,029)</b>	<b>940,031</b>	<b>14,554</b>	<b>8,110</b>	<b>(4,724)</b>	<b>(20,363)</b>	<b>–</b>	<b>(1,525)</b>	<b>1,331,043</b>	<b>(394,961)</b>	<b>936,082</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 10(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 comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred. When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land is not depreciated. 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 the Council will obtain ownership at the end of the lease term. 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>	Years	<b>Other equipment</b>	Years
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 100	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		

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

**Land under roads**

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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**

N/A

## Note 10(b). Externally restricted infrastructure, property, plant and equipment

\$ '000	as at 30/06/20			as at 30/06/19		
	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	13,399	6,710	6,689	13,665	6,485	7,180
<b>Total DWM</b>	<b>13,399</b>	<b>6,710</b>	<b>6,689</b>	<b>13,665</b>	<b>6,485</b>	<b>7,180</b>
<b><u>TOTAL RESTRICTED IPP&amp;E</u></b>	<b>13,399</b>	<b>6,710</b>	<b>6,689</b>	<b>13,665</b>	<b>6,485</b>	<b>7,180</b>

## Note 11. Investment properties

\$ '000	2020	2019
<b>Owned investment property</b>		
Investment property on hand at fair value	113,910	158,474
<b>Total owned investment property</b>	<b>113,910</b>	<b>158,474</b>

## (a) Reconciliation – owned investment property

**Reconciliation of annual movement:**

<b>Opening balance</b>	158,474	154,795
– Capitalised expenditure – this year	1,118	1,560
– Net gain/(loss) from fair value adjustments	(45,734)	592
– Transfers from/(to) owner occupied (Note 10)	52	1,527
<b>CLOSING BALANCE – OWNED INVESTMENT PROPERTY</b>	<b>113,910</b>	<b>158,474</b>

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

Refer to Note 19 for disclosures relating to any capital and service obligations that have been contracted.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 11. Investment properties (continued)

\$ '000	2020	2019
<b>(c) Leasing arrangements – Council as lessor (2019 only)</b>		
The investment properties are leased to tenants under long-term operating leases with rentals payable monthly.		
Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:		
Within 1 year	–	2,267
Later than 1 year but less than 5 years	–	2,848
<b>Total minimum lease payments receivable</b>	<b>–</b>	<b>5,115</b>
<b>(d) Investment property income and expenditure – summary (2019 only)</b>		
<b>Rental income from investment property:</b>		
– Minimum lease payments	–	2,673
– Other income	–	3,798
<b>Direct operating expenses on investment property:</b>		
– that generated rental income	–	(2,266)
– that did not generate rental income	–	(413)
<b>Net revenue contribution from investment property</b>	<b>–</b>	<b>3,792</b>
plus:		
<b>Fair value movement for year</b>	<b>–</b>	<b>592</b>
<b>Total income attributable to investment property</b>	<b>–</b>	<b>4,384</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 a separate line item.

Properties that are under construction for future use as investment properties 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.

## Note 12. Contract assets and liabilities

\$ '000	Notes	2020 Current	2020 Non-current
<b>Contract liabilities</b>			
<b>Grants and contributions received in advance:</b>			
Unexpended capital grants (to construct Council controlled assets)	(i)	997	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	–	–
<b>Total grants received in advance</b>		<b>997</b>	<b>–</b>
<b>Total contract liabilities</b>		<b>997</b>	<b>–</b>

**Notes**

(i) Council has received funding to construct assets including sporting facilities, bridges, library and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Contract assets and liabilities (continued)

Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

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

\$ '000	2020 Current	2020 Non-current
<b>(i) Contract liabilities relating to restricted assets</b>		
Total contract liabilities relating to unrestricted assets	997	–
Total contract liabilities	<b>997</b>	<b>–</b>

\$ '000	2020
<b>(ii) Revenue recognised (during the financial year) from opening contract liability balances</b>	
<b>Grants and contributions received in advance:</b>	
Capital grants (to construct Council controlled assets)	1,003
<b>Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period</b>	<b>1,003</b>

**Significant changes in contract assets and liabilities**

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due to grants in the scope of AASB 15 and capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

**Accounting policy for contract assets and liabilities**

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

## Note 13. Leases

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

**(i) Council as a lessee**

Council has leases over a range of assets including land and buildings for staff office and sub-depots. Information relating to the leases in place and associated balances and transactions is provided below.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Leases (continued)

**Terms and conditions of leases**

These leases have between 1 and 5 years.

\$ '000	Property, Plant & Equipment	Total
<b>(a) Right of use assets</b>		
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	1,620	1,620
Depreciation charge	(414)	(414)
<b><u>RIGHT OF USE ASSETS</u></b>	<b><u>1,206</u></b>	<b><u>1,206</u></b>

\$ '000	2020 Current	2020 Non-current
<b>(b) Lease liabilities</b>		
Lease liabilities	405	852
<b><u>TOTAL LEASE LIABILITIES</u></b>	<b><u>405</u></b>	<b><u>852</u></b>

**(i) The maturity analysis**

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	363	1,341	–	1,704	1,257

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

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

Interest on lease liabilities	34
Variable lease payments based on usage not included in the measurement of lease liabilities	1,033
Depreciation of right of use assets	414
	<b><u>1,481</u></b>

**(d) Statement of Cash Flows**

Total cash outflow for leases	(363)
	<b><u>(363)</u></b>

**Accounting policy**

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Leases (continued)

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

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

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

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

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

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

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

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

**Exceptions to lease accounting**

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

**Leases at significantly below market value / concessionary leases**

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

## (ii) Council as a lessor

## (e) Operating leases

Council leases out a number of properties; these leases have been classified as operating leases for financial reporting purposes.

\$ '000	2020
<b>(i) Operating lease income</b>	
<b>Investment properties</b>	
Lease income	2,631
<b>Other lease income</b>	
Other	3,985
<b>Total income relating to operating leases</b>	<b>6,616</b>
<b>(ii) Operating lease expenses</b>	
<b>Investment properties</b>	
Direct operating expenses that generated rental income	(2,292)
Direct operating expenses that did not generate rental income	(509)
<b>Total expenses relating to operating leases</b>	<b>(2,801)</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Leases (continued)

\$ '000	2020
<b>(iv) Maturity analysis of contractual lease income</b>	
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:	
< 1 year	3,645
1–2 years	3,409
2–3 years	1,728
3–4 years	709
4–5 years	540
> 5 years	5,821
<b>Total undiscounted contractual lease income receivable</b>	<b>15,852</b>

**Accounting policy**

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

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

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

The lease income is recognised on a straight-line basis over the lease term.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	4,219	–	3,541	–
Goods and services – capital expenditure	5,281	–	2,687	–
Accrued expenses:				
– Borrowings	19	–	14	–
– Salaries and wages	1,649	–	1,152	–
– Other expenditure accruals	1,680	–	369	–
Security bonds, deposits and retentions	1,317	–	1,314	–
ATO – net GST payable	–	–	4	–
Builders deposits	11,846	–	11,457	–
Other	159	–	159	–
Prepaid rates	499	–	–	–
<b>Total payables</b>	<b>26,669</b>	<b>–</b>	<b>20,697</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	618	–	996	–
<b>Total income received in advance</b>	<b>618</b>	<b>–</b>	<b>996</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	435	2,488	423	2,923
<b>Total borrowings</b>	<b>435</b>	<b>2,488</b>	<b>423</b>	<b>2,923</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>27,722</u></b>	<b><u>2,488</u></b>	<b><u>22,116</u></b>	<b><u>2,923</u></b>

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

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Domestic waste management	51	–	391	–
Payables and borrowings relating to externally restricted assets	51	–	391	–
<b>Total payables and borrowings relating to restricted assets</b>	<b>51</b>	<b>–</b>	<b>391</b>	<b>–</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>27,671</b>	<b>2,488</b>	<b>21,725</b>	<b>2,923</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>27,722</u></b>	<b><u>2,488</u></b>	<b><u>22,116</u></b>	<b><u>2,923</u></b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Payables and borrowings (continued)

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

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

Payables – security bonds, deposits and retentions	11,846	11,005
<b>Total payables and borrowings</b>	<b>11,846</b>	<b>11,005</b>

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

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	3,346	(423)	–	–	–	–	2,923
Lease liabilities	1,620	(363)	–	–	–	–	1,257
<b>TOTAL</b>	<b>4,966</b>	<b>(786)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,180</b>

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	3,758	(412)	–	–	–	3,346
Lease liabilities	–	1,620	–	–	–	1,620
<b>TOTAL</b>	<b>3,758</b>	<b>1,208</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,966</b>

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

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

**Undrawn facilities as at balance date:**

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

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

**Accounting policy for payables and borrowings**

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

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

**Payables**

These amounts represent liabilities for goods and services provided to the council prior to the end of financial year that are

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Payables and borrowings (continued)

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 drawdown occurs. To the extent that 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.

