



WAVERLEY
COUNCIL

ANNUAL FINANCIAL STATEMENTS

For the financial year ending 30 June 2022

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

Waverley Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022

Connecting the city and the sea.

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



Waverley Council

General Purpose Financial Statements

for the year ended 30 June 2022

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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 B1-2.

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

General Purpose Financial Statements

for the year ended 30 June 2022

Executive Summary

In the 2021/22 financial year, Council's operation continued being impacted by the COVID-19 pandemic. As we are navigating the evolving Covid-19 crisis in keeping our community and employees safe, the Council spent a further \$1.7M on the Pandemic Works and Services Program in FY2021/22.

Council continued the capital works program with the investment of \$62.4M (prior year \$56.7M).

The Council continued to operate its COVID-19 Business Support Package till 30 November 2021. Delivery of the Support Package provided both financial and non-financial measures that supported the local business community and assisted their recovery throughout this challenging period. Many customers benefited from the support, either via direct request to Council or indirectly via fee waivers.

The Council has continued to successfully operate during the year despite difficult circumstances. It has achieved a net operating result for the 2021/22 financial year of \$18.0M surplus (2020/21: \$9.1M surplus) and a net operating result before Capital Grants and Contributions of \$6.2M deficit (2020/21: \$10.1M deficit).

Despite the challenging times, the Council remains agile and resilient to deliver its broader goals, such as its sustainability commitment.

Sustainability

In 2021/22 Waverley Council reduced our greenhouse gas emissions by 9.9% (over 100 tonnes) from the previous year and offset remaining emissions to achieve carbon neutrality. Council worked closely with the community to make sustainability second nature, through education and engagement initiatives and supporting community led environmental action. Through the Greening our City Innovation grant program, Council delivered the award winning SkyParks project in collaboration with Westfield Bondi Junction, Gujaga Foundation and UNSW. Three SkyParks in Bondi Junction have created unique social and visual spaces that provide cooler surface temperatures for local communities, support biodiversity and enhance air quality.

The Council has adopted a new Environmental Action Plan on 21 June 2022, including strengthened targets of net zero greenhouse gas emissions by 2030 for Council and 2035 for the local community. Programs commenced in FY2021/2 include the adoption of the Electric Vehicle (EV) Transportation Policy and the continued expansion of EV charging facilities in Waverley, and the extension of the Living Connections Habitat program. Council will also continue to deliver effective waste minimisation programs such as the illegal dumping behaviour change program, *My Street is Your Street*, which in 2021/22 resulted in residents taking increased responsibility for appropriated dumped material; the *Textile Collection and Recovery* program which diverted 19 tonnes textile waste from landfill and the *Recycling Improvement Program* which reduced contamination ensure recycling streams can be repurposed.

Financial Results

Net operating result for the year was a \$18.0M surplus compared to prior year of \$9.1M surplus. This improved result is predominately attributed to the fair value adjustments and capital grants/contributions. Normalised operating result, adding back the fair valuation adjustment, gain or loss on disposal of assets and capital grants & contributions, showed a deficit in FY2021/22 of \$6.2M versus \$10.1M deficit for the year prior, a \$3.9M improvement.

The evolving COVID-19 crisis is estimated to cost the Council millions of dollars in 2021/22 in lost revenue and incurred additional expenses, totalling \$8.8M.

Operating revenue loss predominately was made up of COVID-19 support package (\$1.2M), and the reduction in parking fees/fines (\$7.6M), public facilities hire (\$1.0M) and loss of rental income due to construction projects delays caused by COVID-19 restrictions (\$1.2M), commercial waste (\$0.3M) and licence fee (\$0.1M), however, the hoarding and construction fees income was better than originally anticipated by \$3.5M. Hence, a total operating revenue loss of \$8.0M was incurred for FY2021/22.

The Council continued to operate the Pandemic Works & Services Program throughout the 2021/22 financial year, for supporting the Bondi Beach COVID-19 Testing Clinic Operation, additional cleaning, and PPE, and these costed Council \$1.7M. Council is seeking reimbursement of \$0.8M from the State Government for the COVID-19 Testing Clinic Operation. A total spent of \$5.3M was incurred on the Pandemic Works and Services Program since its establishment in March 2022, to manage the COVID-19 outbreak to protect staff and the community.

Waverley Council

General Purpose Financial Statements

for the year ended 30 June 2022

The raising of inflation rate and disruption of the supply chains have delayed several capital projects, consequently the project's cost increased materially more than the original contract prices. The cost pressure from higher inflation and supply chains issue is expected to continue in FY2022/23.

The underlying result before Covid impact was a surplus of \$5.5M, a \$3.7M improvement on 2020/21. This resulted from a combination of cost reduction and revenue improvement.

	2021/22	20/21
Surplus/(Deficit)	18.0	9.1
Add Back		
Capital Grants/Contributions	-24.2	-19.2
Fair Value (increment)/decrement on Investment Properties	-4.0	3.7
Fair Value (increment)/decrement of financial investments	1.6	-1.9
Asset Disposal	5.3	3.8
Underlying Operating Surplus/(Deficit)	-3.3	-4.5
Covid Impact	8.8	6.3
Operating Surplus/(Deficit) Pre Covid	5.5	1.8

Income

Overall income has increased by **\$11.1M to \$161.7M** compared to the previous year (\$150.6M); the following are the main components :

- Rates and annual charges risen by \$1.4M (2.2%) the majority of which is reflective of the annual increase in rates.
- User charges increased by \$5.2M (15.3%), this increase mainly resulting from the increase in hoarding & construction fees.
- Other income increased by \$2.6M (35.3%), this resulting from fair value movements for the Investment Properties portfolio (\$4.0M).
- Operating grants and contributions increased by \$0.4M (4.0%) mainly resulting from the advanced payment of the Financial Assistance Grant 2022/23 (75%: \$1.7M).
- Capital grants and contributions increased by \$5.0M (26.0%) mainly due to the non-cash dedication of some shop spaces from a Planning Agreement.
- Other revenue down by \$2.7M (19.6%) mainly due to the parking fine revenue being impacted the COVID-19 restrictions.
- Interest income down by \$0.8M (45.4%) as the rate of return has drastically reduced and a lower level of cash available to invest in the financial market.

Expenditure

Overall Operating expense have increased by \$2.1M (1.5%), the majority of which is due to increased employment costs of \$1.0M (1.4%), and Materials & Services \$1.0M (2.3%). These are due predominately to inflation cost increases.

Depreciation expense increased by \$1.3M (6.1%) is a result of infrastructure asset value increased through the past years' fair valuation process and the large capital work programme.

Other expense decreased by \$2.3M (33.8%) mainly due to the investment fair value decrement movement.

Net loss from assets disposal increased by \$1.2M (31.6%) as result of removing the replaced infrastructure assets value through the asset renewal/upgrade program capitalisation process.

A total capital spending of \$64.2M to renew and upgrade the Council's infrastructure assets, plant and office equipment. A \$13.5M higher than the year prior.

General Purpose Financial Statements

for the year ended 30 June 2022

Cash, Cash Equivalents and Investments

Cash, Cash Equivalents and Investments totalled \$127.0M as at 30 June 2022, a decrease of \$25.6M from the 2020/21 closing balance. This is principally attributed to the capital investment in infrastructure assets (\$62.4M) and the impact of the COVID-19 pandemic of \$8.8M refer to above.

Waverley Council

General Purpose Financial Statements

for the year ended 30 June 2022

Understanding Council's Financial Statements

Introduction

Each year NSW local governments are required to present 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 2022.

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 2022

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

The attached general purpose financial statements have been prepared in accordance with:

- the *Local Government Act 1993* 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 20 September 2022.


PAULA MASSELOS

Paula Masselos
Mayor
20 September 2022


Elaine Keenan
Deputy Mayor
20 September 2022

Emily Scott
General Manager
20 September 2022



Teena Su
Responsible Accounting Officer
20 September 2022

Waverley Council

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
Net operating result for the year – from Income Statement		18,014	9,095
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-5	<u>116,954</u>	<u>732</u>
Total items which will not be reclassified subsequently to the operating result		116,954	732
Total other comprehensive income for the year		116,954	732
Total comprehensive income for the year attributable to Council		134,968	9,827

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

Waverley Council

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	21,768	28,330
Investments	C1-2	97,281	122,277
Receivables	C1-4	14,061	16,709
Other		600	690
Total current assets		133,710	168,006
Non-current assets			
Investments	C1-2	8,000	2,000
Receivables	C1-4	1,985	1,538
Infrastructure, property, plant and equipment (IPPE)	C1-5	1,133,515	975,286
Investment property	C1-6	115,090	110,785
Right of use assets	C2-1	345	777
Total non-current assets		1,258,935	1,090,386
Total assets		1,392,645	1,258,392
LIABILITIES			
Current liabilities			
Payables	C3-1	31,950	33,933
Income received in advance	C3-1	610	252
Contract liabilities	C3-2	4,859	1,977
Lease liabilities	C2-1	255	429
Borrowings	C3-3	460	447
Employee benefit provisions	C3-4	15,665	16,541
Total current liabilities		53,799	53,579
Non-current liabilities			
Lease liabilities	C2-1	144	407
Borrowings	C3-3	1,581	2,040
Employee benefit provisions	C3-4	1,129	1,342
Total non-current liabilities		2,854	3,789
Total liabilities		56,653	57,368
Net assets		1,335,992	1,201,024
EQUITY			
Accumulated surplus	C4-1	692,408	674,394
IPPE revaluation reserve	C4-1	643,584	526,630
Council equity interest		1,335,992	1,201,024
Total equity		1,335,992	1,201,024

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

Waverley Council

Statement of Changes in Equity

for the year ended 30 June 2022

\$ '000	Notes	2022			2021		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		674,394	526,630	1,201,024	665,299	525,898	1,191,197
Restated opening balance		674,394	526,630	1,201,024	665,299	525,898	1,191,197
Net operating result for the year		18,014	–	18,014	9,095	–	9,095
Restated net operating result for the period		18,014	–	18,014	9,095	–	9,095
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-5	–	116,954	116,954	–	732	732
Other comprehensive income		–	116,954	116,954	–	732	732
Total comprehensive income		18,014	116,954	134,968	9,095	732	9,827
Closing balance at 30 June		692,408	643,584	1,335,992	674,394	526,630	1,201,024

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

Waverley Council

Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Cash flows from operating activities				
<i>Receipts:</i>				
66,345	Rates and annual charges		66,264	65,601
45,466	User charges and fees		39,994	33,429
933	Interest received		1,134	2,249
26,413	Grants and contributions		35,093	24,894
–	Bonds, deposits and retentions received		477	546
19,417	Other		25,403	25,700
<i>Payments:</i>				
(67,154)	Payments to employees		(69,947)	(69,586)
(26,419)	Payments for materials and services		(46,381)	(36,848)
(78)	Borrowing costs		(76)	(85)
–	Bonds, deposits and retentions refunded		(356)	(274)
(22,735)	Other		(9,609)	(10,228)
42,188	Net cash flows from operating activities	G1-1	41,996	35,398
Cash flows from investing activities				
<i>Receipts:</i>				
25,092	Sale of investments		106,600	113,750
975	Proceeds from sale of IPPE		534	359
<i>Payments:</i>				
(69,119)	Purchase of investments		(89,165)	(99,752)
–	Purchase of investment property		(259)	(532)
–	Payments for IPPE		(65,386)	(56,261)
(43,052)	Net cash flows from investing activities		(47,676)	(42,436)
Cash flows from financing activities				
<i>Payments:</i>				
(447)	Repayment of borrowings		(446)	(436)
–	Principal component of lease payments		(436)	(421)
(447)	Net cash flows from financing activities		(882)	(857)
(1,311)	Net change in cash and cash equivalents		(6,562)	(7,895)
37,680	Cash and cash equivalents at beginning of year		28,330	36,225
36,369	Cash and cash equivalents at end of year	C1-1	21,768	28,330
65,182	plus: Investments on hand at end of year	C1-2	105,281	124,277
101,551	Total cash, cash equivalents and investments		127,049	152,607

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

Waverley Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 20 September 2022. Council has the power to amend and reissue these financial statements.

