

Woollahra  
Municipal  
Council



# Financial Statements

## 2019-2020

General Purpose Financial Statements  
for the year ended 30 June 2020

# Woollahra Municipal Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020

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# Woollahra Municipal Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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**General Purpose Financial Statements**  
for the year ended 30 June 2020

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**Overview**

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

536 New South Head Road  
Double Bay NSW 2028

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

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

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

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

## General Purpose Financial Statements

for the year ended 30 June 2020

### Understanding Council's Financial Statements

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#### Introduction

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

#### What you will find in the Statements

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

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

#### About the Councillor/Management Statement

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

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

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

##### 2. The Statement of Comprehensive Income

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

##### 3. The Statement of Financial Position

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

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

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

##### 5. The Statement of Cash Flows

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

#### Who uses the Financial Statements?

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements (continued)

Key Events of 2019-20

COVID-19

The global health crisis from COVID-19 has had a material impact on Council's operations which is reflected in the financial statements. In March 2020 Council endorsed a COVID-19 Small Business Relief Package that provided financial support to Woollahra's business community. Additionally a number of facilities, services, events and expenditure were significantly affected during the period of pandemic restrictions which resulted in reduced revenues. The net impact of COVID-19 on Council's 2019/20 operating surplus for the year was \$3,541k:

|  | Note No | Council's Small Business Relief Package \$'000 | Other Relief Measures \$'000 | Total \$'000 |
|--|---------|--|------------------------------|--------------|
| <b>Income:</b>   |         |  |                              |              |
| Fire safety, Waste Containers, Health Inspections                    | 3(b)    | 15   | -                            | 15           |
| Rent relief - Kiaora   | 13(e)   | 1,123  | -                            | 1,123        |
| Rent relief - Other Commercial                                       | 13(e)   | 493  | -                            | 493          |
| Rent relief – Community Buildings                                    | 13(e)   | 13   | -                            | 13           |
| Footway fees   | 13(e)   | 151  | -                            | 151          |
| Parking Meters Income  | 3(b)    | 563  | 193                          | 756          |
| Library Income & Preschools Income                                   | 3(b)    | -  | 5                            | 5            |
| Tree Pruning   | 3(b)    | -  | 2                            | 2            |
| Sportsfield Casual Hire  | 13(e)   | -  | 66                           | 66           |
| Sportsfield Lease Income   | 13(e)   | -  | 129                          | 129          |
| Wedding & Ceremonial Photography                                     | 3(b)    | -  | 34                           | 34           |
| Council Building Hire (closure of community buildings)               | 3(b)    | -  | 82                           | 82           |
| Reduction in Car Park Income   | 13(e)   | -  | 396                          | 396          |
| Reduction in Enforcement Income                                      | 3(c)    | -  | 995                          | 995          |
| <b>Total Reduction in Income</b>                                     |         | <b>2,358</b>                                   | <b>1,902</b>                 | <b>4,260</b> |
| <b>Additional Expenditure:</b>                                       |         |  |                              |              |
| Additional Domestic Violence Housing                                 | 5       | -  | 90                           | 90           |
| Other costs eg additional playground cleaning                        | 5       | -  | 122                          | 122          |
| <b>Total Additional Expenditure</b>                                  |         | <b>-</b>                                       | <b>212</b>                   | <b>212</b>   |
| <b>Reduced Expenditure:</b>  |         |  |                              |              |
| Car Park Expenditure   | 5       | (30)   | -                            | (30)         |
| Enforcement Expenditure  | 5       | (221)  | -                            | (221)        |
| Parking Meter Expenditure  | 5       | (41)   | -                            | (41)         |
| Library Expenses   | 5       | -  | (50)                         | (50)         |
| Tree Pruning Expenditure   | 5       | -  | (40)                         | (40)         |
| Library Expenses   | 5       | -  | (120)                        | (120)        |
| Community Liaison Marketing Expenses                                 | 5       | -  | (43)                         | (43)         |
| Family & Comm Dev – Cultural Day                                     | 5       | -  | (45)                         | (45)         |
| Business Assurance & Risk Projects                                   | 5       | -  | (36)                         | (36)         |
| Governance Overtime & Other Meeting Associated Costs                 | 5       | -  | (41)                         | (41)         |
| Civil Operations - Tipping Fees (Street Cleaning & Business Centres) | 5       | -  | (61)                         | (61)         |
| Civil Operations - Waste Education Projects                          | 5       | -  | (17)                         | (17)         |
| Civil Operations - Plant Operations                                  | 5       | -  | (112)                        | (112)        |
| Compliance - Legal Expenses & Consultants                            | 5       | -  | (74)                         | (74)         |
| <b>Total Reduced Expenditure</b>                                     |         | <b>(292)</b>                                   | <b>(639)</b>                 | <b>(931)</b> |
| <b>Net Impact of COVID-19</b>  |         | <b>2,066</b>                                   | <b>1,475</b>                 | <b>3,541</b> |

In addition to the above, the financial circumstances experienced by some ratepayers led to a higher than normal level of outstanding collections for the financial year resulting in an increase in outstanding Rates and Annual Charges of \$955k from \$2,143k to \$3,098k.

# Woollahra Municipal Council

## General Purpose Financial Statements

for the year ended 30 June 2020

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

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

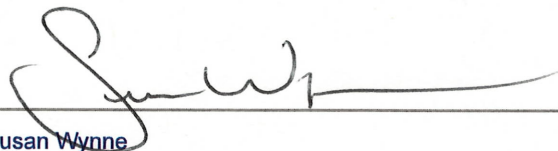
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board,
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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

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

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

Signed in accordance with a resolution of Council made on 29 September 2020.