## Note 15. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	6,223	–	5,451	–
Sick leave	1,677	–	1,669	–
Long service leave	7,929	1,125	7,509	724
Gratuities	401	–	485	–
Time off in lieu	187	–	208	–
<b>Sub-total – aggregate employee benefits</b>	<b>16,417</b>	<b>1,125</b>	<b>15,322</b>	<b>724</b>
<b>TOTAL PROVISIONS</b>	<b>16,417</b>	<b>1,125</b>	<b>15,322</b>	<b>724</b>
<b>(a) Provisions relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Domestic waste management	1,535	312	1,263	256
Provisions relating to externally restricted assets	1,535	312	1,263	256
<b>Total provisions relating to restricted assets</b>	<b>1,535</b>	<b>312</b>	<b>1,263</b>	<b>256</b>
<b>Total provisions relating to unrestricted assets</b>	<b>14,882</b>	<b>813</b>	<b>14,059</b>	<b>468</b>
<b>TOTAL PROVISIONS</b>	<b>16,417</b>	<b>1,125</b>	<b>15,322</b>	<b>724</b>
\$ '000			2020	2019

**(b) Current provisions not anticipated to be settled within the next twelve months**

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 15. Provisions (continued)

\$ '000	2020	2019
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	11,284	10,730
	11,284	10,730

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 15. Provisions (continued)

## (c) Description of and movements in provisions

\$ '000	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	Other employee benefits	
<b>2020</b>					
At beginning of year	5,451	1,669	8,233	693	16,046
Additional provisions	3,620	8	1,484	40	5,152
Amounts used (payments)	(2,848)	–	(663)	(145)	(3,656)
Total ELE provisions at end of year	6,223	1,677	9,054	588	17,542
<b>2019</b>					
At beginning of year	5,215	1,571	7,638	645	15,069
Additional provisions	3,323	98	1,520	176	5,117
Amounts used (payments)	(3,087)	–	(924)	(128)	(4,139)
Other	–	–	(1)	–	(1)
Total ELE provisions at end of year	5,451	1,669	8,233	693	16,046

**Accounting policy for provisions**

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

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

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

**Employee benefits****Short-term obligations**

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

**Other long-term employee benefit obligations**

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

**On-costs**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 15. Provisions (continued)

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

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#### (a) Nature and purpose of reserves

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

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

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

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

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

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

#### (i) AASB 15 and AASB 1058

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

- Council has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

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

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

#### **Licences**

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

#### **Prepaid rates**

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

#### **Grants – operating**

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

#### **Grants – capital**

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where Council has

## Notes to the Financial Statements

for the year ended 30 June 2020

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

received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by Council and the contract is enforceable, then the asset is recognised as a contract liability on receipt and recorded as revenue as the performance obligation to acquire or construct the asset is completed.

**Changes in presentation**

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

Council had capital grants from the Stronger Community Grant Program for several asset upgrade works that required to be adjusted due to the adoption of the new accounting standards.

- Grants of \$2,000,000 were received in FY2018/19, with requirements that the described asset upgrade works be completed, the works were still ongoing, therefore requiring the funds to be adjusted between Equity and Contract Liabilities.
- Throughout the year \$1,003,252 worth of the grant was taken up to income as the funds were applied to works incurred.
- This left a balance of \$996,748 in the liability account as at 30 June 2020 and will be taken up when the remaining works are completed.

\$ '000	<b>Balance at 1 July 2019</b>
<b>Opening contract balances at 1 July 2019</b>	
<b>Contract liabilities</b>	
– Under AASB 1058	2,000
<b>Total Contract liabilities</b>	<u>2,000</u>

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

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

**Statement of Financial Position**

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
<b>Current assets</b>					
Cash and cash equivalents	36,225	–	–	36,225	
Investments	123,921	–	–	123,921	
Receivables	10,126	–	–	10,126	
Other	60	–	–	60	
<b>Total current assets</b>	<u>170,332</u>	<u>–</u>	<u>–</u>	<u>170,332</u>	
<b>Current liabilities</b>					
Payables	26,669	–	–	26,669	
Income received in advance	618	–	–	618	
Contract liabilities	997	–	(997)	–	
Lease liabilities	405	–	–	405	
Borrowings	435	–	–	435	

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Provisions	16,417	–	–	16,417	
<b>Total current liabilities</b>	<b>45,541</b>	<b>–</b>	<b>(997)</b>	<b>44,544</b>	
<b>Non-current assets</b>					
Investments	12,500	–	–	12,500	
Receivables	1,210	–	–	1,210	
Infrastructure, property, plant and equipment	925,932	–	–	925,932	
Investment property	113,910	–	–	113,910	
Right of use assets	1,206	–	–	1,206	
<b>Total non-current assets</b>	<b>1,054,758</b>	<b>–</b>	<b>–</b>	<b>1,054,758</b>	
<b>Non-current liabilities</b>					
Lease liabilities	852	–	–	852	
Borrowings	2,488	–	–	2,488	
Provisions	1,125	–	–	1,125	
<b>Total Non-current liabilities</b>	<b>4,465</b>	<b>–</b>	<b>–</b>	<b>4,465</b>	
<b>Net assets</b>	<b>1,175,084</b>	<b>–</b>	<b>997</b>	<b>1,176,081</b>	
<b>Equity</b>					
Accumulated surplus	665,600	–	997	666,597	
Revaluation reserves	509,484	–	–	509,484	
<b>Council equity interest</b>	<b>1,175,084</b>	<b>–</b>	<b>997</b>	<b>1,176,081</b>	
<b>Total equity</b>	<b>1,175,084</b>	<b>–</b>	<b>997</b>	<b>1,176,081</b>	

## Income Statement

\$ '000	Income Statement and comprehen- sive income under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Income Statement and comprehen- sive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	63,403	–	–	63,403	
User charges and fees	32,450	–	–	32,450	
Other revenues	10,952	–	–	10,952	
Grants and contributions provided for operating purposes	9,750	–	–	9,750	
Grants and contributions provided for capital purposes	21,084	–	1,003	22,087	
Interest and investment income	3,383	–	–	3,383	
Rental income	6,616	–	–	6,616	

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<b>Total Income from continuing operations</b>	147,638	–	1,003	148,641	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	70,122	–	–	70,122	
Borrowing costs	128	–	–	128	
Materials and contracts	22,495	–	–	22,495	
Depreciation and amortisation	20,678	–	–	20,678	
Other expenses	24,093	–	–	24,093	
Net losses from the disposal of assets	7,806	–	–	7,806	
Fair value decrement on investment properties	45,734	–	–	45,734	
<b>Total Expenses from continuing operations</b>	191,056	–	–	191,056	
<b>Total Operating result from continuing operations</b>	(43,418)	–	1,003	(42,415)	
Net operating result for the year	(43,418)	–	1,003	(42,415)	
<b>Total comprehensive income</b>	(65,326)	–	1,003	(64,323)	

## Adjustments to the current year figures for the year ended 30 June 2020

## Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
<b>Total assets</b>	1,283,495	–	1,283,495
Contract liabilities	–	2,000	2,000
<b>Total liabilities</b>	41,085	2,000	43,085
Accumulated surplus	711,018	(2,000)	709,018
<b>Total equity</b>	1,242,410	(2,000)	1,240,410

## (ii) AASB 16 Leases

## Council as a lessee

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Practical expedients used on transition

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

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

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

Council has recognised right-of-use assets and lease liabilities of \$1,620k at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 2.38%.

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

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

<b>Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019</b>	1,620
<b>Lease liabilities recognised at 1 July 2019</b>	<u>1,620</u>

**Council as a lessor**

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

**Adjustments to the current year figures for the year ended 30 June 2020****Statement of Financial Position**

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	–	1,620	1,620
<b>Total assets</b>	<u>1,283,495</u>	<u>1,620</u>	<u>1,285,115</u>
Leases	–	1,620	1,620
<b>Total liabilities</b>	<u>41,085</u>	<u>1,620</u>	<u>42,705</u>
Accumulated surplus	711,018	–	711,018

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
<b>Total equity</b>	<b>1,242,410</b>	<b>–</b>	<b>1,242,410</b>

## Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019
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## (a) Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	7(a)	36,225	14,141
<b>Balance as per the Statement of Cash Flows</b>		<b>36,225</b>	<b>14,141</b>

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

<b>Net operating result from Income Statement</b>		(43,418)	7,500
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		20,678	20,363
Net losses/(gains) on disposal of assets		7,806	3,732
Adoption of AASB 15/1058		(2,000)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		372	(211)
– Investment property		45,734	(592)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(2,120)	(671)
Increase/(decrease) in provision for impairment of receivables		92	(53)
Decrease/(increase) in other current assets		142	615
Increase/(decrease) in payables		678	(369)
Increase/(decrease) in accrued interest payable		5	(11)
Increase/(decrease) in other accrued expenses payable		1,808	(3,256)
Increase/(decrease) in other liabilities		509	369
Increase/(decrease) in contract liabilities		997	–
Increase/(decrease) in provision for employee benefits		1,496	977
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>32,779</b>	<b>28,393</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 18. Interests in other entities

## Joint arrangements

## (i) Joint operations

	Principal activity
<b>(a) Council is involved in the following joint operations (JO's)</b>	
<b>Name of joint operation:</b>	
Bourke Road Integrated Facility	Council main depot operation

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

\$ '000	2020	2019
<b>Council's own assets employed in the operations</b>		
<b>Current assets:</b>		
Receivables	148	130
<b>Non-current assets</b>		
Property, plant and equipment	18,025	18,256
<b>Total assets – Council owned</b>	<b>18,173</b>	<b>18,386</b>
<b>Total net assets employed – Council and jointly owned</b>	<b>18,173</b>	<b>18,386</b>

**Accounting policy for joint arrangements**

The council has determined that it has only joint operations.