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (Act)* and *Local Government (General) Regulation 2005 (Regulation)*, 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.

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of investment properties – refer Note C1-6
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-5
- (iii) employee benefit provisions – refer Note C3-4.

Significant judgements in applying the Council's accounting policies

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

Monies and other assets received by Council

The Consolidated Fund

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

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

- General purpose operations

A1-1 Basis of preparation (continued)

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 but not yet effective

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2022 reporting period.

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

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

New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2022.

Those newly adopted standards had no material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Functions or activities										
Asset Management Services	30,676	22,977	12,463	18,978	18,213	3,999	15,679	13,420	373,491	289,278
Beach Services, Maintenance & Safety	259	295	8,557	8,344	(8,298)	(8,049)	–	10	275	241
Cemetery Services	1,670	1,314	1,690	1,382	(20)	(68)	–	–	54,892	52,984
Child Care Services	8,371	8,225	10,391	10,414	(2,020)	(2,189)	3,703	4,069	9,884	6,401
Community Services	447	536	2,176	2,267	(1,729)	(1,731)	400	491	167,312	158,811
Corporate Support Services	54,680	56,163	17,793	10,325	36,887	45,838	2,305	2,217	75,131	79,080
Cultural Services	46	66	3,938	3,326	(3,892)	(3,260)	–	10	–	–
Customer Services & Communication	1,537	1,568	612	808	925	760	–	–	–	–
Development, Building & Health Services	20,017	11,873	18,382	19,842	1,635	(7,969)	10,546	6,950	22,109	24,475
Emergency Management Services	101	86	224	254	(123)	(168)	–	103	831	899
Environmental Services	870	803	2,987	2,910	(2,117)	(2,107)	119	802	149	272
Governance, Integrated Planning & Community Engagement	–	14	2,030	1,870	(2,030)	(1,856)	874	–	–	–
Library Services	214	299	4,937	5,023	(4,723)	(4,724)	194	245	45,331	37,944
Parking Services	18,593	22,606	11,550	11,621	7,043	10,985	330	321	16,006	14,630
Parks Services & Maintenance	110	121	10,932	9,919	(10,822)	(9,798)	7	6	159,278	155,169
Place Management	66	4	204	117	(138)	(113)	–	–	1	10
Recreation Services	2	15	127	365	(125)	(350)	–	–	264	278
Regulatory Services	323	318	2,054	2,111	(1,731)	(1,793)	–	8	24	54
Social & Affordable Housing	1,179	829	2,260	1,916	(1,081)	(1,087)	–	–	70,452	47,024
Traffic & Transport Services	129	194	173	138	(44)	56	129	194	46,323	46,288
Urban Open Space Maintenance & Accessibility	551	613	7,681	7,476	(7,130)	(6,863)	–	–	330,126	325,091
Waste Services	21,838	21,692	22,504	22,110	(666)	(418)	–	3	20,766	19,463
Total functions and activities	161,679	150,611	143,665	141,516	18,014	9,095	34,286	28,849	1,392,645	1,258,392

B1-2 Components of functions or activities

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

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. It is a requirement under the NSW State Emergency Act.

Environmental Services

This is a growing service area covering all aspects of the aquatic, biological and air environments. Its 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.

B1-2 Components of functions or activities (continued)

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.

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.

B1-2 Components of functions or activities (continued)

Waste Services

This service provides waste and recycling collection services to 29,491 residential properties as well as a commercial collection to businesses within Waverley Council.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2022	2021
Ordinary rates		
Residential	34,931	34,118
Business	12,432	12,311
Less: pensioner rebates (mandatory)	(264)	(282)
Less: pensioner rebates (Council policy)	(84)	(89)
Rates levied to ratepayers	47,015	46,058
Pensioner rate subsidies received	145	154
Total ordinary rates	47,160	46,212
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	18,928	18,434
Stormwater Management Services	531	529
Section 611 charges	49	52
Less: pensioner rebates (mandatory)	(158)	(167)
Annual charges levied	19,350	18,848
Pensioner subsidies received:		
– Domestic waste management	85	91
Total annual charges	19,435	18,939
Total rates and annual charges	66,595	65,151

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

Accounting policy

Rates and annual charges are recognised as revenue at the beginning of the rating period to which they relate. 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 recognised within the underlying revenue item based on their substance.

B2-2 User charges and fees

\$ '000	Timing	2022	2021
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Waste management services (non-domestic)	2	2,864	3,028
Total specific user charges		2,864	3,028
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	2	3,040	3,029
Section 10.7 certificates (EP&A Act)	2	247	250
Section 603 certificates	2	164	162
Hoarding/crane permits	1	6,278	1,756
Total fees and charges – statutory/regulatory		9,729	5,197
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Cemeteries	2	1,251	1,298
Child care	2	4,580	4,144
Leaseback fees – Council vehicles	2	176	184
Park rents	1	300	389
Restoration charges	2	2,421	800
Room/facility hires	1	320	392
Admission and service fees	1	106	81
Bus shelter fees	1	1,482	1,439
Car parking fees	2	3,854	4,491
Car parking meter income	2	7,562	8,388
Road opening permits	2	333	504
Temporary truck zone permit	1	2,114	1,913
Other	2	1,873	1,538
Total fees and charges – other		26,372	25,561
Total other user charges and fees		36,101	30,758
Total user charges and fees		38,965	33,786
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		10,600	6,021
User charges and fees recognised at a point in time (2)		28,365	27,765
Total user charges and fees		38,965	33,786

Accounting policy

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

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

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

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

B2-3 Other revenues

\$ '000	Timing	2022	2021
Ex gratia rates	2	24	23
Fines	2	203	226
Fines – parking	2	8,192	10,777

continued on next page ...

B2-3 Other revenues (continued)

\$ '000	Timing	2022	2021
Legal fees recovery – rates and charges (extra charges)	2	3	5
Legal fees recovery – other	2	421	637
Insurance claims recoveries	2	2	26
Recycling income (non-domestic)	2	109	91
Sale of abandoned vehicles	2	33	31
Sales – general	2	1	1
Other	2	2,057	1,928
Total other revenue		11,045	13,745
Timing of revenue recognition for other revenue			
Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		11,045	13,745
Total other revenue		11,045	13,745

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	1,006	722	–	–
Financial assistance – local roads component	2	75	222	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	1,290	782	–	–
Financial assistance – local roads component	2	372	229	–	–
Amount recognised as income during current year		2,743	1,955	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Pensioners' rates subsidies:					
Child care	2	3,703	4,015	–	–
Community care	2	235	214	–	–
Employment and training programs	2	10	246	–	–
Environmental programs	2	582	571	–	–
Library	2	59	56	–	–
Library – per capita	2	135	189	–	–
Recreation and culture - stronger community grant	1	–	–	–	946
Street lighting	2	193	193	–	–
Transport (roads to recovery)	2	278	278	–	–
Transport (other roads and bridges funding)	1	–	67	13,394	10,555
Other specific grants	2	158	112	–	–
Previously contributions:					
Community services	2	561	625	–	–
Other councils – joint works/services	2	978	783	–	–
Recreation and culture	2	105	6	–	–
Roads and bridges	2	308	354	–	366
Other contributions	2	–	–	574	550
Total special purpose grants and non-developer contributions – cash		7,305	7,709	13,968	12,417
Total special purpose grants and non-developer contributions (tied)		7,305	7,709	13,968	12,417
Total grants and non-developer contributions		10,048	9,664	13,968	12,417
Comprising:					
– Commonwealth funding		3,204	2,439	1,547	491
– State funding		1,674	1,441	11,847	11,010
– Other funding		5,170	5,784	574	916
		10,048	9,664	13,968	12,417

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G4					
Cash contributions						
S 7.4 – contributions using planning agreements		2	–	–	2,415	3,019
S 7.12 – fixed development consent levies		2	–	–	2,691	3,749
Total developer contributions – cash			–	–	5,106	6,768
Non-cash contributions						
S 7.4 – contributions using planning agreements			–	–	5,164	–
Total developer contributions non-cash			–	–	5,164	–
Total developer contributions			–	–	10,270	6,768
Total contributions			–	–	10,270	6,768
Total grants and contributions			10,048	9,664	24,238	19,185
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			–	–	13,950	11,501
Grants and contributions recognised at a point in time (2)			10,048	9,664	10,288	7,684
Total grants and contributions			10,048	9,664	24,238	19,185

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Unspent grants and contributions				
Unspent funds at 1 July	501	477	1,730	–
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	216	358	–	–
Add: Funds received and not recognised as revenue in the current year	–	–	4,642	2,676
Add: operating grant Received for the provision of goods and services in a future	63	–	–	–
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(458)	(334)	–	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	–	–	(1,730)	(946)
Unspent funds at 30 June	322	501	4,642	1,730
Contributions				
Unspent funds at 1 July	–	–	24,579	22,373
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	5,106	6,768
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	(7,152)	(4,562)
Unspent contributions at 30 June	–	–	22,533	24,579

Accounting policy

Grant income under AASB 15

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

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

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

B2-4 Grants and contributions (continued)

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 Consent 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.

B2-5 Interest and investment income

\$ '000	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	146	80
– Cash and investments	870	1,780
Total interest and investment income (losses)	1,016	1,860
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	146	80
General Council cash and investments	870	1,558

B2-5 Interest and investment income (continued)

\$ '000	2022	2021
Restricted investments/funds – external:		
Domestic waste management operations	–	206
Restricted investments/funds – internal:		
Internally restricted assets	–	16
Total interest and investment income	1,016	1,860

Accounting policy

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 when the shareholder's right to receive payment is established unless the dividend clearly represents a recovery of part of the cost of the investment.

B2-6 Other income

\$ '000	Notes	2022	2021
Fair value increment on investment properties			
Fair value increment on investment properties		4,046	–
Total fair value increment on investment properties	C1-6	4,046	–
Fair value increment on investments			
Fair value increment on investments through profit and loss		–	1,854
Total Fair value increment on investments		–	1,854
Rental income			
Investment properties			
Lease income		2,607	2,831
Total Investment properties		2,607	2,831
Other lease income			
Other		3,119	2,535
Total other lease income		3,119	2,535
Total rental income	C2-2	5,726	5,366
Total other income		9,772	7,220

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	56,826	55,640
Employee leave entitlements (ELE)	5,076	5,587
Superannuation	6,008	5,843
Workers' compensation insurance	3,135	3,100
Fringe benefit tax (FBT)	152	137
Other	223	230
Total employee costs	71,420	70,537
Less: capitalised costs	(2,181)	(2,259)
Total employee costs expensed	69,239	68,278
Number of 'full-time equivalent' employees (FTE) at year end	600	632
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	697	697

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note E3-1 for more information.