Susan Wynne  
**Mayor**  
29 September 2020



Anthony Marano  
**Councillor**  
29 September 2020



Craig Swift-Moynihan  
**General Manager**  
29 September 2020



Sue Meekin  
**Responsible Accounting Officer**  
29 September 2020

## Income Statement

for the year ended 30 June 2020

| Original<br>unaudited<br>budget<br>2020    | \$ '000  | Notes | Actual<br>2020 | Actual<br>2019 |
|--|--|-------|----------------|----------------|
| <b>Income from continuing operations</b>   |  |       |                |                |
| 54,692                                     | Rates and annual charges   | 3a    | 54,776         | 53,325         |
| 11,835                                     | User charges and fees  | 3b    | 10,652         | 11,182         |
| 10,541                                     | Other revenues   | 3c    | 9,119          | 24,258         |
| 3,287                                      | Grants and contributions provided for operating purposes   | 3d,3e | 4,329          | 3,445          |
| 3,294                                      | Grants and contributions provided for capital purposes   | 3d,3e | 10,161         | 3,886          |
| 2,056                                      | Interest and investment income   | 4     | 1,766          | 2,356          |
| 3,940                                      | Fair value increment on investment properties  | 11    | –              | –              |
| 15,520                                     | Rental income <sup>1</sup>   | 13e   | 13,067         | –              |
| 105,165                                    | <b>Total income from continuing operations</b>   |       | 103,870        | 98,452         |
| <b>Expenses from continuing operations</b> |  |       |                |                |
| 44,369                                     | Employee benefits and on-costs   | 5a    | 44,582         | 41,406         |
| 3,010                                      | Borrowing costs  | 5b    | 3,031          | 3,120          |
| 20,539                                     | Materials and contracts  | 5c    | 22,800         | 20,932         |
| 13,803                                     | Depreciation and amortisation  | 5d    | 14,177         | 13,489         |
| 17,338                                     | Other expenses   | 5e    | 16,850         | 16,941         |
| 1,692                                      | Net losses from the disposal of assets   | 6     | 1,043          | 1,688          |
| –  | Fair value decrement on investment properties  | 11    | 269            | 816            |
| –  | Revaluation decrement / impairment of IPP&E  | 5d    | 5              | –              |
| 100,751                                    | <b>Total expenses from continuing operations</b>   |       | 102,757        | 98,392         |
| 4,414                                      | <b>Operating result from continuing operations</b>   |       | 1,113          | 60             |
| 4,414                                      | <b>Net operating result for the year</b>   |       | 1,113          | 60             |
| 4,414                                      | Net operating result attributable to council   |       | 1,113          | 60             |
| 1,120                                      | <b>Net operating result for the year before grants and contributions provided for capital purposes</b> |       | (9,048)        | (3,826)        |

(1) Rental income in 2018/19 is included in Other Revenues and totalled \$15,262k.

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

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



Statement of Comprehensive Income

for the year ended 30 June 2020

| \$ '000  | Notes | 2020          | 2019           |
|--|-------|---------------|----------------|
| <b>Net operating result for the year (as per Income Statement)</b>                     |       | <b>1,113</b>  | <b>60</b>      |
| <b>Other comprehensive income:</b>   |       |               |                |
| Amounts which will not be reclassified subsequently to the operating result            |       |               |                |
| Gain (loss) on revaluation of IPP&E  | 10    | 24,605        | 106,006        |
| <b>Total items which will not be reclassified subsequently to the operating result</b> |       | <b>24,605</b> | <b>106,006</b> |
| <b>Total other comprehensive income for the year</b>                                   |       | <b>24,605</b> | <b>106,006</b> |
| <b>Total comprehensive income for the year</b>   |       | <b>25,718</b> | <b>106,066</b> |
| Total comprehensive income attributable to Council                                     |       | 25,718        | 106,066        |

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

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

Statement of Financial Position  
as at 30 June 2020

| \$ '000                                       | Notes | 2020             | 2019             |
|---|-------|------------------|------------------|
| <b>ASSETS</b>                                 |       |                  |                  |
| <b>Current assets</b>                         |       |                  |                  |
| Cash and cash equivalents                     | 7(a)  | 13,881           | 9,113            |
| Investments                                   | 7(b)  | 64,664           | 73,776           |
| Receivables                                   | 8     | 5,682            | 6,201            |
| Inventories                                   | 9a    | 370              | 273              |
| Contract assets                               | 12a   | 719              | –                |
| Other   | 9b    | 794              | 498              |
| <b>Total current assets</b>                   |       | <u>86,110</u>    | <u>89,861</u>    |
| <b>Non-current assets</b>                     |       |                  |                  |
| Receivables                                   | 8     | 168              | 80               |
| Infrastructure, property, plant and equipment | 10    | 909,555          | 877,667          |
| Investment property                           | 11    | 156,695          | 156,600          |
| Right of use assets                           | 13a   | 451              | –                |
| Other   | 9b    | 729              | 1,046            |
| <b>Total non-current assets</b>               |       | <u>1,067,598</u> | <u>1,035,393</u> |
| <b>Total assets</b>                           |       | <u>1,153,708</u> | <u>1,125,254</u> |
| <b>LIABILITIES</b>                            |       |                  |                  |
| <b>Current liabilities</b>                    |       |                  |                  |
| Payables                                      | 14    | 35,238           | 32,349           |
| Income received in advance                    | 14    | 1,702            | 1,089            |
| Contract liabilities                          | 12b   | 33               | –                |
| Lease liabilities                             | 13b   | 127              | –                |
| Borrowings                                    | 14    | 2,789            | 2,660            |
| Provisions                                    | 15    | 14,410           | 12,985           |
| <b>Total current liabilities</b>              |       | <u>54,299</u>    | <u>49,083</u>    |
| <b>Non-current liabilities</b>                |       |                  |                  |
| Lease liabilities                             | 13b   | 326              | –                |
| Borrowings                                    | 14    | 58,986           | 61,776           |
| Provisions                                    | 15    | 557              | 370              |
| <b>Total non-current liabilities</b>          |       | <u>59,869</u>    | <u>62,146</u>    |
| <b>Total liabilities</b>                      |       | <u>114,168</u>   | <u>111,229</u>   |
| <b>Net assets</b>                             |       | <u>1,039,540</u> | <u>1,014,025</u> |
| <b>EQUITY</b>                                 |       |                  |                  |
| Accumulated surplus                           | 16    | 545,493          | 544,583          |
| Revaluation reserves                          | 16    | 494,047          | 469,442          |
| <b>Council equity interest</b>                |       | <u>1,039,540</u> | <u>1,014,025</u> |
| <b>Total equity</b>                           |       | <u>1,039,540</u> | <u>1,014,025</u> |

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

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

Statement of Changes in Equity  
for the year ended 30 June 2020

| \$ '000  | Notes | as at 30/06/20      |                           |                  | as at 30/06/19      |                           |                  |
|--|-------|---------------------|---------------------------|------------------|---------------------|---------------------------|------------------|
|  |       | Accumulated surplus | IPP&E revaluation reserve | Total equity     | Accumulated surplus | IPP&E revaluation reserve | Total equity     |
| Opening balance  |       | 544,583             | 469,442                   | 1,014,025        | 544,523             | 363,436                   | 907,959          |
| Changes due to AASB 1058 and AASB 15 adoption          | 16    | (203)               | –                         | (203)            | –                   | –                         | –                |
| <b>Restated opening balance</b>                        |       | <b>544,380</b>      | <b>469,442</b>            | <b>1,013,822</b> | <b>544,523</b>      | <b>363,436</b>            | <b>907,959</b>   |
| Net operating result for the year                      |       | 1,113               | –                         | 1,113            | 60                  | –                         | 60               |
| <b>Restated net operating result for the period</b>    |       | <b>1,113</b>        | <b>–</b>                  | <b>1,113</b>     | <b>60</b>           | <b>–</b>                  | <b>60</b>        |
| <b>Other comprehensive income</b>                      |       |                     |                           |                  |                     |                           |                  |
| – Gain (loss) on revaluation of IPP&E                  | 10    | –                   | 24,605                    | 24,605           | –                   | 106,006                   | 106,006          |
| <b>Other comprehensive income</b>                      |       | <b>–</b>            | <b>24,605</b>             | <b>24,605</b>    | <b>–</b>            | <b>106,006</b>            | <b>106,006</b>   |
| <b>Total comprehensive income</b>                      |       | <b>1,113</b>        | <b>24,605</b>             | <b>25,718</b>    | <b>60</b>           | <b>106,006</b>            | <b>106,066</b>   |
| <b>Equity – balance at end of the reporting period</b> |       | <b>545,493</b>      | <b>494,047</b>            | <b>1,039,540</b> | <b>544,583</b>      | <b>469,442</b>            | <b>1,014,025</b> |