**Joint operations:**

In relation to its joint operations, where the Council 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Commitments

\$ '000	2020	2019
<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	4,962	2,647
Plant and equipment	153	187
Infrastructure	27,673	32,104
<b>Total commitments</b>	<b>32,788</b>	<b>34,938</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	26,580	20,791
Later than one year and not later than 5 years	6,208	14,147
<b>Total payable</b>	<b>32,788</b>	<b>34,938</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	699	2,391
Future grants and contributions	15,793	18,035
Section 7.11 and 64 funds/reserves	4,467	6,281
Unexpended grants	477	85
Externally restricted reserves	207	813
Internally restricted reserves	11,145	7,333
<b>Total sources of funding</b>	<b>32,788</b>	<b>34,938</b>

**(b) Non-cancellable operating lease commitments (2019 only)****a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	–	53
Later than one year and not later than 5 years	–	64
<b>Total non-cancellable operating lease commitments</b>	<b>–</b>	<b>117</b>

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

Refer to Note 12 for information relating to leases for 2020.  
IT equipment - \$117k

Contingent rentals may be payable depending on the condition of items or usage during the lease term, average 4 years.

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Contingencies

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

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

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

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

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

*Description of the funding arrangements.*

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

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

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

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Contingencies (continued)

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$803,097.56. The last valuation of the Scheme was performed by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2019, and covers the period ended 30 June 2020.

The amount of additional contributions included in the total employer contribution advised above is \$803,097.56. Council's expected contribution to the plan for the next annual reporting period is \$777,295.64.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$803,097.56 as at 30 June 2020.

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

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

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

\* Plus promotional increases

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

**(ii) Statewide Limited**

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

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

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

**(iii) StateCover Limited**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20. Contingencies (continued)

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#### (iv) Other guarantees

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

#### 2. Other liabilities

##### (i) Third party claims

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

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

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

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

#### 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Financial risk management

## Risk management

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

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

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

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

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	36,225	14,141	36,225	14,141
Receivables	11,336	9,308	11,336	9,308
Investments				
– 'Financial assets at amortised cost'	103,000	127,000	103,000	127,000
<b>Fair value through profit and loss</b>				
Investments				
– 'Held for trading'	33,421	38,288	33,421	38,288
<b>Total financial assets</b>	<b>183,982</b>	<b>188,737</b>	<b>183,982</b>	<b>188,737</b>
<b>Financial liabilities</b>				
Payables	26,669	20,697	26,669	20,697
Loans/advances	2,923	3,346	2,923	3,346
Lease liabilities	1,257	–	1,257	–
<b>Total financial liabilities</b>	<b>30,849</b>	<b>24,043</b>	<b>30,849</b>	<b>24,043</b>

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Financial risk management (continued)

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

Council manages these risks (amongst other measures) by diversifying its portfolio and 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 impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2020</b>				
Possible impact of a 10% movement in market values	3,342	3,342	(3,342)	(3,342)
Possible impact of a 1% movement in interest rates	1,726	1,726	(1,726)	(1,726)
<b>2019</b>				
Possible impact of a 10% movement in market values	3,829	3,829	(3,829)	(3,829)
Possible impact of a 1% movement in interest rates	1,794	1,794	(1,794)	(1,794)

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Financial risk management (continued)

## (b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

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

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

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

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

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

## Credit risk profile

## Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2020</b>						
Gross carrying amount	–	2,970	–	–	–	2,970
<b>2019</b>						
Gross carrying amount	–	1,471	–	–	–	1,471

## Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2020</b>						
Gross carrying amount	5,481	1,002	153	170	3,124	9,930
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	50.06%	15.75%
<b>ECL provision</b>	–	–	–	–	1,564	1,564
<b>2019</b>						
Gross carrying amount	4,331	390	349	80	4,159	9,309
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	35.40%	15.82%
<b>ECL provision</b>	–	–	–	–	1,472	1,472

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Financial risk management (continued)

## (c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
<b>2020</b>							
Trade/other payables	0.00%	13,162	13,008	–	–	26,170	26,170
Loans and advances	2.68%	–	435	2,364	124	2,923	2,923
<b>Total financial liabilities</b>		<b>13,162</b>	<b>13,443</b>	<b>2,364</b>	<b>124</b>	<b>29,093</b>	<b>29,093</b>
<b>2019</b>							
Trade/other payables	0.00%	12,771	7,926	–	–	20,697	20,697
Loans and advances	2.68%	–	423	2,300	623	3,346	3,346
<b>Total financial liabilities</b>		<b>12,771</b>	<b>8,349</b>	<b>2,300</b>	<b>623</b>	<b>24,043</b>	<b>24,043</b>

## Loan agreement breaches

Detail here any breaches to loan agreements which have occurred during the reporting year.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 18/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----		
<b>REVENUES</b>					
Rates and annual charges	63,194	63,403	209	0%	<b>F</b>
User charges and fees	37,124	32,450	(4,674)	(13)%	<b>U</b>
The lower User charges and fees were due to Council's support package provided to the Community from the impact of COVID-19 restrictions.					
Other revenues	11,692	10,952	(740)	(6)%	<b>U</b>
Operating grants and contributions	8,915	9,750	835	9%	<b>F</b>
Capital grants and contributions	12,675	21,084	8,409	66%	<b>F</b>
Grants received for capital projects were higher than originally anticipated.					
Interest and investment revenue	3,865	3,383	(482)	(12)%	<b>U</b>
Interest earned from cash investments has achieved lower than original anticipated largely attributed to financial market condition.					
Fair value increment on investment property	-	-	-	∞	<b>F</b>
Rental income	7,404	6,616	(788)	(11)%	<b>U</b>
<b>EXPENSES</b>					
Employee benefits and on-costs	68,036	70,122	(2,086)	(3)%	<b>U</b>
Borrowing costs	89	128	(39)	(44)%	<b>U</b>
The higher borrowing costs were due to AASB16 implementation to recognise lease liability - interest on leases accounting recording.					
Materials and contracts	23,042	22,495	547	2%	<b>F</b>
Depreciation and amortisation	21,282	20,678	604	3%	<b>F</b>
Other expenses	22,857	24,093	(1,236)	(5)%	<b>U</b>
Net losses from disposal of assets	(471)	7,806	(8,277)	1,757%	<b>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.					
Fair value decrement on investment property	-	45,734	(45,734)	∞	<b>U</b>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----
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Fair valuation was not in budget.

**STATEMENT OF CASH FLOWS**

<b>Cash flows from operating activities</b>	<b>30,658</b>	<b>32,779</b>	<b>2,121</b>	<b>7%</b>	<b>F</b>
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<b>Cash flows from investing activities</b>	<b>(30,070)</b>	<b>(9,909)</b>	<b>20,161</b>	<b>(67)%</b>	<b>F</b>
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The actual cash outflows from investing activities is lower than the original budget largely due to Sale of investment securities.

<b>Cash flows from financing activities</b>	<b>(423)</b>	<b>(786)</b>	<b>(363)</b>	<b>86%</b>	<b>U</b>
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The higher cash outflows were due to AASB16 implementation to recognise lease liability.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Fair Value Measurement

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

	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>2020</b>					
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– 'Held for trading'	30/06/20	–	33,421	–	33,421
<b>Investment property</b>					
Investment properties	30/06/20	–	113,910	–	113,910
<b>Total investment property</b>		<b>–</b>	<b>113,910</b>	<b>–</b>	<b>113,910</b>
<b>Infrastructure, property, plant and equipment</b>					
Buildings – non-specialised	30/06/17	–	–	78,558	78,558
Buildings special	30/06/17	–	–	54,317	54,317
Community land	30/06/17	–	–	101,142	101,142
Crown Land	30/06/17	–	–	156,201	156,201
Operational land	30/06/17	–	–	78,811	78,811
Footpaths	30/06/20	–	–	33,677	33,677
Roads	30/06/20	–	–	222,177	222,177
Stormwater drainage	30/06/20	–	–	75,008	75,008
Office equipment and furniture	30/06/17	–	–	1,086	1,086
Plant and equipment	30/06/17	–	–	9,490	9,490
Open space and recreation	30/06/17	–	–	70,646	70,646
Library books and resources	30/06/17	–	–	1,190	1,190
Other structures	30/06/17	–	–	17,815	17,815
Other assets	30/06/17	–	–	3,838	3,838
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>903,956</b>	<b>903,956</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Fair Value Measurement (continued)

2019	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– ‘Held for trading’	30/06/19	–	38,288	–	38,288
<b>Investment property</b>					
Investment properties	30/06/19	–	–	158,474	158,474
<b>Total investment property</b>		<b>–</b>	<b>–</b>	<b>158,474</b>	<b>158,474</b>
<b>Infrastructure, property, plant and equipment</b>					
Buildings – non-specialised	30/06/17	–	–	80,466	80,466
Buildings special	30/06/17	–	–	56,731	56,731
Community land	30/06/17	–	–	95,029	95,029
Crown Land	30/06/17	–	–	180,398	180,398
Operational land	30/06/17	–	–	78,811	78,811
Footpaths	30/06/15	–	–	36,464	36,464
Roads	30/06/15	–	–	205,697	205,697
Stormwater drainage	30/06/15	–	–	90,982	90,982
Office equipment and furniture	30/06/17	–	–	1,302	1,302
Plant and equipment	30/06/17	–	–	10,878	10,878
Open space and recreation	30/06/17	–	–	69,293	69,293
Library books and resources	30/06/17	–	–	1,215	1,215
Other structures	30/06/17	–	–	16,214	16,214
Other assets	30/06/17	–	–	3,064	3,064
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>926,544</b>	<b>926,544</b>

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

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

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

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

**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 property**

The valuation of Council’s investment properties was undertaken at June 2020 by APV Valuers & Asset Management,

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:

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

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- 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 in the past. There has been a change to the valuation process by using Market approach with Level 2 valuation inputs as described above during the reporting period.

#### Infrastructure, property, plant and equipment (IPP&E)

##### 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.

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 and Crown 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)

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

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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 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.