B3-2 Materials and services

\$ '000	Notes	2022	2021
Raw materials and consumables		5,745	5,754
Contractor and consultancy costs		7,954	7,727
Contractor and consultancy costs (temporary staff)		695	796
Audit Fees	F2-1	115	87
Infringement notice contract costs (SEINS)		1,281	1,434
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	362	379
Advertising		538	309
Bank charges		620	687
Cleaning		1,812	2,073
Computer software charges		1,975	1,616
Election expenses		384	–
Electricity and heating		489	501
Insurance		1,496	1,452
Office expenses (including computer expenses)		228	273
Postage		236	188
Printing and stationery		300	512
Street lighting		801	793
Subscriptions and publications		417	366
Telephone and communications		145	152
Valuation fees		93	97
Travel expenses		–	201
Abandonment of fines by office of state debt recovery		929	1,007
Car park levy		141	134
Family day care subsidy		755	1,029
Land tax – crown land		659	620
Waste disposal charges		7,379	7,299
Water rates and charges		255	222
Strata Levy		352	313
Training costs (other than salaries and wages)		357	394
Other expenses		784	807
Legal expenses:			
– Legal expenses: planning and development		1,235	912
– Legal expenses: other		1,006	1,455
Variable lease expense relating to usage (IT Network Data and Cloud Charges)		1,871	1,143
Operating leases expense:			
Other (fuel and gas)		580	441
Total materials and services		41,898	41,173

Accounting policy

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

B3-3 Borrowing costs

\$ '000	2022	2021
(i) Interest bearing liability costs		
Interest on leases	10	7
Interest on loans	63	75
Total interest bearing liability costs	73	82
Total interest bearing liability costs expensed	73	82
Total borrowing costs expensed	73	82

B3-3 Borrowing costs (continued)

Accounting policy

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

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

\$ '000	Notes	2022	2021
Depreciation and amortisation			
Plant and equipment		1,803	1,919
Office equipment		284	275
Infrastructure:	C1-5		
– Buildings – non-specialised		3,046	3,024
– Buildings – specialised		3,977	3,906
– Other structures		869	514
– Roads		5,931	5,702
– Footpaths		1,815	1,672
– Stormwater drainage		1,131	904
– Other open space/recreational assets		3,115	2,744
Right of use assets	C2-1	431	429
Other assets:			
– Library books		224	225
– Other		126	127
Total depreciation and amortisation costs		22,752	21,441
Total depreciation, amortisation and impairment for non-financial assets		22,752	21,441

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-5 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 not tested for impairment since these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

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

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

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

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

B3-5 Other expenses

\$ '000	Notes	2022	2021
Fair value decrement on investment properties			
Fair value decrement on investment properties		–	3,657
Total fair value decrement on investment properties	C1-6	–	3,657
Fair value decrement on investments			
Fair value decrement on investments through profit and loss		1,561	–
Total Fair value decrement on investments	C1-2	1,561	–
Other			
Contributions/levies to other levels of government		26	12
– Department of planning levy		533	446
– Emergency services levy (includes FRNSW, SES, and RFS levies)		109	143
– NSW fire brigade levy		1,586	1,762
Donations, contributions and assistance to other organisations (Section 356)		622	685
Total other expenses		4,437	6,705

Accounting policy

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

Impairment expenses are recognised when identified.

B4 Gains or losses

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

\$ '000	Notes	2022	2021
Gain (or loss) on disposal of plant and equipment	C1-5		
Proceeds from disposal – plant and equipment		534	359
Less: carrying amount of plant and equipment assets sold/written off		<u>(233)</u>	<u>(185)</u>
Gain (or loss) on disposal		<u>301</u>	<u>174</u>
Gain (or loss) on disposal of infrastructure	C1-5		
Less: carrying amount of infrastructure assets sold/written off		<u>(5,567)</u>	<u>(4,011)</u>
Gain (or loss) on disposal		<u>(5,567)</u>	<u>(4,011)</u>
Gain (or loss) on disposal of investments	C1-2		
Proceeds from disposal/redemptions/maturities – investments		106,600	113,750
Less: carrying amount of investments sold/redeemed/matured		<u>(106,600)</u>	<u>(113,750)</u>
Gain (or loss) on disposal		<u>–</u>	<u>–</u>
Net gain (or loss) from disposal of assets		<u>(5,266)</u>	<u>(3,837)</u>

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 15/06/2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Revenues				
Rates and annual charges	66,372	66,595	223	0% F
User charges and fees	45,582	38,965	(6,617)	(15)% U
The lower user charges and fees are mainly due to Child Care Benefits being allocated to Operating grants and contributions and Outdoor eating income was allocated to Other revenue. Lower than expected parking fee in car park and street parking due to COVID-19.				
Other revenues	13,160	11,045	(2,115)	(16)% U
Lower than expected from parking fines as a result of COVID-19.				
Operating grants and contributions	5,509	10,048	4,539	82% F
Higher Operating grants and contributions is due to Child Care Benefits being included in this category. Remaining favourable variance is due to higher revenue sharing grant received in Finance.				
Capital grants and contributions	20,961	24,238	3,277	16% F
Due to recognition of Whitton Lane properties from VPA not budgeted.				
Interest and investment revenue	859	1,016	157	18% F
Extra interest charges from rates collection as a result of overdue unpaid rate notices unbudgeted.				
Net gains from disposal of assets	975	-	(975)	(100)% U
Total net asset disposal results in a loss for the year				
Other income	6,485	9,772	3,287	51% F
The variance is mainly due to the fair value increment on Investment Properties, which was not in the original budget.				
Expenses				
Employee benefits and on-costs	70,420	69,239	1,181	2% F
Materials and services	42,291	41,898	393	1% F
Borrowing costs	65	73	(8)	(12)% U
Interest expense on leased assets was not budgeted				
Depreciation, amortisation and impairment of non-financial assets	21,998	22,752	(754)	(3)% U
Other expenses	3,162	4,437	(1,275)	(40)% U
Fair value decrement on Investments was not anticipated in the original budget.				

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----		
Net losses from disposal of assets	–	5,266	(5,266)	∞	U
Net losses from disposal of assets are largely from write of off other infrastructure assets (other structure & other open space/recreational assets) and roads as a result of renewal/upgrade works.					
Statement of cash flows					
Cash flows from operating activities	42,188	41,996	(192)	0%	U
Cash flows from investing activities	(43,052)	(47,676)	(4,624)	11%	U
The actual cash outflows from investing activities is lower than the original budget largely due to Sale of investment securities.					
Cash flows from financing activities	(447)	(882)	(435)	97%	U
It is due to principal component of lease payments not being in the budget.					

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash assets		
Cash on hand and at bank	1,040	1,004
Cash equivalent assets		
– Deposits at call	5,677	11,360
– Managed funds	15,051	15,966
Total cash and cash equivalents	21,768	28,330

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	21,768	28,330
Balance as per the Statement of Cash Flows	21,768	28,330

Accounting policy

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

C1-2 Financial investments

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Financial assets at fair value through the profit and loss				
NCD's, FRN's	32,781	–	30,777	–
Total	32,781	–	30,777	–
Debt securities at amortised cost				
Long term deposits	64,500	8,000	91,500	2,000
Total	64,500	8,000	91,500	2,000
Total financial investments	97,281	8,000	122,277	2,000
Total cash assets, cash equivalents and investments	119,049	8,000	150,607	2,000

Accounting policy

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

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

Financial assets

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

Classification

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

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

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

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

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 at 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 the 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.

C1-2 Financial investments (continued)

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

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

\$ '000	2022	2021
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	127,049	152,607
Less: Externally restricted cash, cash equivalents and investments	<u>(41,452)</u>	<u>(38,622)</u>
Cash, cash equivalents and investments not subject to external restrictions	85,597	113,985
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants – general fund	<u>4,705</u>	<u>1,730</u>
External restrictions – included in liabilities	4,705	1,730
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	22,508	24,579
Specific purpose unexpended grants (recognised as revenue) – general fund	259	501
Stormwater management	835	492
Domestic waste management	<u>13,145</u>	<u>11,320</u>
External restrictions – other	36,747	36,892
Total external restrictions	41,452	38,622

Cash, cash equivalents and investments subject to external restrictions are those which are only available for specific use by Council due to a restriction placed by legislation or third-party contractual agreement.

\$ '000	2022	2021
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	85,597	113,985
Less: Internally restricted cash, cash equivalents and investments	<u>(78,852)</u>	<u>(103,778)</u>
Unrestricted and unallocated cash, cash equivalents and investments	6,745	10,207
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Plant and vehicle replacement	5,703	4,955
SAMP Infrastructure	4,525	12,863
Employees leave entitlement	5,270	5,636
Carry over works	9,311	7,965
Deposits, retentions and bonds	19,365	16,290
Affordable housing	1,946	1,910
Cemeteries	898	583
Election	165	450
Centralised reserve	4,085	6,865
IT Information	375	1,998
Property Investment strategy	17,829	33,292
Parking meters	1,894	1,923
Car Park Parking	1,994	2,296
Social housing	546	551

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

\$ '000	2022	2021
Unexpended loans	-	51
Other	<u>4,946</u>	<u>6,150</u>
Total internal allocations	<u>78,852</u>	<u>103,778</u>

Cash, cash equivalents and investments not subject to external restrictions may be internally allocated by resolution or policy of the elected Council.

\$ '000	2022	2021
(c) Unrestricted and unallocated		
Unrestricted and unallocated cash, cash equivalents and investments	<u>6,745</u>	<u>10,207</u>

C1-4 Receivables

\$ '000	2022		2021	2021
	Current	Non-current	Current	Non-current
Rates and annual charges	2,116	858	1,904	675
Interest and extra charges	152	184	91	237
User charges and fees	1,157	–	1,877	–
Accrued revenues				
– Interest on investments	164	–	290	–
– Other income accruals	1,710	–	234	–
Government grants and subsidies	5,145	–	8,141	–
Net GST receivable	1,514	–	1,740	–
Parking fines	2,204	2,326	2,489	2,009
Total	14,162	3,368	16,766	2,921
Less: provision for impairment				
User charges and fees	(101)	–	(57)	–
Parking fines	–	(1,383)	–	(1,383)
Total provision for impairment – receivables	(101)	(1,383)	(57)	(1,383)
Total net receivables	14,061	1,985	16,709	1,538
Externally restricted receivables				
Domestic waste management	1,134	400	1,099	355
Total external restrictions	1,134	400	1,099	355
Unrestricted receivables	12,927	1,585	15,610	1,183
Total net receivables	14,061	1,985	16,709	1,538

\$ '000	2022	2021
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	1,440	1,564
– amounts already provided for and written off this year	(10)	(52)
– Provision recognised/(reduced) during the year	54	(72)
Balance at the end of the year	1,484	1,440

Accounting policy

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.

Impairment

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

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

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

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.

C1-4 Receivables (continued)

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

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.

C1-5 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period							At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	45,118	–	45,118	40,336	4,960	(486)	–	(9,502)	–	–	80,426	–	80,426
Plant and equipment	21,774	(13,569)	8,205	–	617	(233)	(1,803)	–	–	–	21,587	(14,801)	6,786
Office equipment	11,083	(10,203)	880	3	626	–	(284)	6	–	–	11,719	(10,488)	1,231
Land:													
– Crown land	156,201	–	156,201	–	–	–	–	–	–	–	156,201	–	156,201
– Operational land	78,811	–	78,811	–	–	–	–	–	–	34,764	113,575	–	113,575
– Community land	101,142	–	101,142	–	–	–	–	–	–	–	101,142	–	101,142
Infrastructure:													
– Buildings – non-specialised	126,022	(49,987)	76,035	392	5,164	–	(3,046)	29	(23)	31,850	135,705	(25,304)	110,401
– Buildings – specialised	129,815	(74,832)	54,983	172	–	(69)	(3,977)	101	(233)	8,216	111,125	(51,932)	59,193
– Other structures	28,631	(10,360)	18,271	4,796	137	(179)	(869)	252	233	1,196	35,540	(11,703)	23,837
– Roads	441,091	(212,651)	228,440	4,272	–	(3,401)	(5,931)	7,165	23	24,840	494,008	(238,600)	255,408
– Footpaths	63,506	(27,075)	36,431	2,486	–	(444)	(1,815)	720	–	4,008	72,787	(31,401)	41,386
– Stormwater drainage	127,411	(51,950)	75,461	2,120	–	(94)	(1,131)	–	–	7,288	141,709	(58,065)	83,644
– Other open space/recreational assets	165,120	(74,690)	90,430	3,092	–	(894)	(3,115)	1,229	–	4,792	176,842	(81,308)	95,534
Other assets:													
– Library books	4,185	(3,018)	1,167	–	201	–	(224)	–	–	–	4,386	(3,242)	1,144
– Other	6,197	(2,486)	3,711	22	–	–	(126)	–	–	–	6,219	(2,612)	3,607
Total infrastructure, property, plant and equipment	1,506,107	(530,821)	975,286	57,691	11,705	(5,800)	(22,321)	–	–	116,954	1,662,971	(529,456)	1,133,515