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

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

## Statement of Cash Flows

for the year ended 30 June 2020

| Original<br>unaudited<br>budget<br>2020     | \$ '000  | Notes | Actual<br>2020 | Actual<br>2019 |
|---|--|-------|----------------|----------------|
| <b>Cash flows from operating activities</b> |  |       |                |                |
| <b>Receipts:</b>                            |  |       |                |                |
| 54,547                                      | Rates and annual charges                                     |       | 54,234         | 53,240         |
| 12,690                                      | User charges and fees  |       | 10,953         | 10,705         |
| 2,056                                       | Investment and interest revenue received                     |       | 2,223          | 2,189          |
| 7,173                                       | Grants and contributions                                     |       | 11,105         | 7,539          |
| –   | Bonds, deposits and retention amounts received               |       | 9,103          | 7,515          |
| 28,825                                      | Other  |       | 22,561         | 24,068         |
| <b>Payments:</b>                            |  |       |                |                |
| (43,507)                                    | Employee benefits and on-costs                               |       | (43,388)       | (39,640)       |
| (22,599)                                    | Materials and contracts                                      |       | (23,711)       | (21,989)       |
| (3,011)                                     | Borrowing costs  |       | (3,033)        | (3,124)        |
| –   | Bonds, deposits and retention amounts refunded               |       | (5,992)        | (5,043)        |
| (19,072)                                    | Other  |       | (12,181)       | (14,799)       |
| 17,102                                      | <b>Net cash provided (or used in) operating activities</b>   | 17b   | 21,874         | 20,661         |
| <b>Cash flows from investing activities</b> |  |       |                |                |
| <b>Receipts:</b>                            |  |       |                |                |
| –   | Sale of investment securities                                |       | 70,000         | 63,000         |
| 788   | Sale of infrastructure, property, plant and equipment        |       | 1,291          | 1,475          |
| <b>Payments:</b>                            |  |       |                |                |
| –   | Purchase of investment securities                            |       | (61,000)       | (66,000)       |
| –   | Purchase of investment property                              |       | (364)          | (56)           |
| (15,993)                                    | Purchase of infrastructure, property, plant and equipment    |       | (24,252)       | (15,342)       |
| (15,205)                                    | <b>Net cash provided (or used in) investing activities</b>   |       | (14,325)       | (16,923)       |
| <b>Cash flows from financing activities</b> |  |       |                |                |
| <b>Payments:</b>                            |  |       |                |                |
| (2,660)                                     | Repayment of borrowings and advances                         |       | (2,661)        | (2,547)        |
| –   | Lease liabilities (principal repayments)                     |       | (120)          | –              |
| (2,660)                                     | <b>Net cash flow provided (used in) financing activities</b> |       | (2,781)        | (2,547)        |
| (763)                                       | <b>Net increase/(decrease) in cash and cash equivalents</b>  |       | 4,768          | 1,191          |
| 62,620                                      | Plus: cash and cash equivalents – beginning of year          | 17a   | 9,113          | 7,922          |
| 61,857                                      | <b>Cash and cash equivalents – end of the year</b>           | 17a   | 13,881         | 9,113          |
| –   | plus: Investments on hand – end of year                      | 7(b)  | 64,664         | 73,776         |
| 61,857                                      | <b>Total cash, cash equivalents and investments</b>          |       | 78,545         | 82,889         |

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 29 September 2020.

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

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

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

Council is a not for-profit entity.

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

#### (a) Historical cost convention

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

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

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

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

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

- (i) Impairment of receivables

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

### Monies and other assets received by Council

#### (a) The Consolidated Fund

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

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

- General purpose operations
- Premsure Insurance Pool

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### (b) The Trust Fund

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

Trust monies and property subject to Council's control have been included in these reports.

#### Goods and Services Tax (GST)

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

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

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

#### Volunteer services

Council does not have a material dependence on volunteer services. Volunteers are utilised in Library Services, Bushland Regeneration works, Cultural Events and Sustainability. These services are not recognised due to their non material nature and a significant proportion would not go ahead should there not be volunteers to undertake their roles.

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

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

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2020 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 the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2019:

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

| \$ '000                                | Income from continuing operations |               | Expenses from continuing operations |               | Operating result from continuing operations |           | Grants included in income from continuing operations |              | Carrying amount of assets |                  |
|--|-----------------------------------|---------------|-------------------------------------|---------------|---|-----------|--|--------------|---------------------------|------------------|
|  | 2020                              | 2019          | 2020                                | 2019          | 2020  | 2019      | 2020   | 2019         | 2020                      | 2019             |
| <b>Functions or activities</b>         |                                   |               |                                     |               |   |           |  |              |                           |                  |
| A connected and harmonious community   | 15                                | 2             | 689                                 | 696           | (674)                                       | (694)     | 3  | 2            | 8,229                     | 7,268            |
| A supported community                  | 1,179                             | 1,151         | 2,734                               | 2,658         | (1,555)                                     | (1,507)   | 661  | 475          | 3,591                     | 3,483            |
| A creative and vibrant community       | 691                               | 715           | 6,808                               | 6,528         | (6,117)                                     | (5,813)   | 481  | 457          | 9,221                     | 7,944            |
| Well planned neighbourhoods            | 2,817                             | 2,386         | 7,814                               | 7,138         | (4,997)                                     | (4,752)   | –  | –            | 875                       | 903              |
| Liveable places                        | 6,883                             | 6,199         | 28,806                              | 20,519        | (21,923)                                    | (14,320)  | 536  | 647          | 665,145                   | 636,411          |
| Getting around                         | 8,552                             | 10,634        | 3,495                               | 4,025         | 5,057                                       | 6,609     | 73   | 74           | 79,843                    | 81,320           |
| Protecting our environment             | 255                               | 300           | 2,200                               | 2,004         | (1,945)                                     | (1,704)   | 24   | –            | 68,841                    | 67,533           |
| Sustainable use of resources           | 16,355                            | 16,350        | 12,070                              | 11,329        | 4,285                                       | 5,021     | 24   | –            | 4,017                     | 3,746            |
| Community focused economic development | 9,931                             | 9,772         | 8,370                               | 7,958         | 1,561                                       | 1,814     | 98   | 114          | 153,941                   | 154,363          |
| Working together                       | 17                                | 2             | 1,336                               | 1,212         | (1,319)                                     | (1,210)   | –  | –            | 41                        | 45               |
| Well managed Council                   | 57,175                            | 50,941        | 28,435                              | 34,325        | 28,740                                      | 16,616    | 1,904  | 1,790        | 78,220                    | 76,872           |
| General purpose                        | –                                 | –             | –                                   | –             | –   | –         | 2,263  | 808          | 81,744                    | 85,366           |
| <b>Total functions and activities</b>  | <b>103,870</b>                    | <b>98,452</b> | <b>102,757</b>                      | <b>98,392</b> | <b>1,113</b>                                | <b>60</b> | <b>6,067</b>   | <b>4,367</b> | <b>1,153,708</b>          | <b>1,125,254</b> |



## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

#### Theme: Community well-being

##### Goal 1: A connected and harmonious community

Woollahra will be a community where people care for each other, have a sense of belonging and can contribute meaningfully to their local community and neighbourhood through participation in community life.

##### Goal 2: A supported community

Woollahra will be a place where people have access to a range of effective and diverse social services and programs that meet the changing needs of our community.

##### Goal 3: A creative and vibrant community

Woollahra will be a place where people of all ages and backgrounds have access to lifelong learning opportunities, cultural and community activities.

#### Theme: Quality places and spaces

##### Goal 4: Well planned neighbourhoods

Woollahra will have well planned, high quality and sustainable building development that respects and enhances our environment and heritage. It will complement and retain the local character of our suburbs, villages and neighbourhoods and provide access to a range of housing options.

##### Goal 5: Liveable places

Woollahra will be a community with accessible, integrated and well maintained public spaces and open spaces. We will have clean and well maintained infrastructure and community facilities. It will be a safe and attractive place with high quality public and private facilities and amenities.

##### Goal 6: Getting around

Woollahra will be a place where it is easy to get around, easy to access our foreshore, our recreation facilities, our green open space and our public and private institutions. We will also have easy access to the city and its wide range of services and facilities, and be able to access public transport, walking cycling routes within our area.

#### Theme: A healthy environment

##### Goal 7: Protecting our environment

Woollahra will be a place where the natural environment will be protected and conserved from adverse impacts, to preserve our vegetation and wildlife habits.

##### Goal 8: Sustainable use of resources

Woollahra will reduce energy and water use, reduce emissions and develop adaption actions that will reduce the impacts of climate change. We will minimise waste generation and encourage resource recycling.

#### Theme: Local prosperity

##### Goal 9: Community focused economic development

Woollahra will maintain the diversity of our local economic base and encourage new businesses into the area that will enhance and positively impact on community life.

#### Theme: Community leadership and participation

##### Goal 10: Working together

Woollahra will be a place where residents are well informed and able to contribute to their community. Council will listen and respond to requests and concerns through open communication and engagement.

##### Goal 11: Well managed Council

Woollahra Council will be open and accountable to all stakeholders, encourage participation in decision making and make decisions that are in the public interest. Through effective long term planning, we will develop and implement strategies and ensure ongoing resources to fulfil long term community goals.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

| \$ '000   | 2020          | 2019          |
|---|---------------|---------------|
| <b>(a) Rates and annual charges</b>                                   |               |               |
| <b>Ordinary rates</b>   |               |               |
| Residential   | 30,628        | 29,760        |
| Business  | 5,074         | 4,896         |
| Less: Pensioner rebates   | (131)         | (133)         |
| <b>Rates levied to ratepayers</b>                                     | <b>35,571</b> | <b>34,523</b> |
| Pensioner rate subsidies received                                     | 73            | 71            |
| <b>Total ordinary rates</b>   | <b>35,644</b> | <b>34,594</b> |
| <b>Special rates</b>  |               |               |
| Environmental and infrastructure levy                                 | 4,278         | 4,156         |
| Less: Pensioner rebates   | (108)         | (107)         |
| <b>Rates levied to ratepayers</b>                                     | <b>4,170</b>  | <b>4,049</b>  |
| <b>Total special rates</b>  | <b>4,170</b>  | <b>4,049</b>  |
| <b>Annual charges</b>   |               |               |
| <small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small> |               |               |
| Domestic waste management services                                    | 14,455        | 14,171        |
| Stormwater management services  | 489           | 488           |
| Section 611 charges   | 52            | 57            |
| Less: Pensioner rebates   | (75)          | (76)          |
| <b>Annual charges levied</b>  | <b>14,921</b> | <b>14,640</b> |
| Pensioner subsidies received:   |               |               |
| – Domestic waste management   | 41            | 42            |
| <b>Total annual charges</b>   | <b>14,962</b> | <b>14,682</b> |
| <b>TOTAL RATES AND ANNUAL CHARGES</b>                                 | <b>54,776</b> | <b>53,325</b> |

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

**Accounting policy for rates and charges**

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

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.

**2019 accounting policy**

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

| \$ '000   | 2020          | 2019          |
|---|---------------|---------------|
| <b>(b) User charges and fees</b>  |               |               |
| <b>Specific user charges</b>  |               |               |
| (per s.502 - specific 'actual use' charges)                                   |               |               |
| Waste management services (non-domestic)                                      | 1,683         | 1,944         |
| <b>Total specific user charges</b>  | <b>1,683</b>  | <b>1,944</b>  |
| <b>Other user charges and fees</b>  |               |               |
| <b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>  |               |               |
| Advertising fees  | 395           | 357           |
| Certificate fees  | 584           | 529           |
| Compliance levy   | 362           | 353           |
| Development application fees  | 693           | 643           |
| Hoarding fees   | 335           | 164           |
| Inspection fees   | 102           | 92            |
| Principal certifying authority fees   | 40            | 16            |
| Registration fees and permits   | 787           | 833           |
| Section 96 amendment application fees   | 331           | 226           |
| Subdivision application fees  | 8             | 1             |
| <b>Total fees and charges – statutory/regulatory</b>                          | <b>3,637</b>  | <b>3,214</b>  |
| <b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b> |               |               |
| Restoration charges   | 841           | 611           |
| Casual park hire  | 215           | 219           |
| Credit card usage charge  | 102           | 99            |
| Construction zone charges   | 752           | 1,083         |
| Footpath crossing administration fees   | 53            | 88            |
| Fire safety statement lodgement fee   | 113           | 121           |
| Filming fees  | 99            | 144           |
| File retrieval charges  | 72            | 65            |
| Pre DA lodgement advice service fees  | 26            | 36            |
| Other   | 445           | 292           |
| Parking permits – residential   | 356           | 353           |
| Parking meters  | 1,494         | 2,014         |
| Preschool fees  | 484           | 663           |
| Rezoning requests   | 129           | 14            |
| Tree pruning income   | 108           | 173           |
| Tree preservation order applications  | 43            | 49            |
| <b>Total fees and charges – other</b>   | <b>5,332</b>  | <b>6,024</b>  |
| <b>TOTAL USER CHARGES AND FEES</b>  | <b>10,652</b> | <b>11,182</b> |