#### 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.

#### 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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

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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 these 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 these 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Fair Value Measurement (continued)

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

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

\$ '000	Investment properties	Buildings	Land	Plant & equipment	Infrastructure
<b>2019</b>					
<b>Opening balance</b>	154,795	139,260	354,238	10,208	414,121
Purchases (GBV)	3,087	4,856	–	5,423	17,966
Disposals (WDV)	–	(109)	–	(712)	(2,896)
Depreciation and impairment	–	(6,810)	–	(2,739)	(10,540)
FV gains – other comprehensive income	592	–	–	–	–
<b>Closing balance</b>	<b>158,474</b>	<b>137,197</b>	<b>354,238</b>	<b>12,180</b>	<b>418,651</b>
<b>2020</b>					
<b>Opening balance</b>	158,474	137,197	354,238	12,180	418,651
Transfers from/(to) level 2 FV hierarchy	(158,474)	–	–	–	–
Transfers from/(to) another asset class	–	–	–	–	(856)
Purchases (GBV)	–	2,880	–	1,127	22,204
Disposals (WDV)	–	(305)	–	(282)	(6,249)
Depreciation and impairment	–	(6,897)	–	(2,449)	(10,564)
FV gains – other comprehensive income	–	–	(18,084)	–	(3,823)
<b>Closing balance</b>	<b>–</b>	<b>132,875</b>	<b>336,154</b>	<b>10,576</b>	<b>419,363</b>

\$ '000	Other assets	Total
<b>2019</b>		
<b>Opening balance</b>	3,976	<b>1,076,598</b>
Purchases (GBV)	584	<b>31,916</b>
Disposals (WDV)	(7)	<b>(3,724)</b>
Depreciation and impairment	(274)	<b>(20,363)</b>
FV gains – other comprehensive income	–	<b>592</b>
<b>Closing balance</b>	<b>4,279</b>	<b>1,085,019</b>
<b>2020</b>		
<b>Opening balance</b>	4,279	<b>1,085,019</b>
Transfers from/(to) level 2 FV hierarchy	–	<b>(158,474)</b>
Transfers from/(to) another asset class	856	–
Purchases (GBV)	246	<b>26,457</b>
Disposals (WDV)	(37)	<b>(6,873)</b>
Depreciation and impairment	(316)	<b>(20,226)</b>
FV gains – other comprehensive income	–	<b>(21,907)</b>
<b>Closing balance</b>	<b>5,028</b>	<b>903,996</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Fair Value Measurement (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.

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>			
Buildings	132,875	Non-Specialised Buildings: Market Value Specialised Buildings: Depreciated replacement cost	* Gross replacement cost * Asset Condition * Remaining useful life
Community Land and Crown Land	257,343	Land values obtained from the NSW Valuer-General	* Price Per square metre
Operational Land	78,811	Market Value	* Price Per square metre
Footpaths	33,677	Unit rates per m2 or length	* Gross replacement cost * Asset Condition * Remaining useful life
Roads	222,177	Unit rates per m2 or length	* Gross replacement cost * Asset Condition * Remaining useful life
Stormwater Drainage	75,008	Unit rates per m2 or length	* Gross replacement cost * Asset Condition * Remaining useful life
Plant & Equipment	9,490	Historical Cost	* Gross replacement cost * Remaining useful life
Office Equipment	1,086	Historical Cost	* Gross replacement cost * Remaining useful life
Open Space & Recreation	70,646	Depreciated replacement cost	* Gross replacement cost * Asset Condition * Remaining useful life
Library Books	1,190	Historical Cost	* Gross replacement cost * Remaining useful life
Other Structures	17,815	Depreciated replacement cost	* Gross replacement cost * Asset Condition * Remaining useful life
Other Assets	3,838	Historical Cost	* Gross replacement cost * Remaining useful life

**(4) Highest and best use**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 24. Related party disclosures

## (a) Key management personnel

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

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

\$ '000	2020	2019
<b>Compensation:</b>		
Short-term benefits	2,152	1,482
Post-employment benefits	125	145
Other long-term benefits	79	–
<b>Total</b>	<b>2,356</b>	<b>1,627</b>

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

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
<b>2020</b>						
Grants & Contributions Provided to Waverley Action for Youth Services	1	86	–		–	–
Subsidised Property Rental from Waverley Action for Youth Services	2	12	–		–	–
<b>2019</b>						
Grants & Contributions Provided to Waverley Action for Youth Services	1	81	–		–	–
Subsidised Property Rental from Waverley Action for Youth Services	2	12	–		–	–

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 2018/19.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 25. Events occurring after the reporting date

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

## Note 26. Statement of developer contributions

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

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

## Summary of contributions and levies

	as at 30/06/19			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Contributions received during the year					Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
<b>S7.12 levies – under a plan</b>	3,915	2,678	–	75	(4,431)	–	2,237	–
<b>Total S7.11 and S7.12 revenue under plans</b>	3,915	2,678	–	75	(4,431)	–	2,237	–
S7.4 planning agreements	15,080	7,751	–	–	(2,695)	–	20,136	–
<b>Total contributions</b>	<b>18,995</b>	<b>10,429</b>	<b>–</b>	<b>75</b>	<b>(7,126)</b>	<b>–</b>	<b>22,373</b>	<b>–</b>

## S7.12 Levies – under a plan

## S7.12 LEVIES – UNDER A PLAN

Roads	3,915	2,678	–	75	(4,431)	–	2,237	–
<b>Total</b>	<b>3,915</b>	<b>2,678</b>	<b>–</b>	<b>75</b>	<b>(4,431)</b>	<b>–</b>	<b>2,237</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 27(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	2019	Prior periods 2018	2017	Benchmark
<b>1. Operating performance ratio</b>						
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>(10,590)</b>	<b>(8.34)%</b>	0.78%	1.76%	2.37%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>126,926</b>					
<b>2. Own source operating revenue ratio</b>						
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>117,176</b>	<b>79.17%</b>	87.31%	86.65%	86.70%	>60.00%
Total continuing operating revenue	<b>148,010</b>					
<b>3. Unrestricted current ratio</b>						
Current assets less all external restrictions	<b>150,396</b>	<b>7.22x</b>	11.13x	10.15x	12.43x	>1.50x
Current liabilities less specific purpose liabilities	<b>20,825</b>					
<b>4. Debt service cover ratio</b>						
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>10,216</b>	<b>11.18x</b>	42.77x	23.78x	20.27x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>914</b>					
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>						
Rates, annual and extra charges outstanding	<b>3,308</b>	<b>5.06%</b>	2.84%	3.11%	3.76%	<5.00%
Rates, annual and extra charges collectible	<b>65,342</b>					
<b>6. Cash expense cover ratio</b>						
Current year's cash and cash equivalents plus all term deposits	<b>139,225</b>	<b>13.38</b>	15.22	14.82	14.47	>3.00
Monthly payments from cash flow of operating and financing activities	<b>10,408</b>	<b>mths</b>	mths	mths	mths	mths

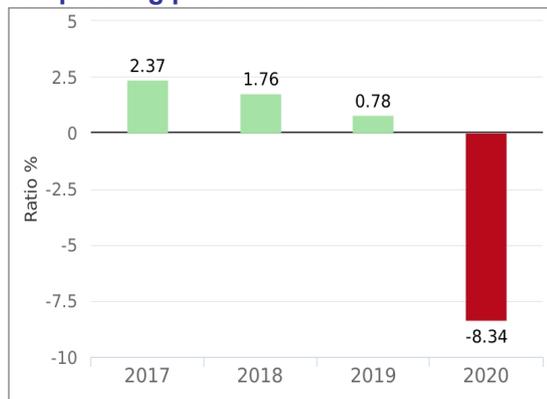
(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

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

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

Note 27(b). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



**Purpose of operating performance ratio**

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

**Commentary on 2019/20 result**

2019/20 ratio (8.34)%

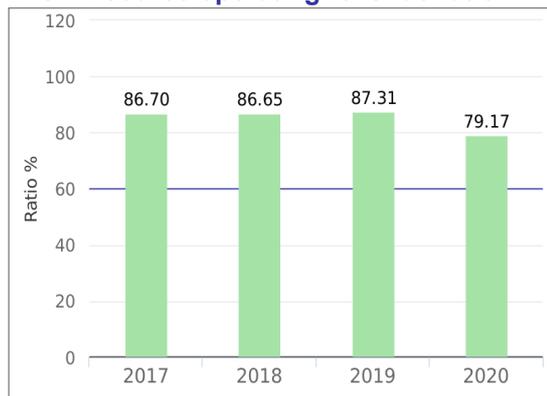
In 2019/20 financial year, Council has experienced a significant operating loss due to the COVID-19 restrictions negatively impacted on its income and Council has incurred additional expenditure in attempt to contain the spread of COVID-19 virus. Consequently, this ratio is not meeting the industry benchmark of 0.00% for FY2019/20.

Benchmark: — > 0.00%

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

Ratio achieves benchmark (Green bar)  
Ratio is outside benchmark (Red bar)

2. Own source operating revenue ratio



**Purpose of own source operating revenue ratio**

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

**Commentary on 2019/20 result**

2019/20 ratio 79.17%

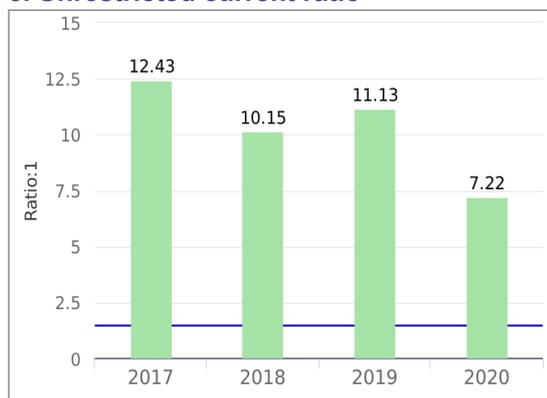
The ratio compares well with the industry benchmark of greater than 60.00%, it shows Waverley Council is less reliant on external funding sources to carry out its services & activities.