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

C1-5 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period							At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	21,976	–	21,976	39,446	–	(1,087)	–	(15,217)	–	–	45,118	–	45,118
Plant and equipment	21,535	(12,045)	9,490	–	819	(185)	(1,919)	–	–	–	21,774	(13,569)	8,205
Office equipment	11,014	(9,928)	1,086	8	61	–	(275)	–	–	–	11,083	(10,203)	880
Land:													
– Operational land	78,811	–	78,811	–	–	–	–	–	–	–	78,811	–	78,811
– Community land	101,142	–	101,142	–	–	–	–	–	–	–	101,142	–	101,142
– Crown land	156,201	–	156,201	–	–	–	–	–	–	–	156,201	–	156,201
Infrastructure:													
– Buildings – non-specialised	125,520	(46,962)	78,558	501	–	–	(3,024)	–	–	–	126,022	(49,987)	76,035
– Buildings – specialised	125,243	(70,926)	54,317	971	1,085	–	(3,906)	2,516	–	–	129,815	(74,832)	54,983
– Other structures	29,717	(11,902)	17,815	524	676	(527)	(514)	910	(318)	(295)	28,631	(10,360)	18,271
– Roads	430,657	(208,480)	222,177	5,807	697	(1,568)	(5,702)	7,029	–	–	441,091	(212,651)	228,440
– Footpaths	59,358	(25,681)	33,677	476	401	(182)	(1,672)	3,731	–	–	63,506	(27,075)	36,431
– Stormwater drainage	126,110	(51,102)	75,008	286	1,079	(92)	(904)	84	–	–	127,411	(51,950)	75,461
– Other open space/recreational assets	147,384	(60,625)	86,759	1,627	3,051	(555)	(2,744)	947	318	1,027	165,120	(74,690)	90,430
Other assets:													
– Library books	3,983	(2,793)	1,190	–	202	–	(225)	–	–	–	4,185	(3,018)	1,167
– Other	6,196	(2,358)	3,838	–	–	–	(127)	–	–	–	6,197	(2,486)	3,711
Total infrastructure, property, plant and equipment	1,444,847	(502,802)	942,045	49,646	8,071	(4,196)	(21,012)	–	–	732	1,506,107	(530,821)	975,286

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

C1-5 Infrastructure, property, plant and equipment (continued)

Accounting policy

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:

Plant and equipment	Years	Other equipment	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	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 150
Other plant and equipment	5 to 15	Buildings: other	20 to 100
Other Assets		Stormwater assets	
Library Books	5 to 10	Drains	80 to 100
Other	5 to 100	Culverts	50 to 80
		Flood control structures	80 to 100
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	100
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Road pavements	60	Seawall	120
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.

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.

Externally restricted infrastructure, property, plant and equipment

\$ '000	as at 30/06/22			as at 30/06/21		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Domestic waste management						
Plant and equipment	15,107	8,924	6,183	14,688	7,985	6,703
Total domestic waste management	15,107	8,924	6,183	14,688	7,985	6,703
Total restricted infrastructure, property, plant and equipment	15,107	8,924	6,183	14,688	7,985	6,703

C1-6 Investment properties

\$ '000	2022	2021
Owned investment property		
Investment property on hand at fair value	115,090	110,785
Total owned investment property	115,090	110,785
Owned investment property		
At fair value		
Opening balance at 1 July	110,785	113,910
Capitalised subsequent expenditure	259	532
Net gain/(loss) from fair value adjustments	4,046	(3,657)
Closing balance at 30 June	115,090	110,785

Accounting policy

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

C2 Leasing activities

C2-1 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.

Terms and conditions of leases

These leases have between 1 and 5 years.

(a) Right of use assets

\$ '000	Property, Plant & Equipment	Total
2022		
Opening balance at 1 July	777	777
Depreciation charge	(431)	(431)
Balance at 30 June	345	345
2021		
Opening balance at 1 July	1,206	1,206
Depreciation charge	(429)	(429)
Balance at 30 June	777	777

(b) Lease liabilities

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Lease liabilities	255	144	429	407
Total lease liabilities	255	144	429	407

(c) (i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2022					
Cash flows	447	415	–	862	399
2021					
Cash flows	429	849	–	1,278	836

(d) Income Statement

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

\$ '000	2022	2021
Interest on lease liabilities	10	7
Variable lease payments based on usage not included in the measurement of lease liabilities	1,871	1,143

continued on next page ...

C2-1 Council as a lessee (continued)

\$ '000	2022	2021
Depreciation of right of use assets	431	429
	2,312	1,579

(e) Statement of Cash Flows

Total cash outflow for leases	(436)	(421)
	(436)	(421)

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

Accounting policy

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C2-2 Council as a lessor

Operating leases

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

\$ '000	2022	2021
(i) Assets held as investment property		
The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below		
Lease income (excluding variable lease payments not dependent on an index or rate)	2,607	2,831

continued on next page ...

C2-2 Council as a lessor (continued)

\$ '000	2022	2021
Total income relating to operating leases for investment property assets	2,607	2,831
Operating lease expenses		
Direct operating expenses that generated rental income	(2,257)	(2,283)
Direct operating expenses that did not generate rental income	(437)	(460)
Total expenses relating to operating leases	(2,694)	(2,743)

(ii) Assets held as property, plant and equipment

Lease income (excluding variable lease payments not dependent on an index or rate)	3,119	2,535
Total income relating to operating leases for Council assets	3,119	2,535

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

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

< 1 year	3,937	3,586
1–2 years	2,567	1,884
2–3 years	2,368	746
3–4 years	2,166	676
4–5 years	1,983	592
> 5 years	5,227	5,433
Total undiscounted lease payments to be received	18,248	12,917

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

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Payables				
Goods and services – operating expenditure	4,061	–	8,544	–
Goods and services – capital expenditure	5,583	–	6,737	–
Accrued expenses:				
– Borrowings	13	–	16	–
– Salaries and wages	381	–	–	–
– Other expenditure accruals	1,829	–	1,600	–
Security bonds, deposits and retentions	1,710	–	1,589	–
Builders deposits	17,655	–	14,701	–
Other	96	–	188	–
Prepaid rates	622	–	558	–
Total payables	31,950	–	33,933	–
Income received in advance				
Payments received in advance	610	–	252	–
Total income received in advance	610	–	252	–
Total payables	32,560	–	34,185	–

Payables relating to restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Externally restricted assets				
Domestic waste management	474	–	829	–
Payables relating to externally restricted assets	474	–	829	–
Total payables relating to restricted assets	474	–	829	–
Total payables relating to unrestricted assets	32,086	–	33,356	–
Total payables	32,560	–	34,185	–

C3-1 Payables (continued)

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

\$ '000	2022	2021
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	17,655	14,701
Total payables	17,655	14,701

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	4,642	–	1,653	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	63	–	77	–
Total grants received in advance		4,705	–	1,730	–
Upfront fees	(iii)	154	–	247	–
Total user fees and charges received in advance		154	–	247	–
Total contract liabilities		4,859	–	1,977	–

Notes

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

(ii) Operating grants received in advance. The revenue is expected to be recognised in the next 12 months.

(iii) These are mainly from upfront income for roads restorations, car parks, library and bus shelter.

Contract liabilities relating to restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Externally restricted assets				
Unspent grants held as contract liabilities (excl. Water & Sewer)	4,705	–	1,730	–
Contract liabilities relating to externally restricted assets	4,705	–	1,730	–

C3-2 Contract Liabilities (continued)

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Total contract liabilities relating to restricted assets	4,705	–	1,730	–
Total contract liabilities relating to unrestricted assets	154	–	247	–
Total contract liabilities	4,859	–	1,977	–

Revenue recognised that was included in the contract liability balance at the beginning of the period

\$ '000	2022	2021
	Grants and contributions received in advance:	
Capital grants (to construct Council controlled assets)	1,730	946
Total revenue recognised that was included in the contract liability balance at the beginning of the period	1,730	946

Accounting policy

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

C3-3 Borrowings

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Loans – secured ¹	460	1,581	447	2,040
Total borrowings	460	1,581	447	2,040

(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 E1-1.

Borrowings relating to restricted assets

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Total borrowings relating to unrestricted assets	460	1,581	447	2,040
Total borrowings	460	1,581	447	2,040

Current borrowings not anticipated to be settled within the next twelve months

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

(a) Changes in liabilities arising from financing activities

\$ '000	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	2,487	(446)	–	–	–	–	2,041
Lease liability (Note C2-1b)	836	(437)	–	–	–	–	399

C3-3 Borrowings (continued)

Total liabilities from financing activities	3,323	(883)	-	-	-	-	2,440
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	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
\$ '000							
Loans – secured	2,923	(436)	-	-	-	-	2,487
Lease liability (Note C2-1b)	1,257	(421)	-	-	-	-	836
Total liabilities from financing activities	4,180	(857)	-	-	-	-	3,323

(b) Financing arrangements

\$ '000	2022	2021
Total facilities		
Bank overdraft facilities ¹	250	250
Credit cards/purchase cards	30	30
Total financing arrangements	280	280
Undrawn facilities		
– Bank overdraft facilities	250	250
– Credit cards/purchase cards	30	30
Total undrawn financing arrangements	280	280

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

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Annual leave	6,801	-	6,652	-
Sick leave	1,355	-	1,532	-
Long service leave	6,992	1,129	7,825	1,342
Gratuities	331	-	387	-
Time off in lieu	186	-	145	-
Total employee benefit provisions	15,665	1,129	16,541	1,342

C3-4 Employee benefit provisions (continued)

Employee benefit provisions relating to restricted assets

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Externally restricted assets				
Domestic Waste Management	1,103	217	1,357	282
Employee benefit provisions relating to externally restricted assets	1,103	217	1,357	282
Total employee benefit provisions relating to restricted assets	1,103	217	1,357	282
Total employee benefit provisions relating to unrestricted assets	14,562	912	15,184	1,060
Total employee benefit provisions	15,665	1,129	16,541	1,342

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

\$ '000	2022	2021
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	11,578	11,338
	11,578	11,338

Description of and movements in provisions

\$ '000	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	Other employee benefits	
2022					
At beginning of year	6,652	1,532	9,167	532	17,883
Additional provisions	4,337	–	598	141	5,076
Amounts used (payments)	(4,188)	(177)	(1,644)	(156)	(6,165)
Total ELE provisions at end of year	6,801	1,355	8,121	517	16,794
2021					
At beginning of year	6,223	1,677	9,054	588	17,542
Additional provisions	4,327	–	1,135	125	5,587
Amounts used (payments)	(3,898)	(145)	(1,022)	(181)	(5,246)
Total ELE provisions at end of year	6,652	1,532	9,167	532	17,883

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured

C3-4 Employee benefit provisions (continued)

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.