**Accounting policy for user charges and fees**

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

| \$ '000   | 2020                | 2019                 |
|---|---------------------|----------------------|
| <b>(c) Other revenues</b>   |                     |                      |
| Rental income – investment property (2019 only) <sup>1</sup>      | –                   | 10,854               |
| Rental income – other council properties (2019 only) <sup>1</sup> | –                   | 4,408                |
| Ex gratia rates   | 114                 | 113                  |
| Fines – parking   | 5,191               | 5,832                |
| Fines – other   | 318                 | 497                  |
| Recycling income (non-domestic)                                   | 131                 | 55                   |
| Other   | 1,175               | 335                  |
| Private use contributions   | 461                 | 416                  |
| Recovered costs and reimbursements                                | 1,693               | 1,591                |
| Risk management Incentives  | 36                  | 157                  |
| <b><u>TOTAL OTHER REVENUE</u></b>                                 | <b><u>9,119</u></b> | <b><u>24,258</u></b> |

**Accounting policy for other revenue**

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

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

**2019 accounting policy:**

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

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

(1) In accordance with new accounting standards the Actual 2020 figures are presented in Note 13 (e) Leases

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

| \$ '000  | Operating<br>2020 | Operating<br>2019 | Capital<br>2020 | Capital<br>2019 |
|--|-------------------|-------------------|-----------------|-----------------|
| <b>(d) Grants</b>                                  |                   |                   |                 |                 |
| <b>General purpose (untied)</b>                    |                   |                   |                 |                 |
| <b>Current year allocation</b>                     |                   |                   |                 |                 |
| Financial assistance – general component           | 622               | 591               | –               | –               |
| Financial assistance – local roads component       | 219               | 213               | –               | –               |
| <b>Payment in advance - future year allocation</b> |                   |                   |                 |                 |
| Financial assistance – general component           | 659               | 613               | –               | –               |
| Financial assistance – local roads component       | 232               | 221               | –               | –               |
| <b>Total general purpose</b>                       | <b>1,732</b>      | <b>1,638</b>      | <b>–</b>        | <b>–</b>        |
| <b>Specific purpose</b>                            |                   |                   |                 |                 |
| Community care                                     | 5                 | 9                 | –               | –               |
| Library – per capita                               | 144               | 109               | –               | –               |
| LIRS subsidy                                       | 132               | 154               | –               | –               |
| Street lighting                                    | 387               | 380               | –               | –               |
| Transport (roads to recovery)                      | 275               | –                 | –               | –               |
| Transport (other roads and bridges funding)        | 418               | 217               | 586             | 852             |
| Drainage   | –                 | –                 | 12              | 3               |
| Environmental works                                | –                 | –                 | 144             | 94              |
| Library – special grant                            | 60                | 82                | –               | –               |
| Open space   | –                 | –                 | 482             | 139             |
| Preschool  | 657               | 472               | –               | –               |
| Other  | 197               | 30                | 836             | 188             |
| <b>Total specific purpose</b>                      | <b>2,275</b>      | <b>1,453</b>      | <b>2,060</b>    | <b>1,276</b>    |
| <b>Total grants</b>                                | <b>4,007</b>      | <b>3,091</b>      | <b>2,060</b>    | <b>1,276</b>    |
| <b>Grant revenue is attributable to:</b>           |                   |                   |                 |                 |
| – Commonwealth funding                             | 2,258             | 1,638             | 504             | 483             |
| – State funding                                    | 1,746             | 1,341             | 1,556           | 773             |
| – Other funding                                    | 3                 | 112               | –               | 20              |
|  | <b>4,007</b>      | <b>3,091</b>      | <b>2,060</b>    | <b>1,276</b>    |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

| \$ '000   | Notes | Operating<br>2020 | Operating<br>2019 | Capital<br>2020 | Capital<br>2019 |
|---|-------|-------------------|-------------------|-----------------|-----------------|
| <b>(e) Contributions</b>  |       |                   |                   |                 |                 |
| <b>Developer contributions:<br/>(s7.12 - EP&amp;A Act, s64 of the LGA):</b> |       |                   |                   |                 |                 |
| <b>Cash contributions</b>   |       |                   |                   |                 |                 |
| S 7.12 – fixed development consent levies                                   |       | –                 | –                 | 4,701           | 2,610           |
| <b>Total developer contributions – cash</b>                                 |       | <b>–</b>          | <b>–</b>          | <b>4,701</b>    | <b>2,610</b>    |
| <b>Total developer contributions</b>  | 26    | <b>–</b>          | <b>–</b>          | <b>4,701</b>    | <b>2,610</b>    |
| <b>Other contributions:</b>   |       |                   |                   |                 |                 |
| <b>Cash contributions</b>   |       |                   |                   |                 |                 |
| Contribution to works   |       | 44                | 93                | –               | –               |
| Paddington library  |       | 278               | 261               | –               | –               |
| <b>Total other contributions – cash</b>                                     |       | <b>322</b>        | <b>354</b>        | <b>–</b>        | <b>–</b>        |
| <b>Non-cash contributions</b>   |       |                   |                   |                 |                 |
| Other <sup>1</sup>  | 10    | –                 | –                 | 3,400           | –               |
| <b>Total other contributions – non-cash</b>                                 |       | <b>–</b>          | <b>–</b>          | <b>3,400</b>    | <b>–</b>        |
| <b>Total other contributions</b>  |       | <b>322</b>        | <b>354</b>        | <b>3,400</b>    | <b>–</b>        |
| <b>Total contributions</b>  |       | <b>322</b>        | <b>354</b>        | <b>8,101</b>    | <b>2,610</b>    |
| <b>TOTAL GRANTS AND CONTRIBUTIONS</b>                                       |       | <b>4,329</b>      | <b>3,445</b>      | <b>10,161</b>   | <b>3,886</b>    |