Benchmark: — > 60.00%

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

Ratio achieves benchmark (Green bar)  
Ratio is outside benchmark (Red bar)

3. Unrestricted current ratio



**Purpose of unrestricted current ratio**

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

**Commentary on 2019/20 result**

2019/20 ratio 7.22x

Council's liquidity remains strong with sufficient liquid assets on hand to meeting short term obligations as they fall due. It compares well against the industry benchmark of 1.50x.

Benchmark: — > 1.50x

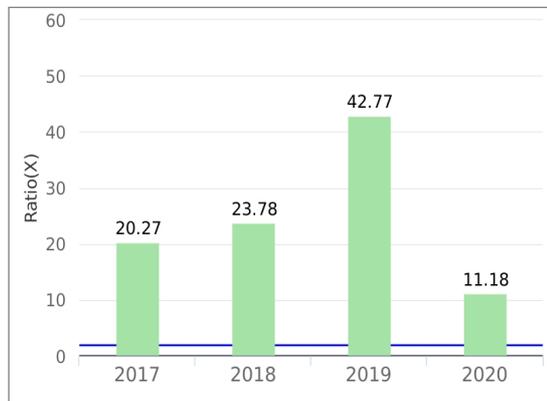
Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark (Green bar)  
Ratio is outside benchmark (Red bar)

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

Note 27(b). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



**Purpose of debt service cover ratio**

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

**Commentary on 2019/20 result**

2019/20 ratio 11.18x

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 2.00x

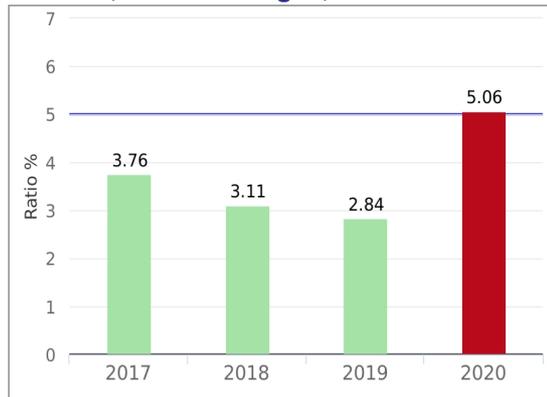
Benchmark: — > 2.00x

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

Ratio achieves benchmark (Green)

Ratio is outside benchmark (Red)

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



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

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

**Commentary on 2019/20 result**

2019/20 ratio 5.06%

To support the ratepayers through the COVID-19 pandemic period, Council has postponed its debt recovery actions. This resulted the outstanding collection finished at 5.06% for this year.

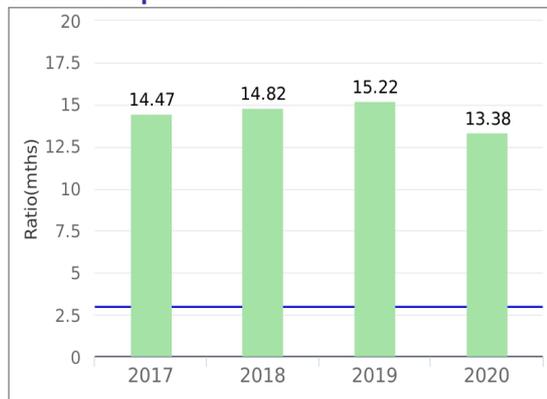
Benchmark: — < 5.00%

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

Ratio achieves benchmark (Green)

Ratio is outside benchmark (Red)

6. Cash expense cover ratio



**Purpose of cash expense cover ratio**

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

**Commentary on 2019/20 result**

2019/20 ratio 13.38 mths

This ratio compares favourably with the industry benchmark of greater than 3.00 months.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark (Green)

Ratio is outside benchmark (Red)

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 28. Financial review

\$ '000	2020	2019	2018	2017	2016
<b>Key financial figures of Council over the past 5 years</b>					
<b>Inflows:</b>					
Rates and annual charges revenue	63,403	61,429	59,366	55,992	55,992
User charges revenue	32,450	37,278	35,575	35,414	35,414
Interest and investment revenue (losses)	3,383	5,266	4,583	4,366	4,366
Grants income – operating and capital	18,622	10,858	7,785	8,176	8,176
Total income from continuing operations	147,638	141,037	144,113	138,013	138,013
Sale proceeds from I,PP&E	469	992	845	11,796	11,796
New loan borrowings and advances	–	–	–	2,200	2,252
<b>Outflows:</b>					
Employee benefits and on-cost expenses	70,122	63,857	55,865	55,794	55,794
Borrowing costs	128	90	120	95	95
Materials and contracts expenses	22,495	21,666	22,387	22,254	22,254
Total expenses from continuing operations	191,056	133,537	127,000	120,226	120,226
Total cash purchases of I,PP&E	37,703	19,978	20,310	29,570	29,570
Total loan repayments (incl. finance leases)	837	412	815	836	836
Operating surplus/(deficit) (excl. capital income)	(64,502)	(1,911)	6,742	12,621	12,621
<b>Financial position figures</b>					
Current assets	171,538	163,095	161,567	151,436	151,436
Current liabilities	45,541	37,438	37,240	34,480	34,480
Net current assets	125,997	125,657	124,327	116,956	116,956
Available working capital (Unrestricted net current assets)	7,630	5,892	4,882	5,769	5,769
Cash and investments – unrestricted	12,638	7,779	8,996	4,736	4,736
Cash and investments – internal restrictions	128,765	141,958	140,107	121,526	121,526
Cash and investments – total	172,646	179,429	171,783	141,174	141,174
Total borrowings outstanding (Loans, advances and finance leases)	2,923	3,346	3,758	3,333	3,333
Total value of I,PP&E (excl. land and earthworks)	1,229,311	1,157,203	1,145,220	933,932	933,932
Total accumulated depreciation	483,332	394,961	379,029	354,416	354,416
Indicative remaining useful life (as a % of GBV)	61%	66%	67%	65%	62%

**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 2020

### Note 29. Council information and contact details

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**Principal place of business:**

Customer Service Centre, 55 Spring Street Bondi Junction

**Contact details**

PO Box 9  
Bondi Junction  
NSW 1355

**Opening hours:**

8:30am - 5:00pm  
Monday to Friday  
Thursday extended hours from 8.30am- 7.00pm

**Telephone:** 02 9083 8000

**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****Ross McLeod**

General Manager

**Darren Smith**

Responsible Accounting Officer

**Public Officer**

Evan Hutchings

**Auditors**

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

**Elected members**

Paula Masselos

Mayor

**Councillors**

Cr Angela Burrill  
Cr Dominic Wy Kanak  
Cr Elaine Keenan  
Cr John Wakefield  
Cr George Copeland  
Cr Leon Glotsman  
Cr Marjorie O'Neill  
Cr Sally Betts  
Cr Steve Lewis  
Cr Tony Kay  
Cr Will Nemesh

**Other information**

**ABN:** 12 502 583 608



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

To the Councillors of Waverley Council

### **Opinion**

I have audited the accompanying financial statements of Waverley Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been prepared, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

## Basis for Opinion

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

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

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

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

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

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

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Financial Statements

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

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

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

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 22 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Caroline Karakatsanis  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

21 October 2020  
SYDNEY



Cr Paula Masselos  
 Mayor  
 Waverley Council  
 PO Box 9  
 Bondi Junction 1355

Contact: Caroline Karakatsanis  
 Phone no: 02 9275 7134  
 Our ref: D2022837/1804

21 October 2020

Dear Mayor

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

I have audited the general purpose financial statements (GPFS) of the Waverley Council (the Council) for the year ended 30 June 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2020 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

**INCOME STATEMENT**

**Operating result**

	2020 \$m	2019 \$m	Variance %
Rates and annual charges revenue	63.4	61.4	 3.3
Grants and contributions revenue	30.8	17.8	 73
Operating result from continuing operations	(43.4)	7.5	 679
Net operating result before capital grants and contributions	(64.5)	(1.9)	 3295

Council's operating result (\$43.4 million deficit including the effect of depreciation and amortisation expense of \$20.7 million) was \$50.9 million lower than the 2018–19 result. This was mainly due to a \$45.7 million fair value decrement in the value of investment properties, COVID-19 related reductions in revenue and increased employment costs.

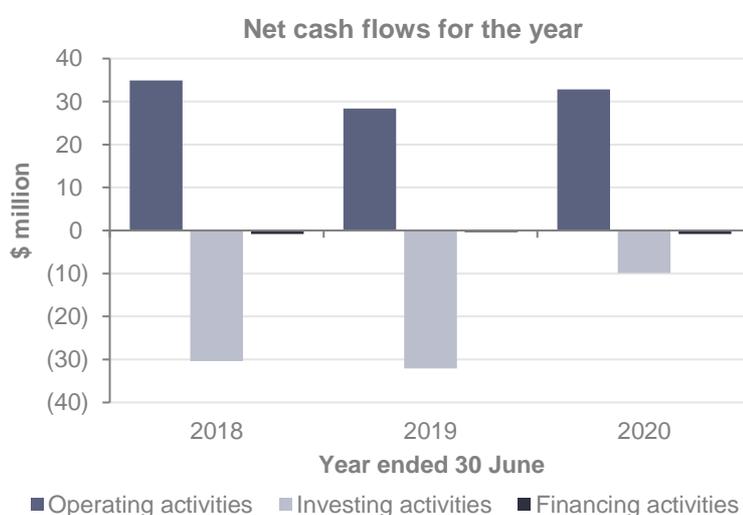
The net operating result before capital grants and contributions (\$64.5 million deficit) was \$62.6 million lower than the 2018–19 result. This was due to the items noted above.