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

D Council structure

D1 Interests in other entities

D1-1 Interests in joint arrangements

(i) Joint operations

	Principal activity
(a) Council is involved in the following joint operations (JO's)	
Name of joint operation: Bourke Road Integrated Facility	Council main depot operation is a shared operations facility with Woollahra Council

Council assets employed in the joint operations

\$ '000	2022	2021
Council's own assets employed in the operations		
Current assets:		
Receivables	317	112
Non-current assets		
Property, plant and equipment	24,550	17,695
Total assets – Council owned	24,867	17,807
Total net assets employed – Council and jointly owned	24,867	17,807

Accounting policy

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.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

E1-1 Risks relating to financial instruments held (continued)

\$ '000	Carrying value 2022	Carrying value 2021	Fair value 2022	Fair value 2021
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	21,768	28,330	21,768	28,330
Receivables	16,046	18,247	16,046	18,247
Investments				
– Debt securities at amortised cost	72,500	93,500	72,500	93,500
Fair value through profit and loss				
Investments				
– Available for sale	32,781	30,777	32,781	30,777
Total financial assets	143,095	170,854	143,095	170,854
Financial liabilities				
Payables	31,950	33,933	31,950	33,933
Loans/advances	2,041	2,487	2,041	2,487
Total financial liabilities	33,991	36,420	33,991	36,420

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 its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

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

E1-1 Risks relating to financial instruments held (continued)

(a) Market risk – interest rate and price risk

\$ '000	2022	2021
<p>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.</p>		
<p>Impact of a 1% movement in interest rates</p>		
– Equity / Income Statement	1,273	1,526
<p>Impact of a 10% movement in price of investments</p>		
– Equity / Income Statement	3,278	3,078

E1-1 Risks relating to financial instruments held (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 recover these debts as a secured charge over the land; that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages payment.

\$ '000	Not yet overdue rates and annual charges			Total
	Not yet overdue	< 5 years	≥ 5 years	
2022				
Gross carrying amount	–	2,974	–	2,974
2021				
Gross carrying amount	–	2,579	–	2,579

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
2022						
Gross carrying amount	10,426	717	27	101	3,285	14,556
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	37.16%	8.39%
ECL provision	–	–	–	–	1,484	1,484
2021						
Gross carrying amount	11,488	1,301	298	144	3,877	17,108
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	37.14%	8.42%
ECL provision	–	–	–	–	1,440	1,440

E1-1 Risks relating to financial instruments held (continued)

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2022							
Payables	0.00%	–	9,644	22,306	–	31,950	31,950
Borrowings	2.68%	–	460	1,581	–	2,041	2,041
Total financial liabilities		–	10,104	23,887	–	33,991	33,991
2021							
Payables	0.00%	16,290	17,643	–	–	33,933	33,933
Borrowings	2.68%	–	447	2,040	–	2,487	2,487
Total financial liabilities		16,290	18,090	2,040	–	36,420	36,420

Loan agreement breaches

No breaches to loan agreements which have occurred during the reporting year.

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.

E2-1 Fair value measurement (continued)

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

\$ '000	Notes	Fair value measurement hierarchy				Total	
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		2022	2021
		2022	2021	2022	2021		
Recurring fair value measurements							
Financial assets							
Financial investments	C1-2						
At fair value through profit or loss		32,781	30,777	–	–	32,781	30,777
Investment property							
Investment properties	C1-6	115,090	110,785	–	–	115,090	110,785
Total investment property		115,090	110,785	–	–	115,090	110,785
Infrastructure, property, plant and equipment							
Buildings – non-specialised	C1-5	–	–	110,401	76,035	110,401	76,035
Buildings special		–	–	59,193	54,983	59,193	54,983
Community land		–	–	101,142	101,142	101,142	101,142
Crown Land		–	–	156,201	156,201	156,201	156,201
Operational land		–	–	113,575	78,811	113,575	78,811
Footpaths		–	–	41,386	36,431	41,386	36,431
Roads		–	–	255,408	228,440	255,408	228,440
Stormwater drainage		–	–	83,644	75,461	83,644	75,461
Office equipment and furniture		–	–	1,231	880	1,231	880
Plant and equipment		–	–	6,786	8,205	6,786	8,205
Open space and recreation		–	–	95,534	90,430	95,534	90,430
Library books and resources		–	–	1,144	1,167	1,144	1,167
Other structures		–	–	23,837	18,271	23,837	18,271
Other assets		–	–	3,607	3,711	3,607	3,711
Total infrastructure, property, plant and equipment		–	–	1,053,089	930,168	1,053,089	930,168

Valuation techniques

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

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 2022 by APV Valuers & Asset Management, RICS Registered Valuer - 1169941.

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

E2-1 Fair value measurement (continued)

and financial feasibility. Implied within these criteria is the recognition of the contribution of that specific use to community environment or to community development goals, in addition to wealth maximisation to the individual owner.

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

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

Other investment properties such as public car park and shopping centre office space have been valued using Cost approach with Level 3 valuation inputs in the past.

Infrastructure, property, plant and equipment (IPPE)

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 2022 by APV Valuers & Asset Management, RICS Registered Valuer – 1169941.

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 at June 2022 by APV Valuers & Asset Management, RICS Registered Valuer – 1169941.

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 estimated 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,

E2-1 Fair value measurement (continued)

specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period. Cost indexation desktop assessment review was applied for the 30 June 2022 balance.

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 estimated 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 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. Cost indexation desktop assessment review was applied for the 30 June 2022 balance.

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. Cost indexation desktop assessment review was applied for the 30 June 2022 balance.

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, Playgrounds and Seawalls. 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. Cost indexation desktop assessment review was applied for the 30 June 2022 balance.

E2-1 Fair value measurement (continued)

Library Books and Resources

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

Other Structures

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

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. As such 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. Cost indexation desktop assessment review was applied for the 30 June 2022 balance.

Other Assets

This asset class comprises 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.

E2-1 Fair value measurement (continued)

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

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

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Buildings	Non-Specialised Buildings: Market Value Specialised Buildings: Depreciated replacement cost	* Gross replacement cost * Asset Condition * Remaining useful life
Community Land and Crown Land	Land values obtained from the NSW Valuer-General	* Price Per square metre
Operational Land	Market Value	* Price Per square metre
Footpaths	Unit rates per m2 or length	* Gross replacement cost * Asset Condition * Remaining useful life
Roads	Unit rates per m2 or length	* Gross replacement cost * Asset Condition * Remaining useful life
Stormwater Drainage	Unit rates per m2 or length	* Gross replacement cost * Asset Condition * Remaining useful life
Plant & Equipment	Historical Cost	* Gross replacement cost * Remaining useful life
Office Equipment	Historical Cost	* Gross replacement cost * Remaining useful life
Open Space & Recreation	Depreciated replacement cost	* Gross replacement cost * Asset Condition * Remaining useful life
Library Books	Historical Cost	* Gross replacement cost * Remaining useful life
Other Structures	Depreciated replacement cost	* Gross replacement cost * Asset Condition * Remaining useful life
Other Assets	Historical Cost	* Gross replacement cost * Remaining useful life

E2-1 Fair value measurement (continued)

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

\$ '000	Buildings		Land		Plant & equipment		Infrastructure	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	131,018	132,875	336,154	336,154	9,085	10,576	449,033	435,436
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	40,065	–	34,764	–	–	–	42,124	732
Other movements								
Purchases (GBV)	5,859	5,073	–	–	1,252	888	26,525	27,325
Disposals (WDV)	(325)	–	–	–	(233)	(185)	(5,012)	(2,924)
Depreciation and impairment	(7,023)	(6,930)	–	–	(2,087)	(2,194)	(12,861)	(11,536)
Closing balance	169,594	131,018	370,918	336,154	8,017	9,085	499,809	449,033

\$ '000	Other assets		Total	
	2022	2021	2022	2021
Opening balance	4,878	5,028	930,168	920,069
Recognised in other comprehensive income – revaluation surplus	–	–	116,953	732
Purchases (GBV)	222	202	33,858	33,488
Disposals (WDV)	–	–	(5,570)	(3,109)
Depreciation and impairment	(349)	(352)	(22,320)	(21,012)
Closing balance	4,751	4,878	1,053,089	930,168

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

* For 180 Point Members, Employers are required to contribute 7.5% 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 31 December 2021 and \$20 million per annum for 1 January to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2022 was \$589,591.91. The last valuation of the Scheme was performed by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2021, and covers the period ended 30 June 2022.

The amount of additional contributions included in the total employer contribution advised above is \$227,425.68. Council's expected contribution to the plan for the next annual reporting period is \$395,193.00.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2022 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	2,376.6	
Past Service Liabilities	2,380.7	99.8%
Vested Benefits	2,391.7	99.4%

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

The share of any funding surplus or deficit that can be attributed to Council is 1.14%.

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	5.5% 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 30/6/2022 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.

(iv) Other guarantees

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

E3-1 Contingencies (continued)

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.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

They included 12 councillors and seven senior staff in FY2021/22:

- Councillors,
- General Manager,
- Directors,
- General Counsel, and
- Chief Financial Officer.

During the year Council adopted a new structure that will see the KMP reduced to 5, and the cost in 2021-22 is higher due to the restructuring.

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

\$ '000	2022	2021
Compensation:		
Short-term benefits	2,442	2,235
Post-employment benefits	103	127
Other long-term benefits	25	152
Termination benefits	606	–
Total	3,176	2,514

Other transactions with KMP and their related parties

Nature of the transaction	Ref	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000						
2021						
Grants & Contributions Provided to Waverley Action for Youth Services	1	86	–		–	–
Subsidised Property Rental from Waverley Action for Youth Services	2	13	–		–	–

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.

F1-1 Key management personnel (KMP) (continued)

- 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 \$13k of rent and utility expenses in 2020/21.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2022	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	41	44
Councillors' fees	227	237
Other Councillors' expenses (including Mayor)	94	98
Total	362	379

F2 Other relationships

F2-1 Audit fees

\$ '000	2022	2021
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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

	115	87
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Remuneration for audit and other assurance services	115	87
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Total Auditor-General remuneration	115	87
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Total audit fees	115	87
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G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	2022	2021
Net operating result from Income Statement	18,014	9,095
Add / (less) non-cash items:		
Depreciation and amortisation	22,752	21,441
(Gain) / loss on disposal of assets	5,266	3,837
Non-cash capital grants and contributions	(5,164)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as ‘at fair value’ or ‘held for trading’	1,561	(1,854)
– Investment property	(4,046)	3,657
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	2,157	(6,787)
Increase / (decrease) in provision for impairment of receivables	44	(124)
(Increase) / decrease of other current assets	90	(630)
Increase / (decrease) in payables	(4,483)	4,325
Increase / (decrease) in accrued interest payable	(3)	(3)
Increase / (decrease) in other accrued expenses payable	610	(1,729)
Increase / (decrease) in other liabilities	3,405	2,849
Increase / (decrease) in contract liabilities	2,882	980
Increase / (decrease) in employee benefit provision	(1,089)	341
Net cash flows from operating activities	41,996	35,398

(b) Non-cash investing and financing activities

Developer contributions ‘in kind’	5,164	–
Total non-cash investing and financing activities	5,164	–

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2022	2021
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	11,325	29,258
Plant and equipment	517	503
Infrastructure	10,954	10,319
Total commitments	22,796	40,080
These expenditures are payable as follows:		
Later than one year and not later than 5 years	1,386	353
Within the next year	21,410	39,727
Total payable	22,796	40,080
Sources for funding of capital commitments:		
Unrestricted general funds	337	853
Future grants and contributions	1,210	8,866
Section 7.11 and 64 funds/reserves	1,105	609
Unexpended grants	23	707
Externally restricted reserves	47	36
Internally restricted reserves	20,074	29,009
Total sources of funding	22,796	40,080

G3-1 Events occurring after the reporting date

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

G4 Statement of developer contributions as at 30 June 2022

G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
S7.12 levies – under a plan	3,521	2,691	–	–	(3,176)	–	3,036	–
Total S7.11 and S7.12 revenue under plans	3,521	2,691	–	–	(3,176)	–	3,036	–
S7.4 planning agreements	21,058	2,415	5,164	–	(4,001)	–	19,472	–
Total contributions	24,579	5,106	5,164	–	(7,177)	–	22,508	–

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.