**Accounting policy for grants and contributions**

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

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

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

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

(1) This non-cash contribution relates to land in Stephen Street Paddington that was contributed under a Voluntary Planning Agreement.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

| \$ '000  | 2020         | 2019         |
|--|--------------|--------------|
| <b>(f) Unspent grants and contributions – external restrictions</b>  |              |              |
| Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions. |              |              |
| <b>Operating grants</b>  |              |              |
| Unexpended at the close of the previous reporting period   | 87           | 13           |
| <b>Add:</b> operating grants recognised as income in the current period but not yet spent (2019 only)  | –            | 79           |
| <b>Add:</b> operating grants received for the provision of goods and services in a future period   | 26           | –            |
| <b>Less:</b> operating grants recognised in a previous reporting period now spent (2019 only)  | –            | (5)          |
| <b>Less:</b> operating grants received in a previous reporting period now spent and recognised as income   | (87)         | –            |
| <b>Unexpended and held as externally restricted assets (operating grants)</b>  | <b>26</b>    | <b>87</b>    |
| <b>Capital grants</b>  |              |              |
| Unexpended at the close of the previous reporting period   | 203          | 283          |
| <b>Add:</b> capital grants recognised as income in the current period but not yet spent (2019 only)  | –            | 107          |
| <b>Less:</b> capital grants recognised in a previous reporting period now spent (2019 only)  | –            | (187)        |
| <b>Less:</b> capital grants received in a previous reporting period now spent and recognised as income   | (201)        | –            |
| <b>Unexpended and held as externally restricted assets (capital grants)</b>  | <b>2</b>     | <b>203</b>   |
| <b>Contributions</b>   |              |              |
| Unexpended at the close of the previous reporting period   | 5,996        | 5,781        |
| <b>Add:</b> contributions recognised as income in the current period but not yet spent   | –            | 2,707        |
| <b>Add:</b> contributions received for the provision of goods and services in a future period  | 4,708        | –            |
| <b>Less:</b> contributions recognised in a previous reporting period now spent   | (4,929)      | (2,492)      |
| <b>Unexpended and held as externally restricted assets (contributions)</b>   | <b>5,775</b> | <b>5,996</b> |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

| \$ '000  | AASB 15<br>2020 | AASB 1058<br>2020 |
|--|-----------------|-------------------|
| <b>(g) Disaggregation of material revenue streams</b>  |                 |                   |
| The following shows the revenue recognition pattern for the material revenue streams of Council. |                 |                   |
| <b>Revenue recognition at a point in time</b>  |                 |                   |
| Rates and annual charges   | –               | 54,776            |
| Financial assistance grants  | –               | 1,732             |
| User charges and fees  | 7,023           | –                 |
| Grant revenue and non-developer contributions  | 1,199           | 4,169             |
| Developer contributions  | –               | 4,701             |
| Fines  | –               | 5,510             |
| Other  | –               | 3,633             |
|  | <u>8,222</u>    | <u>74,521</u>     |
| <b>Revenue recognised over time</b>  |                 |                   |
| Grant revenue  | 104             | –                 |
| Grants to acquire or construct Council controlled assets   | –               | 2,585             |
| User charges and fees  | 3,703           | –                 |
|  | <u>3,807</u>    | <u>2,585</u>      |

Note 4. Interest and investment income

| \$ '000  | 2020         | 2019         |
|--|--------------|--------------|
| <b>Interest on financial assets measured at amortised cost</b>   |              |              |
| – Overdue rates and annual charges (incl. special purpose rates) | 150          | 119          |
| – Cash and investments   | 1,721        | 2,216        |
| – Other  | 6            | 22           |
| <b>Fair value adjustments</b>                                    |              |              |
| – Movements in investments at fair value through profit and loss | (111)        | (1)          |
| Finance income on the net investment in the lease                | –            | –            |
| <b>Total Interest and investment income</b>                      | <u>1,766</u> | <u>2,356</u> |
| <b>Interest revenue is attributable to:</b>                      |              |              |
| <b>Unrestricted investments/financial assets:</b>                |              |              |
| Overdue rates and annual charges (general fund)                  | 150          | 119          |
| General Council cash and investments                             | 1,539        | 1,440        |
| <b>Restricted investments/funds – external:</b>                  |              |              |
| Development contributions  |              |              |
| – Section 7.11 and Section 7.12                                  | 7            | 97           |
| Other externally restricted assets                               | 6            | 59           |
| <b>Restricted investments/funds – internal:</b>                  |              |              |
| Internally restricted assets                                     | 64           | 641          |
| <b>Total interest and investment revenue</b>                     | <u>1,766</u> | <u>2,356</u> |

Accounting policy for interest and investment revenue

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



Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

| \$ '000  | 2020          | 2019          |
|--|---------------|---------------|
| <b>(a) Employee benefits and on-costs</b>                                      |               |               |
| Salaries and wages   | 33,345        | 29,796        |
| Employee leave entitlements (ELE)  | 6,750         | 7,106         |
| Superannuation   | 3,962         | 3,658         |
| Workers' compensation insurance  | 860           | 1,085         |
| Fringe benefit tax (FBT)   | 260           | 271           |
| Other  | 6             | 93            |
| <b>Total employee costs</b>  | <b>45,183</b> | <b>42,009</b> |
| Less: capitalised costs  | (601)         | (603)         |
| <b>TOTAL EMPLOYEE COSTS EXPENSED</b>   | <b>44,582</b> | <b>41,406</b> |
| Number of 'full-time equivalent' employees (FTE) at year end                   | 400           | 386           |
| Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies) | 432           | 407           |

**Accounting policy for employee benefits and on-costs**

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

**Retirement benefit obligations**

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

**Superannuation plans**

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 20 for more information.

| \$ '000  | 2020         | 2019         |
|--|--------------|--------------|
| <b>(b) Borrowing costs</b>                             |              |              |
| <b>(i) Interest bearing liability costs</b>            |              |              |
| Interest on leases                                     | 21           | –            |
| Interest on loans                                      | 3,010        | 3,120        |
| <b>Total interest bearing liability costs</b>          | <b>3,031</b> | <b>3,120</b> |
| <b>Total interest bearing liability costs expensed</b> | <b>3,031</b> | <b>3,120</b> |
| <b>TOTAL BORROWING COSTS EXPENSED</b>                  | <b>3,031</b> | <b>3,120</b> |

**Accounting policy for borrowing costs**

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

| \$ '000  | 2020          | 2019          |
|--|---------------|---------------|
| <b>(c) Materials and contracts</b>   |               |               |
| Raw materials and consumables  | 7,489         | 5,986         |
| General contractor and consultancy costs   | 5,734         | 5,962         |
| Maintenance and security contracts   | 4,287         | 4,141         |
| Recycling  | 2,605         | 2,112         |
| Auditors remuneration <sup>2</sup>   | 82            | 83            |
| Infringement notice contract costs (SEINS)   | 715           | 938           |
| <b>Legal expenses:</b>   |               |               |
| – Legal expenses: planning and development   | 1,527         | 1,094         |
| – Legal expenses: other  | 358           | 588           |
| <b>Operating leases expense (2019 only):</b>   |               |               |
| – Operating lease rentals: minimum lease payments <sup>1</sup>   | 3             | 28            |
| <b>Total materials and contracts</b>   | <u>22,800</u> | <u>20,932</u> |
| <b>TOTAL MATERIALS AND CONTRACTS</b>   | <u>22,800</u> | <u>20,932</u> |
| <b>1. Operating lease payments are attributable to:</b>  |               |               |
| Photocopiers   | 3             | 28            |
|  | <u>3</u>      | <u>28</u>     |
| <b>2. Auditor remuneration</b>   |               |               |
| During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms |               |               |
| <b>Auditors of the Council - NSW Auditor-General:</b>  |               |               |
| <b>(i) Audit and other assurance services</b>  |               |               |
| Audit and review of financial statements   | 77            | 75            |
| <b>Remuneration for audit and other assurance services</b>   | <u>77</u>     | <u>75</u>     |
| <b>Total Auditor-General remuneration</b>  | <u>77</u>     | <u>75</u>     |
| <b>Non NSW Auditor-General audit firms</b>   |               |               |
| <b>(ii) Audit and other assurance services</b>   |               |               |
| Other assurance services   | 5             | 8             |
| <b>Remuneration for audit and other assurance services</b>   | <u>5</u>      | <u>8</u>      |
| <b>Total remuneration of non NSW Auditor-General audit firms</b>   | <u>5</u>      | <u>8</u>      |
| <b>Total Auditor remuneration</b>  | <u>82</u>     | <u>83</u>     |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