Rates and annual charges revenue (\$63.4 million) increased by \$2 million (3.3 per cent) in 2019–2020.

Grants and contributions revenue (\$30.8 million) increased by \$13 million (73 per cent) in 2019–2020 due to additional capital funding received for infrastructure projects and increased contributions by developers.

## 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 by \$22.1 million to \$36.2 million at the close of the year.
- the increase in cash is primarily due to holding more funds in cash rather than long term deposits.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	31.2	29.7	• External restrictions include unspent specific purpose grants, developer contributions, and domestic waste management charges.
Internal restrictions	128.8	142.0	
Unrestricted	12.6	7.8	• Balances are internally restricted due to Council policy or decisions for forward plans including works program. • Unrestricted balances provide liquidity for day-to-day operations.
<b>Cash and investments</b>	<b>172.6</b>	<b>179.5</b>	

### Debt

After repaying principal and interest of \$512,000, total borrowings as at 30 June 2020 was \$2.9 million (2019: \$3.3 million).

# PERFORMANCE

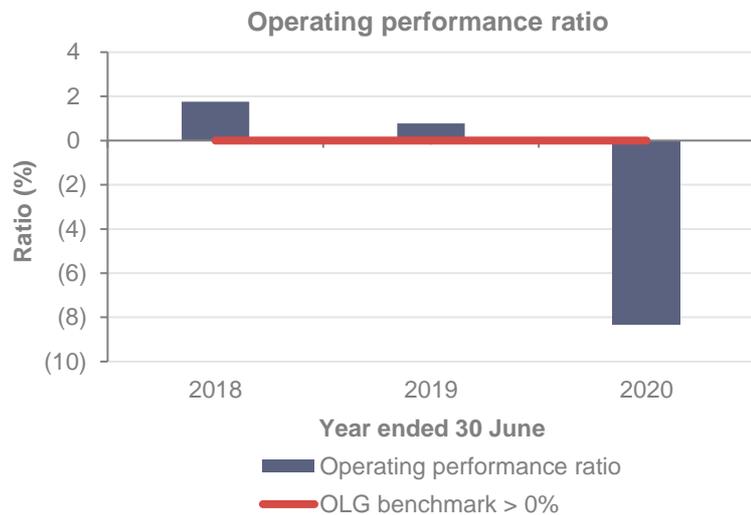
## Performance measures

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

### Operating performance ratio

The Council did not meet the OLG benchmark for the current reporting period.

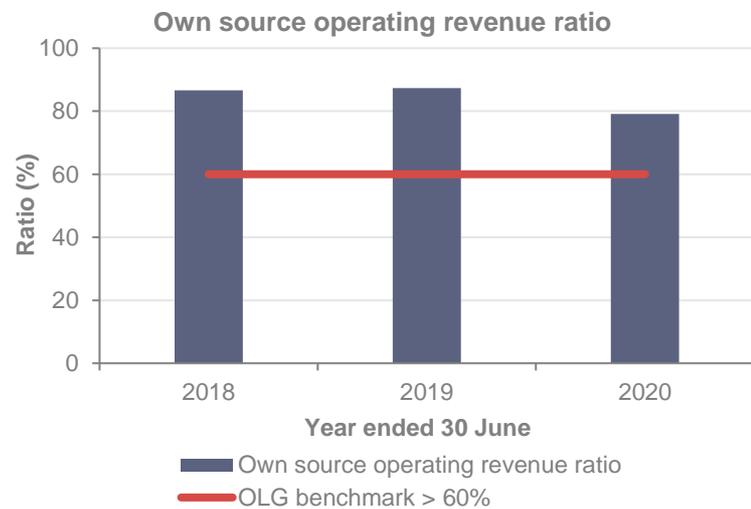
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



### Own source operating revenue ratio

The Council met the OLG benchmark for 2019-20.

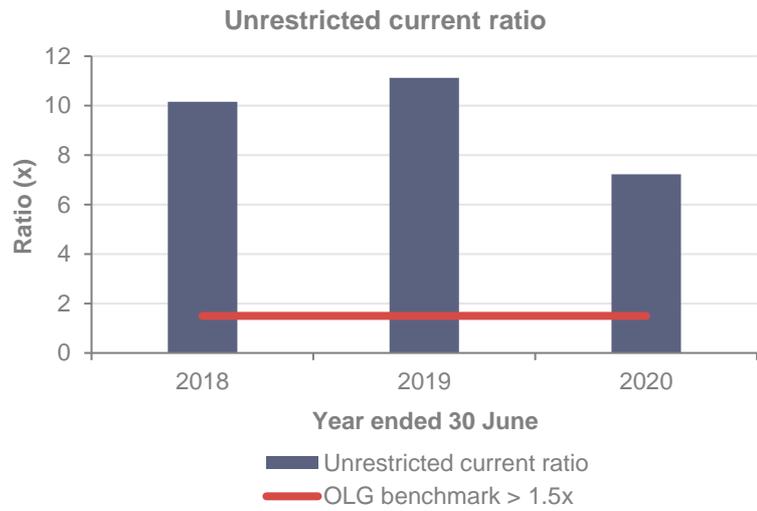
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



### Unrestricted current ratio

The Council met the OLG benchmark for the current reporting period.

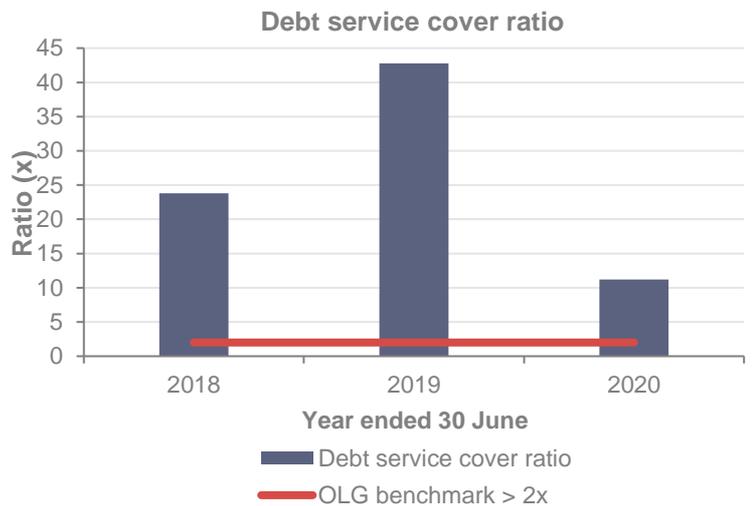
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



### Debt service cover ratio

The Council met the OLG benchmark for the current reporting period.

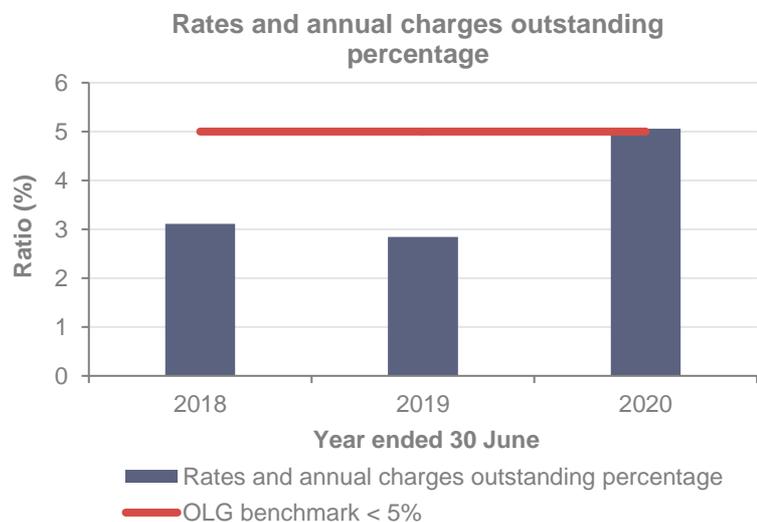
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



### Rates and annual charges outstanding percentage

The Council did not meet the OLG benchmark for the current reporting period.

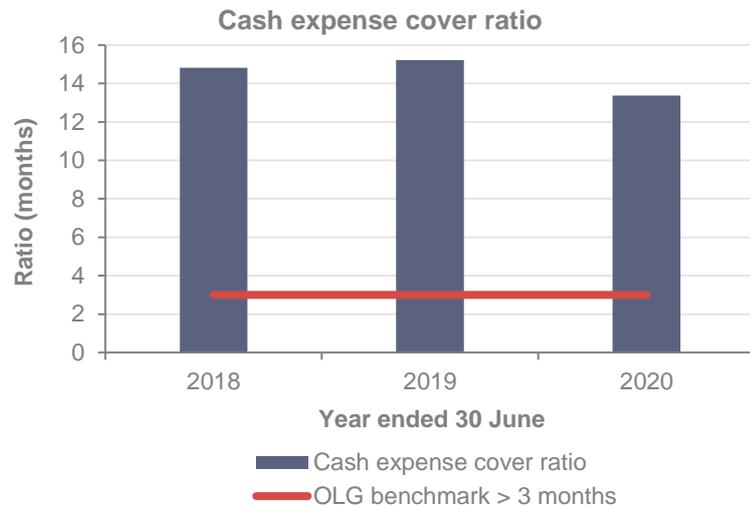
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



## Cash expense cover ratio

The Council met the OLG benchmark for the current reporting period.