S7.12 Levies – under a plan

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
S7.12 LEVIES – UNDER A PLAN								
Roads	3,521	2,691	–	–	(3,176)	–	3,036	–
Total	3,521	2,691	–	–	(3,176)	–	3,036	–

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	2021	Indicators 2020	2019	Benchmark
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(3,443)	(2.58)%	(3.43)%	(8.58)%	0.78%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	133,395					
2. Own source operating revenue ratio						
Total continuing operating revenue excluding all grants and contributions ¹	123,347	78.25%	80.61%	79.17%	87.31%	> 60.00%
Total continuing operating revenue	157,633					
3. Unrestricted current ratio						
Current assets less all external restrictions	99,124	5.42x	5.51x	7.22x	11.13x	> 1.50x
Current liabilities less specific purpose liabilities	18,284					
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	19,382	20.30x	18.18x	11.18x	42.77x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	955					
5. Rates and annual charges outstanding percentage						
Rates and annual charges outstanding	3,310	4.75%	4.24%	5.06%	2.84%	< 5.00%
Rates and annual charges collectable	69,651					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	94,268	8.89 months	12.40 months	13.38 months	15.22 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	10,604					

(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

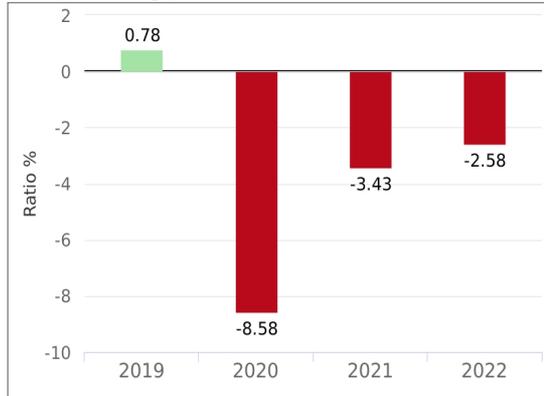
(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

End of the audited financial statements

H Additional Council disclosures (unaudited)

H1-1 Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2021/22 result

2021/22 ratio (2.58)%

In 2021/22 financial year, Council's operating performance ratio has improved from 2020/21, but is still not meeting the industry benchmark of 0%.

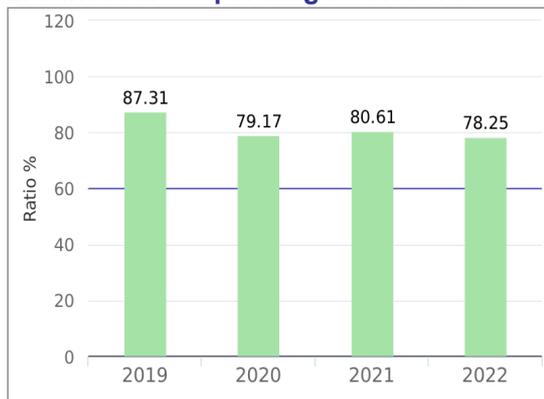
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2021/22 result

2021/22 ratio 78.25%

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.

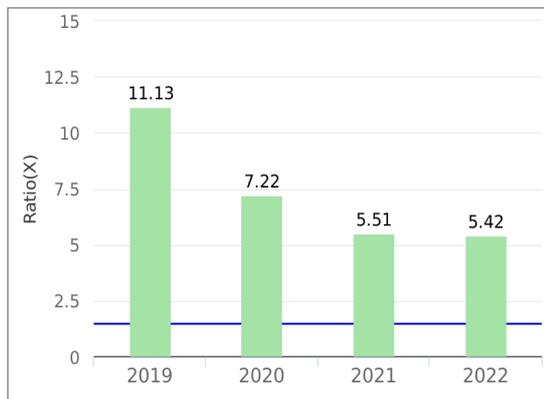
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2021/22 result

2021/22 ratio 5.42x

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

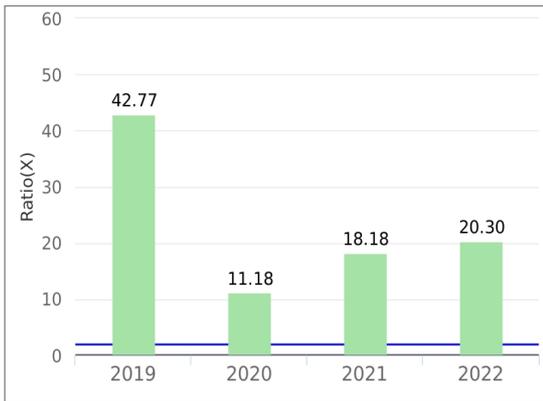
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-1 Statement of performance measures – consolidated results (graphs) (continued)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2021/22 result

2021/22 ratio 20.30x

This ratio shows that Waverley Council has strong capacity to repay additional debt and provides a favorable comparison with the industry benchmark of greater than 2.00x.

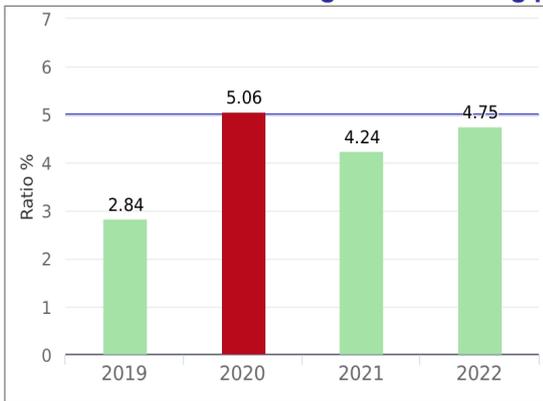
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2021/22 result

2021/22 ratio 4.75%

The ratio compares well with the industry benchmark of less than 5.00%.

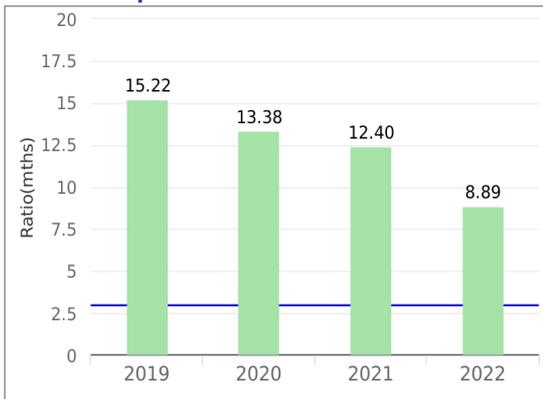
Benchmark: — < 5.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2021/22 result

2021/22 ratio 8.89 months

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

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Financial review

Key financial figures of Council over the past 5 years

\$ '000	2022	2021	2020	2019	2018
Inflows:					
Rates and annual charges revenue	66,595	65,151	63,403	61,429	59,366
User charges revenue	38,965	33,786	32,450	37,278	35,575
Interest and investment revenue (losses)	1,016	1,860	3,383	5,266	4,583
Grants income – operating and capital	24,016	22,081	20,404	10,858	7,785
Total income from continuing operations	161,679	150,611	147,638	141,037	144,113
Sale proceeds from IPPE	534	359	469	992	845
Outflows:					
Employee benefits and on-cost expenses	69,239	68,278	70,122	63,857	55,865
Borrowing costs	73	82	128	90	120
Materials and contracts expenses	41,898	41,173	43,639	21,666	22,387
Total expenses from continuing operations	143,665	141,516	191,357	133,537	127,000
Total cash purchases of IPPE	65,386	56,261	37,703	19,978	20,310
Total loan repayments (incl. finance leases)	872	857	786	412	815
Operating surplus/(deficit) (excl. capital income)	(6,224)	(10,090)	(64,803)	(1,911)	6,742
Financial position figures					
Current assets	133,710	168,006	170,332	163,095	161,567
Current liabilities	53,799	53,579	45,541	37,438	37,240
Net current assets	79,911	114,427	124,791	125,657	124,327
Available working capital (Unrestricted net current assets)	(9,155)	(4,150)	(3,750)	5,892	4,882
Cash and investments – unrestricted	6,745	10,207	12,638	7,779	8,996
Cash and investments – internal restrictions	78,852	103,778	128,765	141,958	140,107
Cash and investments – total	127,049	152,607	172,646	179,429	171,783
Total borrowings outstanding (loans, advances and finance leases)	2,041	2,487	2,923	3,346	3,758
Total value of IPPE (excl. land and earthworks)	1,448,254	1,326,154	1,264,894	1,157,203	1,145,220
Total accumulated depreciation	529,456	530,821	502,802	394,961	379,029
Indicative remaining useful life (as a % of GBV)	63%	60%	60%	66%	67%

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

H1-3 Council information and contact details

Principal place of business:

Customer Service Centre, 55 Spring Street Bondi Junction

Contact details

PO Box 9
Bondi Junction
NSW 1355

Telephone: 02 9083 8000

Opening hours:

9:00am - 5:00pm
Monday to Friday

Internet: www.waverley.nsw.gov.au

Email: info@waverley.nsw.gov.au

Officers

Emily Scott

General Manager

Teena Su

Responsible Accounting Officer

Richard Coelho

Public Officer

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 Dominic Wy Kanak

Cr Leon Glotsman

Cr Michelle Gray

Cr Sally Betts

Cr Steven Lewis

Cr Will Nemesh

Cr Angela Burrill

Cr Elaine Keenan

Cr Ludovico Fabiano

Cr Tim Murray

Cr Tony Kay

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 2022, the Statement of Financial Position as at 30 June 2022, 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 2022, 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 2022 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. The description forms part of my auditor's report.

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

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



Caroline Karakatsanis
Delegate of the Auditor-General for New South Wales

31 October 2022
SYDNEY



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

Contact: Caroline Karakatsanis
 Phone no: 02 9275 7143
 Our ref: D2222438/1804

31 October 2022

Dear Mayor

**Report on the Conduct of the Audit
 for the year ended 30 June 2022
 Waverley Council**

I have audited the general purpose financial statements (GPFS) of the Waverley Council (the Council) for the year ended 30 June 2022 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 2022 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

	2022 \$m	2021 \$m	Variance %
Rates and annual charges revenue	66.6	65.2	↑ 2.1
Grants and contributions revenue	34.3	28.8	↑ 19.1
Operating result from continuing operations	18.0	9.1	↑ 97.8
Net operating result before capital grants and contributions	(6.2)	(10.1)	↑ 38.6

Rates and annual charges revenue (\$66.6 million) increased by \$1.4 million (2.1 per cent) in 2021–2022.

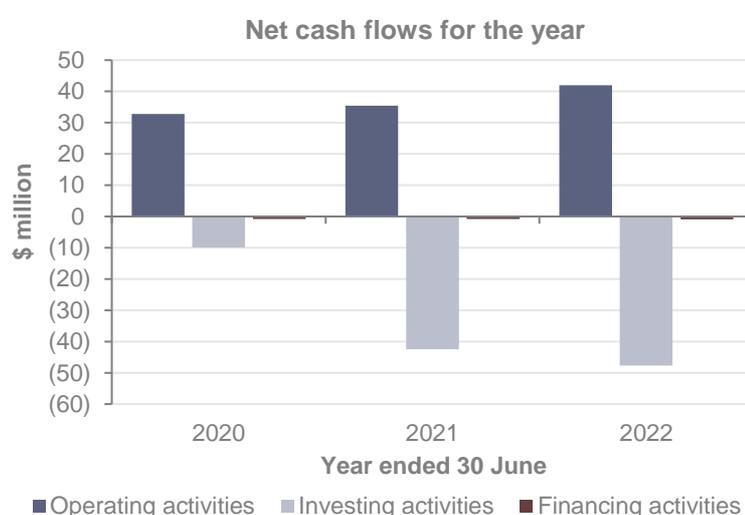
Grants and contributions revenue (\$34.3 million) increased by \$5.5 million (19.1 per cent) in 2021–2022 due to increased income recognised for grant funded capital projects and the receipt of developer contributed assets.

Council’s operating result (\$18 million including the effect of depreciation and amortisation expense of \$22.8 million) was \$8.9 million higher than the 2020–21 result. This was mainly due to increased revenue from user charges, grants, and an increase in the value of investment properties of \$4 million.