| \$ '000  | Notes | 2020          | 2019          |
|--|-------|---------------|---------------|
| <b>(d) Depreciation, amortisation and impairment of non-financial assets</b>                   |       |               |               |
| <b>Depreciation and amortisation</b>   |       |               |               |
| Plant and equipment  |       | 1,294         | 1,286         |
| Office equipment   |       | 662           | 493           |
| Furniture and fittings   |       | 150           | 150           |
| <b>Infrastructure:</b>   | 10    |               |               |
| – Buildings – non-specialised  |       | 1,717         | 1,690         |
| – Buildings – specialised  |       | 926           | 912           |
| – Roads  |       | 4,681         | 4,412         |
| – Bridges  |       | 24            | 26            |
| – Footpaths  |       | 1,452         | 1,403         |
| – Stormwater drainage  |       | 734           | 595           |
| – Other open space/recreational assets   |       | 1,184         | 1,193         |
| – Harbourside Structures   |       | 138           | 138           |
| – Seawalls   |       | 394           | 284           |
| – Retaining Walls  |       | 285           | 396           |
| <b>Other assets:</b>   |       |               |               |
| – Library books  |       | 536           | 511           |
| <b>Total depreciation and amortisation costs</b>   |       | <b>14,177</b> | <b>13,489</b> |
| <b>Impairment / revaluation decrement of IPP&amp;E</b>   |       |               |               |
| <b>Infrastructure:</b>   | 10    |               |               |
| – Bridges  |       | (117)         | –             |
| <b>Right of use assets</b>   | 13    | 122           | –             |
| <b>Total gross IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>            |       | <b>5</b>      | <b>–</b>      |
| Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement |       | <b>5</b>      | <b>–</b>      |
| <b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u></b>         |       | <b>14,182</b> | <b>13,489</b> |

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

**Depreciation and amortisation**

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

**Impairment of non-financial assets**

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

| \$ '000  | 2020                 | 2019                 |
|--|----------------------|----------------------|
| <b>(e) Other expenses</b>  |                      |                      |
| Advertising  | 339                  | 471                  |
| Bad and doubtful debts   | 73                   | 48                   |
| Bank charges   | 405                  | 400                  |
| Contributions/levies to other levels of government                 |                      |                      |
| – Department of planning levy                                      | 320                  | 313                  |
| – NSW fire brigade levy  | 2,070                | 1,933                |
| – State Emergency Services levy                                    | 91                   | 79                   |
| Contributions to Sydney East Business Chamber                      | –                    | 80                   |
| Councillor expenses – mayoral fee                                  | 44                   | 43                   |
| Councillor expenses – councillors' fees                            | 304                  | 301                  |
| Councillors' expenses (incl. mayor) – other (excluding fees above) | 33                   | 30                   |
| Donations, contributions and assistance                            |                      |                      |
| – Donations, contributions and assistance Holdsworth               | 991                  | 892                  |
| – Donations, contributions and assistance (other)                  | 246                  | 265                  |
| Electricity and heating  | 448                  | 487                  |
| File archival and retrieval costs                                  | 173                  | 203                  |
| Insurance deductibles and claims payments                          | 806                  | 827                  |
| Insurance premiums   | 1,399                | 1,351                |
| Office rental  | 27                   | 21                   |
| Postage  | 178                  | 162                  |
| Recoverable expenses   | 190                  | 218                  |
| Registration   | 204                  | 183                  |
| Street lighting  | 1,144                | 1,383                |
| Telephone and communications                                       | 129                  | 117                  |
| Training   | 245                  | 301                  |
| Valuation fees   | 80                   | 87                   |
| Waste disposal costs   | 5,233                | 5,118                |
| Water and council rates  | 278                  | 274                  |
| Other – land tax   | 447                  | 447                  |
| Other – Woollahra Local Planning Panel                             | 173                  | 151                  |
| Other  | 780                  | 756                  |
| <b><u>TOTAL OTHER EXPENSES</u></b>                                 | <b><u>16,850</u></b> | <b><u>16,941</u></b> |

**Accounting policy for other expenses**

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

| \$ '000   | Notes | 2020           | 2019           |
|---|-------|----------------|----------------|
| <b>Plant and equipment</b>  | 10    |                |                |
| Proceeds from disposal – plant and equipment                                  |       | 663            | 950            |
| Less: carrying amount of plant and equipment assets sold/written off          |       | (890)          | (1,510)        |
| <b>Net gain/(loss) on disposal</b>  |       | <u>(227)</u>   | <u>(560)</u>   |
| <b>Infrastructure</b>   | 10    |                |                |
| Proceeds from disposal – infrastructure                                       |       | 552            | –              |
| Less: carrying amount of infrastructure assets sold/written off               |       | (1,356)        | (1,129)        |
| <b>Net gain/(loss) on disposal</b>  |       | <u>(804)</u>   | <u>(1,129)</u> |
| <b>Investments</b>  | 7(b)  |                |                |
| Proceeds from disposal/redemptions/maturities – investments                   |       | 70,000         | 63,000         |
| Less: carrying amount of investments sold/redeemed/matured                    |       | (70,000)       | (63,000)       |
| <b>Net gain/(loss) on disposal</b>  |       | <u>–</u>       | <u>–</u>       |
| <b>Capitalised Lease Incentives</b>   |       |                |                |
| Proceeds from disposal – Capitalised Lease Incentives                         |       | 49             | 236            |
| Less: carrying amount of Capitalised Lease Incentives assets sold/written off |       | (61)           | (235)          |
| <b>Net gain/(loss) on disposal</b>  |       | <u>(12)</u>    | <u>1</u>       |
| <b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>                           |       | <u>(1,043)</u> | <u>(1,688)</u> |