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



## Infrastructure, property, plant and equipment renewals

- Council's asset renewal additions for the year were \$27.7 million compared \$14.6 million for the prior year
- The level of asset renewals during the year represented 136 per cent of the total depreciation expense (\$20.3 million) for the year.

## OTHER MATTERS

### Impact of new accounting standards

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

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

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

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

The Council recognised a \$2 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

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

#### AASB 16 'Leases'

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

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

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

The Council recognised right-of-use assets of \$1.6 million and lease liabilities of \$1.6 million at 1 July 2019 on adoption of AASB 16.

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

### **Legislative compliance**

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

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

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements
- staff provided all accounting records and information relevant to the audit.



Caroline Karakatsanis  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Ross Mcleod, General Manager  
Elizabeth Gavey, Chair of Audit, Risk and Improvement Committee  
Jim Betts, Secretary of the Department of Planning, Industry and Environment

# Waverley Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2020

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*Connecting the city and the sea.*

*A welcoming and cohesive community that celebrates and enhances our spectacular coastline, vibrant places, and rich cultural heritage.*



## Special Purpose Financial Statements

for the year ended 30 June 2020

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Contents	Page
<b>Statement by Councillors &amp; Management</b>	<b>3</b>
<b>Special Purpose Financial Statements</b>	
Income Statement – Property	4
Income Statement – Commercial waste	5
Income Statement – Cemetery	6
Statement of Financial Position – Property	7
Statement of Financial Position – Commercial waste	8
Statement of Financial Position – Cemetery	9
<b>Note 1 – Significant Accounting Policies</b>	<b>10</b>
<b>Auditor's Report on Special Purpose Financial Statements</b>	<b>13</b>

---

**Background**

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

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

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

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

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

## Waverley Council

### Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 15 September 2020.



Paula Masselos  
Mayor  
15 September 2020



Elaine Keenan  
Deputy Mayor  
15 September 2020



Ross McLeod  
General Manager  
15 September 2020



Darren Smith  
Responsible Accounting Officer  
15 September 2020

## Income Statement – Property

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
<b>Income from continuing operations</b>		
User charges	2,716	3,478
Other income	2,959	2,993
<b>Total income from continuing operations</b>	<b>5,675</b>	<b>6,471</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	564	603
Materials and contracts	792	792
Depreciation, amortisation and impairment	–	76
Other expenses	47,104	1,287
<b>Total expenses from continuing operations</b>	<b>48,460</b>	<b>2,758</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(42,785)</b>	<b>3,713</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(42,785)</b>	<b>3,713</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(42,785)</b>	<b>3,713</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(1,021)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(42,785)</b>	<b>2,692</b>
<b>Plus accumulated surplus</b>	158,465	154,808
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	–	1,021
<b>Less:</b>		
– Dividend paid	(1,977)	(56)
<b>Closing accumulated surplus</b>	<b>113,703</b>	<b>158,465</b>
<b>Subsidy from Council</b>	42,785	–

## Income Statement – Commercial waste

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
<b>Income from continuing operations</b>		
User charges	3,446	3,499
<b>Total income from continuing operations</b>	<b>3,446</b>	<b>3,499</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	753	219
Materials and contracts	47	51
Depreciation, amortisation and impairment	6	9
Other expenses	1,948	2,757
<b>Total expenses from continuing operations</b>	<b>2,754</b>	<b>3,036</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>692</b>	<b>463</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>692</b>	<b>463</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>692</b>	<b>463</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(190)	(127)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>502</b>	<b>336</b>
<b>Plus accumulated surplus</b>	24	158
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	190	127
<b>Less:</b>		
– Dividend paid	(577)	(597)
<b>Closing accumulated surplus</b>	<b>139</b>	<b>24</b>

## Income Statement – Cemetery

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
<b>Income from continuing operations</b>		
User charges	833	1,383
Interest	23	59
Grants and contributions provided for non-capital purposes	–	17
<b>Total income from continuing operations</b>	<b>856</b>	<b>1,459</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	892	819
Materials and contracts	184	279
Depreciation, amortisation and impairment	44	43
Other expenses	322	332
<b>Total expenses from continuing operations</b>	<b>1,442</b>	<b>1,473</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(586)</b>	<b>(14)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(586)</b>	<b>(14)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(586)</b>	<b>(14)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(586)</b>	<b>(14)</b>
<b>Plus accumulated surplus</b>	16,780	16,070
<b>Plus adjustments for amounts unpaid:</b>		
<b>Add:</b>		
– Subsidy paid/contribution to operations	(106)	724
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>16,088</b>	<b>16,780</b>
<b>Return on capital %</b>	(1.1)%	0.0%
<b>Subsidy from Council</b>	1,052	651

## Statement of Financial Position – Property

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	215	233
<b>Total current assets</b>	<u>215</u>	<u>233</u>
<b>Non-current assets</b>		
Investment property	113,910	158,474
<b>Total non-current assets</b>	<u>113,910</u>	<u>158,474</u>
<b>TOTAL ASSETS</b>	<u>114,125</u>	<u>158,707</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	266	90
Provisions	79	75
<b>Total current liabilities</b>	<u>345</u>	<u>165</u>
<b>TOTAL LIABILITIES</b>	<u>345</u>	<u>165</u>
<b>NET ASSETS</b>	<u>113,780</u>	<u>158,542</u>
<b>EQUITY</b>		
Accumulated surplus	113,703	158,465
Revaluation reserves	77	77
<b>TOTAL EQUITY</b>	<u>113,780</u>	<u>158,542</u>

## Statement of Financial Position – Commercial waste

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	238	194
<b>Total current assets</b>	<u>238</u>	<u>194</u>
<b>TOTAL ASSETS</b>	<u>238</u>	<u>194</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	11	92
Provisions	88	78
<b>Total current liabilities</b>	<u>99</u>	<u>170</u>
<b>TOTAL LIABILITIES</b>	<u>99</u>	<u>170</u>
<b>NET ASSETS</b>	<u>139</u>	<u>24</u>
<b>EQUITY</b>		
Accumulated surplus	139	24
<b>TOTAL EQUITY</b>	<u>139</u>	<u>24</u>

## Statement of Financial Position – Cemetery

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	872	1,564
<b>Total current assets</b>	<u>872</u>	<u>1,564</u>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	52,992	48,283
<b>Total non-current assets</b>	<u>52,992</u>	<u>48,283</u>
<b>TOTAL ASSETS</b>	<u>53,864</u>	<u>49,847</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	10	14
Provisions	115	111
<b>Total current liabilities</b>	<u>125</u>	<u>125</u>
<b>TOTAL LIABILITIES</b>	<u>125</u>	<u>125</u>
<b>NET ASSETS</b>	<u>53,739</u>	<u>49,722</u>
<b>EQUITY</b>		
Accumulated surplus	16,088	16,780
Revaluation reserves	37,651	32,942
<b>TOTAL EQUITY</b>	<u>53,739</u>	<u>49,722</u>

## Waverley Council

# Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

## Note 1. Significant Accounting Policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 2093 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

### National Competition Policy

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

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

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

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

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

### Declared business activities

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

#### Category 1

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

##### a. 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.

#### 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.

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

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

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#### Monetary amounts

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

#### (i) Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

Corporate income tax rate – 27.5%

Land tax – the first \$692,000 of combined land values attracts 0%. For the combined land values in excess of \$692,001 up to \$4,321,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,321,000 a premium marginal rate of 2.0% applies.

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

#### Income tax

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

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

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

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

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

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

#### Local government rates and charges

A calculation of the equivalent rates and charges 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.

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

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

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#### (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:

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

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 0.88% at 30/6/20.

#### (iv) Dividends

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



## INDEPENDENT AUDITOR'S REPORT

### Report on the special purpose financial statements

#### Waverley Council

To the Councillors of Waverley Council

### Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Waverley Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activities declared by Council.

The Declared Business Activities of the Council are:

- Property
- Commercial waste
- Cemetery.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2020, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code).

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

### Basis for Opinion

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

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

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

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

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

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

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

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

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

## **Other Information**

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

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 'Permissible income for general rates'. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

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

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

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

Caroline Karakatsanis  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

21 October 2020  
SYDNEY

# Waverley Council

SPECIAL SCHEDULES  
for the year ended 30 June 2020

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*Connecting the city and the sea.*

*A welcoming and cohesive community that celebrates and enhances our spectacular coastline, vibrant places, and rich cultural heritage.*



Special Schedules

for the year ended 30 June 2020

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Contents

Page

**Special Schedules**

Permissible income for general rates

3

Report on Infrastructure Assets - Values

7

## Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	46,068	44,833
Plus or minus adjustments <sup>2</sup>	b	(75)	26
<b>Notional general income</b>	c = a + b	<b>45,993</b>	<b>44,859</b>
<b>Permissible income calculation</b>			
Rate peg percentage	e	2.60%	2.70%
Plus rate peg amount	i = e x (c + g)	1,196	1,211
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>47,189</b>	<b>46,070</b>
Plus (or minus) last year's carry forward total	l	5	3
<b>Sub-total</b>	n = (l + m)	<b>5</b>	<b>3</b>
<b>Total permissible income</b>	o = k + n	<b>47,194</b>	<b>46,073</b>
Less notional general income yield	p	47,171	46,068
<b>Catch-up or (excess) result</b>	q = o - p	<b>23</b>	<b>5</b>
Less unused catch-up <sup>5</sup>	s	(2)	-
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>21</b>	<b>5</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.
- (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 Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



**INDEPENDENT AUDITOR'S REPORT**  
**Special Schedule - Permissible income for general rates**  
**Waverley Council**

To the Councillors of Waverley Council

### **Opinion**

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Waverley Council (the Council) for the year ending 30 June 2021.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code), and is in accordance with the books and records of the Council.