The net operating result before capital grants and contributions (a deficit of \$6.2 million) improved by \$3.9 million from the 2020–21 result. This was mainly due to increased revenue from user charges.

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 decreased by \$6.6 million to \$21.8 million at the close of the year.
- The main reason for the decrease was the use of funds for capital purchases and construction.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	127.0	152.6	• External restrictions include unspent specific purpose grants, developer contributions, and domestic waste management charges.
Restricted and allocated cash, cash equivalents and investments:			• Balances are internally allocated due to Council policy or decisions for forward plans including works program.
• External restrictions	41.5	38.6	
• Internal allocations	78.9	103.8	

Debt

After repaying principal of \$46,000, total borrowings as at 30 June 2022 was \$2 million (2021: \$2.5 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 and Environment.

Operating performance ratio

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

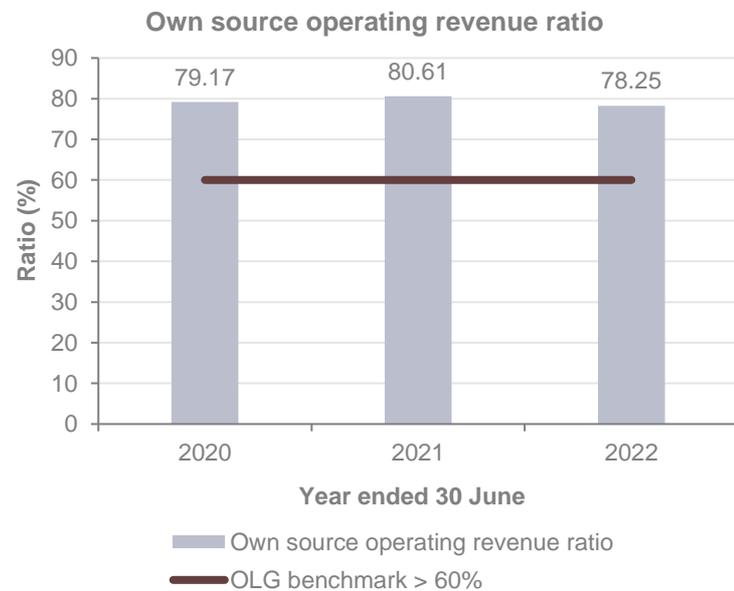
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

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

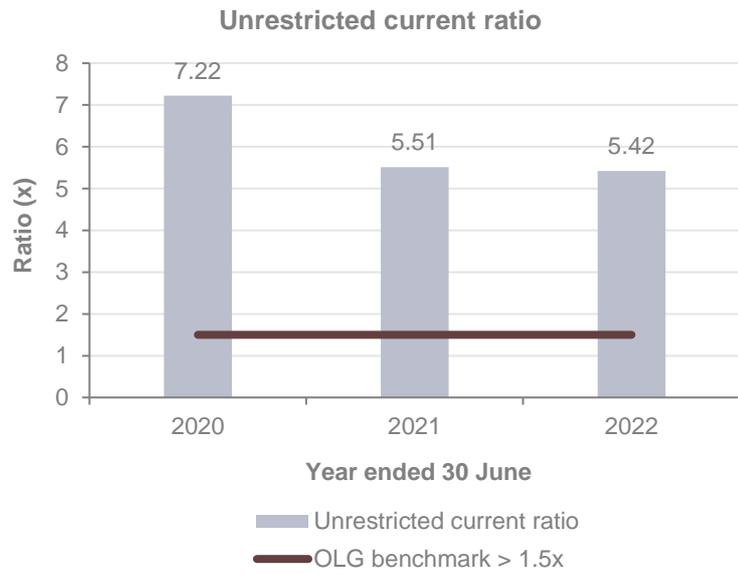
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

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

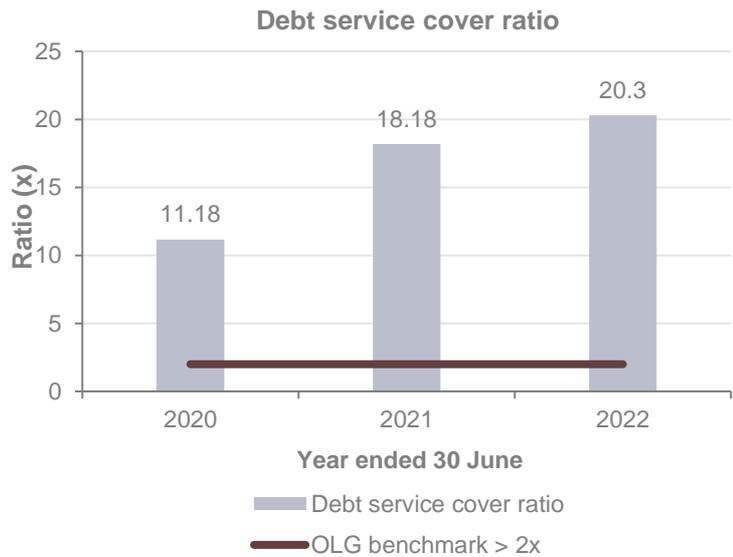
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

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

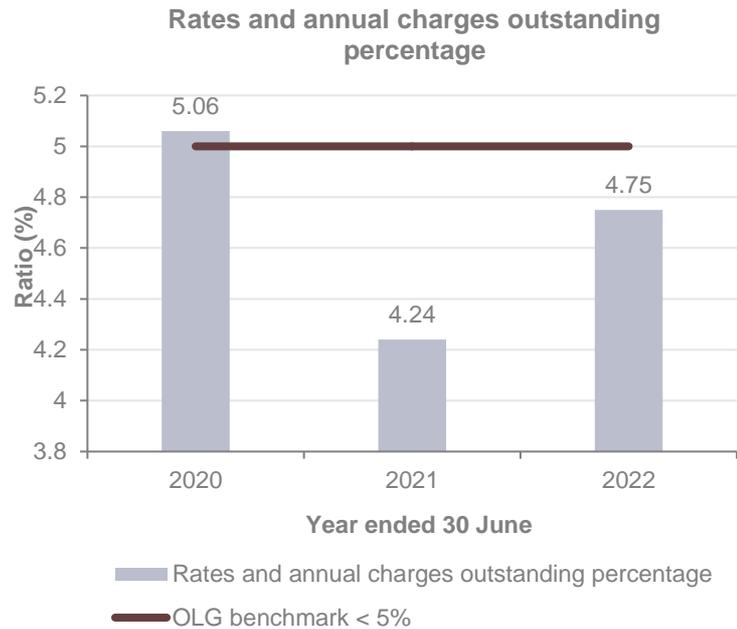
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

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

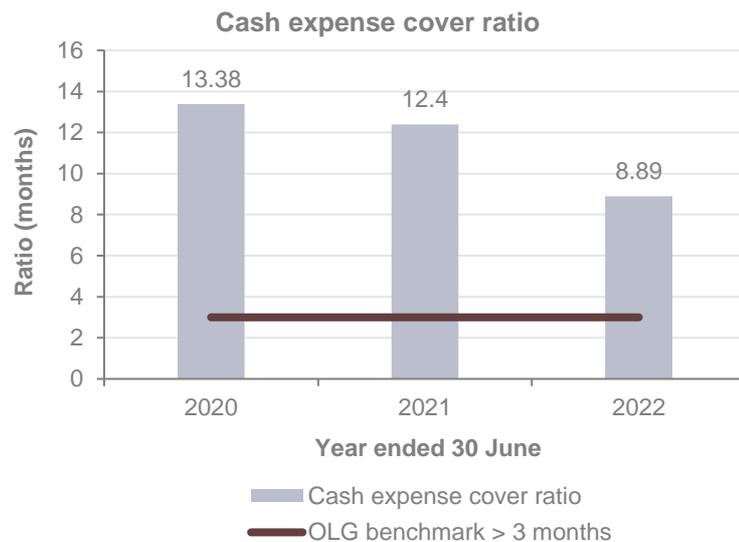
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.



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 in 2021-22 were \$57.7 million compared to \$49.6 million for the prior year
- The level of asset renewals in 2021-22 represented 258 per cent of the total depreciation expense (\$22.3 million) for the year.

OTHER MATTERS

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial 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 GPFS
- staff provided all accounting records and information relevant to the audit.

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

Waverley Council

SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2022

Connecting the city and the sea.

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



Waverley Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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Background

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

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

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

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

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

Waverley Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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:

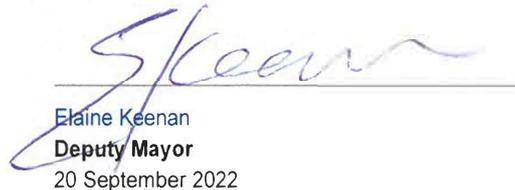
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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 20 September 2022.



Paula Masselos
Mayor
20 September 2022



Elaine Keenan
Deputy Mayor
20 September 2022



Emily Scott
General Manager
20 September 2022



Teena Su
Responsible Accounting Officer
20 September 2022

Waverley Council

Income Statement of Property

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
User charges	2,103	2,681
Other income	7,240	3,178
Total income from continuing operations	9,343	5,859
Expenses from continuing operations		
Employee benefits and on-costs	568	563
Materials and services	685	649
Other expenses	1,510	5,189
Total expenses from continuing operations	2,763	6,401
Surplus (deficit) from continuing operations before capital amounts	6,580	(542)
Surplus (deficit) from continuing operations after capital amounts	6,580	(542)
Surplus (deficit) from all operations before tax	6,580	(542)
Less: corporate taxation equivalent (25%) [based on result before capital]	(1,645)	–
Surplus (deficit) after tax	4,935	(542)
Plus accumulated surplus	110,751	113,703
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	1,645	–
Less:		
– Dividend paid	(2,210)	(2,410)
Closing accumulated surplus	115,121	110,751
Subsidy from Council	–	542

Waverley Council

Income Statement of Commercial waste

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
User charges	3,043	3,500
Total income from continuing operations	3,043	3,500
Expenses from continuing operations		
Employee benefits and on-costs	1,333	1,261
Materials and services	44	37
Depreciation, amortisation and impairment	–	2
Other expenses	1,704	1,958
Total expenses from continuing operations	3,081	3,258
Surplus (deficit) from continuing operations before capital amounts	(38)	242
Surplus (deficit) from continuing operations after capital amounts	(38)	242
Surplus (deficit) from all operations before tax	(38)	242
Less: corporate taxation equivalent (25%) [based on result before capital]	–	(63)
Surplus (deficit) after tax	(38)	179
Plus accumulated surplus	(142)	139
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	63
Less:		
– Dividend paid	(35)	(523)
Closing accumulated surplus	(215)	(142)
Subsidy from Council	38	–

Waverley Council

Income Statement of Cemetery

for the year ended 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
Income from continuing operations		
User charges	1,670	1,298
Interest and investment income	–	16
Total income from continuing operations	1,670	1,314
Expenses from continuing operations		
Employee benefits and on-costs	692	814
Materials and services	206	178
Depreciation, amortisation and impairment	80	60
Other expenses	397	651
Total expenses from continuing operations	1,375	1,703
Surplus (deficit) from continuing operations before capital amounts	295	(389)
Surplus (deficit) from continuing operations after capital amounts	295	(389)
Surplus (deficit) from all operations before tax	295	(389)
Less: corporate taxation equivalent (25%) [based on result before capital]	(74)	–
Surplus (deficit) after tax	221	(389)
Plus accumulated surplus	15,197	16,088
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	74	–
Add:		
– Subsidy paid/contribution to operations	(83)	(502)
Less:		
Closing accumulated surplus	15,409	15,197
Return on capital %	0.5%	(0.7)%
Subsidy from Council	1,714	1,170

Waverley Council

Statement of Financial Position of Property

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Current assets		
Receivables	224	186
Total current assets	224	186
Non-current assets		
Investment property	115,090	110,785
Total non-current assets	115,090	110,785
Total assets	115,314	110,971
LIABILITIES		
Current liabilities		
Payables	104	129
Employee benefit provisions	89	91
Total current liabilities	193	220
Total liabilities	193	220
Net assets	115,121	110,751
EQUITY		
Accumulated surplus	115,121	110,751
Total equity	115,121	110,751

Waverley Council

Statement of Financial Position of Commercial waste

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Current assets		
Receivables	77	131
Total current assets	77	131
Total assets	77	131
LIABILITIES		
Current liabilities		
Payables	104	192
Employee benefit provisions	188	81
Total current liabilities	292	273
Total liabilities	292	273
Net assets	(215)	(142)
EQUITY		
Accumulated surplus	(215)	(142)
Total equity	(215)	(142)

Waverley Council

Statement of Financial Position of Cemetery

as at 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
ASSETS		
Current assets		
Cash and cash equivalents	898	583
Total current assets	898	583
Non-current assets		
Infrastructure, property, plant and equipment	54,892	52,401
Total non-current assets	54,892	52,401
Total assets	55,790	52,984
LIABILITIES		
Current liabilities		
Payables	25	23
Employee benefit provisions	134	113
Total current liabilities	159	136
Total liabilities	159	136
Net assets	55,631	52,848
EQUITY		
Accumulated surplus	15,409	15,197
Revaluation reserves	40,222	37,651
Total equity	55,631	52,848

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

a. 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.