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

### **Basis for Opinion**

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

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

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

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

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

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

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

## Emphasis of Matter - Basis of Accounting

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

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

My objectives are to:

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

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

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

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

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

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

Caroline Karakatsanis  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

21 October 2020  
SYDNEY

## Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance <sup>a</sup>	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
<b>(a) Report on Infrastructure Assets - Values</b>													
<b>Buildings</b>	Council Offices/ Administration Centres	187	187	748	720	12,006	24,908	0.1%	27.5%	69.0%	3.4%	0.0%	
	Council Works Depot	–	–	809	871	8,667	11,087	99.0%	0.0%	1.0%	0.0%	0.0%	
	Council Public Halls	625	625	204	199	23,405	69,989	26.4%	0.0%	70.4%	3.2%	0.0%	
	Libraries	–	–	617	566	22,110	36,888	0.0%	100.0%	0.0%	0.0%	0.0%	
	Cultural Facilities	82	82	1,330	1,207	12,993	21,417	81.7%	0.0%	16.9%	1.4%	0.0%	
	Other Buildings	393	393	1,414	1,607	49,104	79,736	11.6%	64.7%	21.7%	2.0%	0.0%	
	Specialised Buildings	13	13	507	497	4,590	6,825	82.9%	6.7%	10.2%	0.2%	0.0%	
	<b>Sub-total</b>	<b>1,300</b>	<b>1,300</b>	<b>5,629</b>	<b>5,667</b>	<b>132,875</b>	<b>250,850</b>	<b>24.7%</b>	<b>38.2%</b>	<b>35.2%</b>	<b>2.0%</b>	<b>0.0%</b>	
<b>Other structures</b>	Other structures	443	443	1,068	1,115	17,815	29,717	65.3%	19.7%	9.8%	5.2%	0.0%	
	<b>Sub-total</b>	<b>443</b>	<b>443</b>	<b>1,068</b>	<b>1,115</b>	<b>17,815</b>	<b>29,717</b>	<b>65.3%</b>	<b>19.7%</b>	<b>9.8%</b>	<b>5.2%</b>	<b>0.0%</b>	
<b>Roads</b>	Sealed roads	466	466	1,040	1,718	60,957	102,329	26.4%	60.2%	13.0%	0.4%	0.0%	
	Footpaths	83	83	4,878	5,467	32,967	58,471	9.4%	76.5%	13.0%	1.1%	0.0%	
	Other road assets	62	62	2,327	2,699	17,961	28,490	45.0%	44.8%	9.3%	0.9%	0.0%	
	Sealed roads structure	–	–	–	–	77,009	192,147	0.4%	0.1%	99.5%	0.0%	0.0%	
	Kerb and Gutter	833	833	91	68	66,960	108,579	40.7%	48.5%	9.5%	1.3%	0.0%	
	<b>Sub-total</b>	<b>1,444</b>	<b>1,444</b>	<b>8,336</b>	<b>9,952</b>	<b>255,854</b>	<b>490,016</b>	<b>18.4%</b>	<b>35.1%</b>	<b>45.9%</b>	<b>0.6%</b>	<b>0.0%</b>	
<b>Stormwater drainage</b>	Stormwater drainage	150	150	362	503	75,008	126,110	20.0%	69.5%	10.3%	0.2%	0.0%	
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	<b>Sub-total</b>	<b>150</b>	<b>150</b>	<b>362</b>	<b>503</b>	<b>75,008</b>	<b>126,110</b>	<b>20.0%</b>	<b>69.5%</b>	<b>10.3%</b>	<b>0.2%</b>	<b>0.0%</b>	
<b>Open space / recreational assets</b>	Swimming pools	2,261	2,261	6,287	6,220	70,646	111,801	49.8%	29.5%	18.7%	2.0%	0.0%	
	<b>Sub-total</b>	<b>2,261</b>	<b>2,261</b>	<b>6,287</b>	<b>6,220</b>	<b>70,646</b>	<b>111,801</b>	<b>49.8%</b>	<b>29.5%</b>	<b>18.7%</b>	<b>2.0%</b>	<b>0.0%</b>	
<b>TOTAL - ALL ASSETS</b>		<b>5,598</b>	<b>5,598</b>	<b>21,682</b>	<b>23,457</b>	<b>552,198</b>	<b>1,008,494</b>	<b>25.0%</b>	<b>39.1%</b>	<b>34.7%</b>	<b>1.2%</b>	<b>0.0%</b>	

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

**Infrastructure asset condition assessment 'key'**

**1 Excellent/very good** No work required (normal maintenance)  
**2 Good** Only minor maintenance work required

**4 Poor** Renewal required  
**5 Very poor** Urgent renewal/upgrading required

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

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3 **Satisfactory** Maintenance work required

## Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	2019	Prior periods 2018	2017	Benchmark
<b>Infrastructure asset performance indicators (consolidated) *</b>						
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>						
Asset renewals <sup>2</sup>	<b>27,611</b>					
Depreciation, amortisation and impairment	<b>17,461</b>	<b>158.13%</b>	82.57%	94.13%	77.08%	>=100.00%
<b>Infrastructure backlog ratio <sup>1</sup></b>						
Estimated cost to bring assets to a satisfactory standard	<b>5,598</b>					
Net carrying amount of infrastructure assets	<b>552,198</b>	<b>1.01%</b>	1.01%	1.05%	1.10%	<2.00%
<b>Asset maintenance ratio</b>						
Actual asset maintenance	<b>23,457</b>					
Required asset maintenance	<b>21,682</b>	<b>108.19%</b>	102.33%	94.25%	98.24%	>100.00%
<b>Cost to bring assets to agreed service level</b>						
Estimated cost to bring assets to an agreed service level set by Council	<b>5,598</b>	<b>0.56%</b>	0.60%	0.64%	0.69%	
Gross replacement cost	<b>1,008,494</b>					

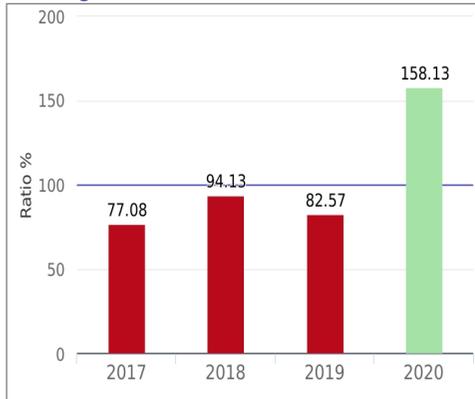
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

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

**Buildings and infrastructure renewals ratio**



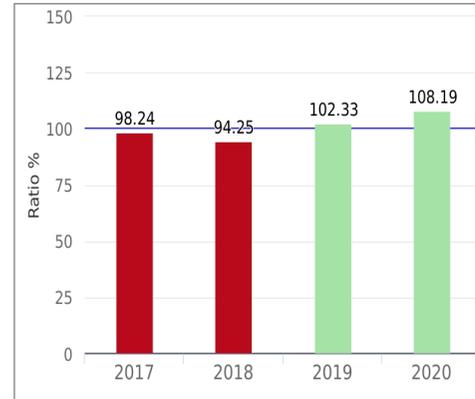
**Buildings and infrastructure renewals ratio**

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

Commentary on result	
19/20 ratio	158.13%
Council's infrastructure assets upgrades and renewals are carried out as per its Strategic Asset Management Plan (SAMP) to ensure the assets are upkeep to the agree community satisfactory level.	

Benchmark: —  $\geq 100.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

**Asset maintenance ratio**



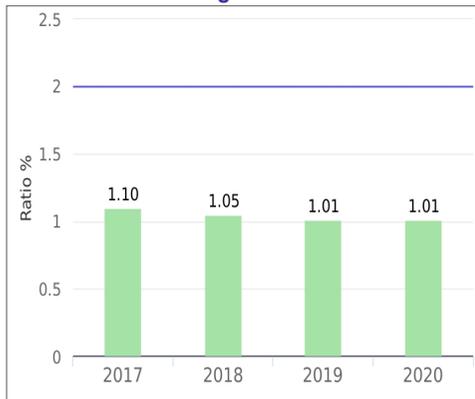
**Asset maintenance ratio**

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

Commentary on result	
19/20 ratio	108.19%
This ratio compares well with the industry benchmark of 100%. It indicates Council's spending on assets maintenance is sufficient to stop the infrastructure backlog from growing.	

Benchmark: —  $> 100.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

**Infrastructure backlog ratio**



**Infrastructure backlog ratio**

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

Commentary on result	
19/20 ratio	1.01%
This ratio shows that Council has a small proportion of infrastructure backlog and it compares favorably with the industry benchmark of less than 2.00%.	

Benchmark: —  $< 2.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

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



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

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

Commentary on result	
19/20 ratio	0.56%
This ratio shows that Council has a small proportion of outstanding infrastructure upgrade/renewal works to bring assets at agreed service levels, as compared to the total value of its assets.	



WAVERLEY  
COUNCIL

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