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.

Note – Significant Accounting Policies (continued)

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

Notional rate applied (%)

Corporate income tax rate – 25%

Land tax – the first \$822,000 of combined land values attracts **0%**. For the combined land values in excess of \$822,000 up to \$5,026,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$5,026,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **4.85%** on the value of taxable salaries and wages in excess of \$1,200,000.

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 25%.

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 25% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) 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.

(ii) Return on investments (rate of return)

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

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

Note – Significant Accounting Policies (continued)

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.66% at 30/6/22.

(iii) Dividends

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
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 2022, the Statement of Financial Position of each Declared Business Activity as at 30 June 2022 and the Significant accounting policies note.

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 2022, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2021–22 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. 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', with a stylized flourish at the end.

Caroline Karakatsanis
Delegate of the Auditor-General for New South Wales

31 October 2022
SYDNEY

Waverley Council

SPECIAL SCHEDULES
for the year ended 30 June 2022

Connecting the city and the sea.

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



Waverley Council

Special Schedules

for the year ended 30 June 2022

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Waverley Council

Permissible income for general rates

\$ '000	Notes	Calculation 2021/22	Calculation 2022/23
Notional general income calculation ¹			
Last year notional general income yield	a	47,171	48,285
Plus or minus adjustments ²	b	183	(156)
Notional general income	c = a + b	47,354	48,129
Permissible income calculation			
Special variation percentage ³	d	0.00%	1.75%
Rate peg percentage	e	2.00%	0.00%
Plus special variation amount	h = d x (c + g)	–	842
Plus rate peg amount	i = e x (c + g)	947	–
Sub-total	k = (c + g + h + i + j)	48,301	48,971
Plus (or minus) last year's carry forward total	l	21	35
Sub-total	n = (l + m)	21	35
Total permissible income	o = k + n	48,322	49,006
Less notional general income yield	p	48,285	48,974
Catch-up or (excess) result	q = o – p	37	32
Less unused catch-up ⁴	s	(2)	–
Carry forward to next year ⁵	t = q + r + s	35	32

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 (NSW)*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable, the Crown land adjustment.
- (4) Unused catch-up amounts will be deducted if they are not caught up within 10 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (5) 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 2023.

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 2021–22 (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 2022 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 2022'.

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. 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
Delegate of the Auditor-General for New South Wales

31 October 2022
SYDNEY

Waverley Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost		2021/22 Required maintenance ^a	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
Buildings	Council Offices/ Administration Centres	–	–	842	740	13,097	23,048	0.9%	11.2%	36.1%	51.8%	0.0%	
	Council Works Depot	–	–	952	1,092	10,898	11,967	75.0%	24.7%	0.3%	0.0%	0.0%	
	Council Public Halls	1,875	1,875	249	252	22,174	57,378	6.8%	13.6%	19.1%	0.2%	60.3%	
	Libraries	–	–	631	568	25,112	35,470	12.7%	52.2%	12.5%	22.6%	0.0%	
	Cultural Facilities	445	445	1,040	668	16,459	22,563	21.3%	57.3%	10.7%	2.0%	8.7%	
	Other Buildings	720	720	1,428	1,467	77,031	90,670	13.2%	44.1%	32.1%	1.0%	9.6%	
	Specialised Buildings	–	–	620	575	4,824	5,734	9.9%	60.8%	16.8%	9.6%	2.9%	
	Sub-total	3,040	3,040	5,762	5,362	169,594	246,830	14.2%	35.8%	22.8%	8.9%	18.4%	
Other structures	Other structures	1,852	59	143	366	23,837	35,540	63.0%	16.2%	8.9%	11.9%	0.0%	
	Sub-total	1,852	59	143	366	23,837	35,540	63.0%	16.2%	8.9%	11.9%	0.0%	
Roads	Roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Sealed roads	922	–	1,116	1,095	71,853	138,978	28.1%	54.1%	16.7%	1.1%	0.0%	
	Footpaths	990	–	5,158	4,404	41,386	72,787	18.4%	63.3%	15.3%	3.0%	0.0%	
	Other road assets	198	–	2,086	2,558	15,660	30,291	39.4%	43.6%	14.0%	2.8%	0.2%	
	Sealed roads structure	–	–	–	–	105,576	204,203	3.2%	0.1%	96.7%	0.0%	0.0%	
	Kerb and Gutter	1,976	–	68	68	62,319	120,536	34.1%	48.1%	13.7%	4.0%	0.1%	
	Other road assets (incl. bulk earth works)	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total	4,086	–	8,428	8,125	296,794	566,795	19.8%	34.0%	44.6%	1.7%	0.0%	
Stormwater drainage	Stormwater drainage	696	–	355	499	20,944	32,770	29.3%	66.2%	4.5%	0.0%	0.0%	
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Stormwater Conduits	2,083	–	–	–	62,700	108,939	13.5%	67.3%	18.0%	0.7%	0.5%	
	Sub-total	2,779	–	355	499	83,644	141,709	17.2%	67.0%	14.9%	0.5%	0.4%	
Open space / recreational assets	Open Space & Recreational Assets	322	–	5,509	5,308	95,534	176,842	39.1%	34.2%	21.3%	5.1%	0.3%	
	Sub-total	322	–	5,509	5,308	95,534	176,842	39.1%	34.2%	21.3%	5.1%	0.3%	
	Total – all assets	12,079	3,099	20,197	19,660	669,403	1,167,716	22.5%	37.9%	31.7%	3.9%	4.0%	

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

Waverley Council

Report on infrastructure assets as at 30 June 2022 (continued)

Infrastructure asset condition assessment 'key'

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

Explanation of the two estimated costs:

Estimated Cost to *Agreed Level of Service*:

- This cost indicates bringing Council assets that have reached the intervention level agreed by the community to an agreed condition. This condition varies with each asset class and subclass.
- Council has a range of asset condition service levels that are agreed upon., e.g. road assets to be 80% in conditions 1 & 2 with the remainder across conditions 3, 4 & 5.
- This cost provides a meaningful snapshot of the proportion of outstanding renewal works compared to the total suite of assets that the Council has under its care and stewardship.
- Cost to Agreed Level of Service is different from Cost to Satisfactory as it is a measure that does not set a minimum condition standard of 3. Allowing assets to be more accurately represented through their asset lifecycles, whilst reporting on the cost to meet the "*Agreed Levels of Service*".

Estimated Cost to *Satisfactory Standard*

- The level of satisfactory condition is set at condition 3 for all asset classes. This requires all assets to be strictly maintained at a level of condition 3 and above.
- In determining the cost, Council estimates the amount required to be spent on existing infrastructure only. We take the replacement value of Condition 4 & 5 assets back to Condition 3 or "*Satisfactory*", e. the expected cost to bring the assets up to Condition 3.
- This cost does not take into account the cost to bring assets back to conditions 1 and 2. Utilising asset condition valuation percentages, we estimate the cost to match the minimum condition of 3.

Waverley Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	2021	Indicators 2020	2019	Benchmark
Buildings and infrastructure renewals ratio						
Asset renewals ¹	57,692					
Depreciation, amortisation and impairment	19,884	290.14%	268.81%	155.45%	82.56%	>= 100.00%
Infrastructure backlog ratio						
Estimated cost to bring assets to a satisfactory standard	12,079					
Net carrying amount of infrastructure assets	749,829	1.61%	1.09%	0.99%	1.00%	< 2.00%
Asset maintenance ratio						
Actual asset maintenance	19,660					
Required asset maintenance	20,197	97.34%	104.59%	108.19%	102.33%	> 100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	3,099	0.27%	0.25%	0.56%	0.60%	
Gross replacement cost	1,167,716					

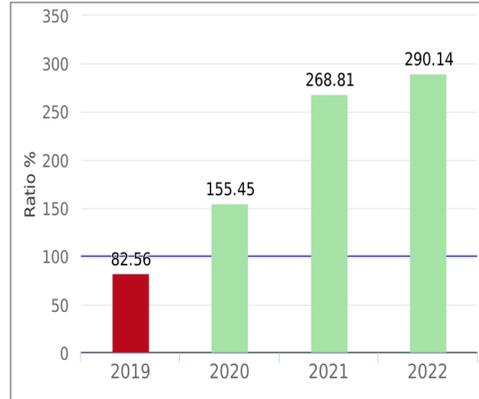
(*) All asset performance indicators are calculated using classes identified in the previous table.

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

Waverley Council

Report on infrastructure assets as at 30 June 2022

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	
21/22 ratio	290.14%
Council's infrastructure assets upgrades and renewals are carried out as per its Strategic Asset Management Plan (SAMP) to ensure the assets are keeping to the agreed community satisfactory level.	

Benchmark: — $\geq 100.00\%$

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

■ Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result	
21/22 ratio	97.34%
This ratio falls just short of the industry benchmark of 100%. It indicates Council's spending on asset maintenance is slightly insufficient to stop the infrastructure backlog from growing.	

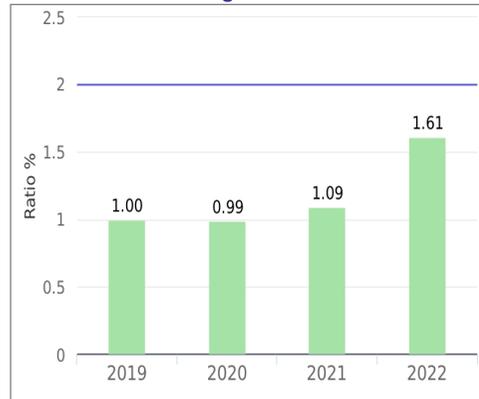
Benchmark: — $> 100.00\%$

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

■ Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result	
21/22 ratio	1.61%
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%.	

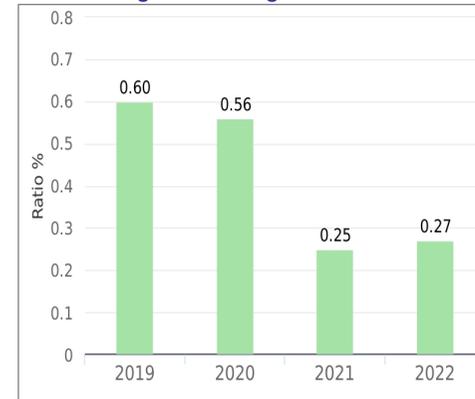
Benchmark: — $< 2.00\%$

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

■ 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	
21/22 ratio	0.27%
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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