**Accounting policy for disposal of assets**

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

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

Note 7(a). Cash and cash equivalents

| \$ '000                                | 2020          | 2019         |
|--|---------------|--------------|
| <b>Cash and cash equivalents</b>       |               |              |
| Cash on hand and at bank               | 1,919         | 1,019        |
| Cash-equivalent assets                 |               |              |
| – Deposits at call                     | 9,933         | 8,066        |
| – Short-term deposits                  | 2,029         | 28           |
| <b>Total cash and cash equivalents</b> | <b>13,881</b> | <b>9,113</b> |

Accounting policy for cash and cash equivalents

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

Note 7(b). Investments

| \$ '000   | 2020<br>Current | 2020<br>Non-current | 2019<br>Current | 2019<br>Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| <b>Investments</b>  |                 |                     |                 |                     |
| a. 'Financial assets at fair value through profit and loss'           |                 |                     |                 |                     |
| – 'Designated at fair value on initial recognition'                   | 64,664          | –                   | 73,776          | –                   |
| <b>Total Investments</b>  | <b>64,664</b>   | <b>–</b>            | <b>73,776</b>   | <b>–</b>            |
| <b>TOTAL CASH ASSETS, CASH<br/>EQUIVALENTS AND INVESTMENTS</b>        | <b>78,545</b>   | <b>–</b>            | <b>82,889</b>   | <b>–</b>            |
| <b>Financial assets at fair value through the profit<br/>and loss</b> |                 |                     |                 |                     |
| Long term deposits  | 52,000          | –                   | 61,000          | –                   |
| NCD's, FRN's (with maturities > 3 months)                             | 12,074          | –                   | 12,136          | –                   |
| Mortgage backed securities  | 590             | –                   | 640             | –                   |
| <b>Total</b>  | <b>64,664</b>   | <b>–</b>            | <b>73,776</b>   | <b>–</b>            |

Accounting policy for investments

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

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

Financial assets

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

Classification

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

- amortised cost
- fair value through profit or loss (FVTPL)

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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- fair value through other comprehensive income – equity instrument (FVOCI-equity).

Financial assets are not reclassified subsequent to their initial recognition.

#### **Amortised cost**

Assets measured at amortised cost are financial assets where:

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

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

| \$ '000                                      | 2020    |             | 2019    |             |
|--|---------|-------------|---------|-------------|
|  | Current | Non-current | Current | Non-current |
| Total cash, cash equivalents and investments | 78,545  | –           | 82,889  | –           |
| <b>attributable to:</b>                      |         |             |         |             |
| External restrictions                        | 11,280  | –           | 13,449  | –           |
| Internal restrictions                        | 66,132  | –           | 67,619  | –           |
| Unrestricted                                 | 1,133   | –           | 1,821   | –           |
|  | 78,545  | –           | 82,889  | –           |

| \$ '000 | 2020 | 2019 |
|---------|------|------|
|---------|------|------|

Details of restrictions

**External restrictions – included in liabilities**

|   |           |          |
|---|-----------|----------|
| Specific purpose unexpended grants – general fund (2020 only) | 28        | –        |
| <b>External restrictions – included in liabilities</b>        | <b>28</b> | <b>–</b> |

**External restrictions**

|   |               |               |
|---|---------------|---------------|
| Developer contributions – general   | 5,775         | 5,995         |
| Specific purpose unexpended grants (recognised as revenue) – general fund | 27            | 290           |
| Stormwater management   | 292           | 553           |
| Environmental and infrastructure renewal levy                             | 1,404         | 1,670         |
| Domestic waste management   | 3,754         | 4,941         |
| <b>Total external restrictions</b>  | <b>11,280</b> | <b>13,449</b> |

**Internal restrictions**

|   |               |               |
|---|---------------|---------------|
| Employees leave entitlement                 | 2,740         | 2,675         |
| Carry over works                            | 4,682         | 3,656         |
| Deposits, retentions and bonds              | 25,791        | 22,680        |
| Open space and community facilities reserve | 3,447         | 4,647         |
| Election reserve                            | 260           | 140           |
| Information technology reserve              | 862           | 1,020         |
| Insurance reserve                           | 517           | 751           |
| Kiaora place reserve                        | 4,191         | 5,571         |
| Open space projects reserve                 | 321           | 325           |
| Preschool reserve                           | 468           | 427           |
| Property development projects reserve       | 119           | 119           |
| Property reserve                            | 21,333        | 24,242        |
| Oxford street placemaking reserve           | 206           | 231           |
| Public art gallery reserve                  | 161           | 161           |
| Financial Assistance Grant Prepayment       | 891           | 834           |
| Old Section 94                              | 92            | 92            |
| Other                                       | 51            | 48            |
| <b>Total internal restrictions</b>          | <b>66,132</b> | <b>67,619</b> |
| <b>TOTAL RESTRICTIONS</b>                   | <b>77,412</b> | <b>81,068</b> |



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

Note 8. Receivables

| \$ '000  | 2020<br>Current | 2020<br>Non-current | 2019<br>Current | 2019<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| <b>Purpose</b>                                       |                 |                     |                 |                     |
| Rates and annual charges                             | 2,739           | 157                 | 1,913           | 74                  |
| Interest and extra charges                           | 191             | 11                  | 150             | 6                   |
| User charges and fees                                | 1,023           | –                   | 638             | –                   |
| Capital debtors (being sale of assets)               |                 |                     |                 |                     |
| – Other asset sales                                  | –               | –                   | 27              | –                   |
| Accrued revenues                                     |                 |                     |                 |                     |
| – Interest on investments                            | 486             | –                   | 878             | –                   |
| – Other income accruals                              | 107             | –                   | 297             | –                   |
| Net investment in finance lease                      | –               | –                   | –               | –                   |
| Amounts due from other councils                      | 54              | –                   | 40              | –                   |
| Government grants and subsidies                      | 46              | –                   | 950             | –                   |
| Leases and licences                                  | 196             | –                   | 691             | –                   |
| Net GST receivable                                   | 684             | –                   | 388             | –                   |
| Restorations and other roadworks                     | 170             | –                   | 164             | –                   |
| Other debtors  | 118             | –                   | 124             | –                   |
| <b>Total</b>   | <b>5,814</b>    | <b>168</b>          | <b>6,260</b>    | <b>80</b>           |
| <b>Less: provision of impairment</b>                 |                 |                     |                 |                     |
| User charges and fees                                | (132)           | –                   | (59)            | –                   |
| <b>Total provision for impairment – receivables</b>  | <b>(132)</b>    | <b>–</b>            | <b>(59)</b>     | <b>–</b>            |
| <b>TOTAL NET RECEIVABLES</b>                         | <b>5,682</b>    | <b>168</b>          | <b>6,201</b>    | <b>80</b>           |
| <b>Externally restricted receivables</b>             |                 |                     |                 |                     |
| Domestic waste management                            | 737             | –                   | 546             | –                   |
| Stormwater management                                | 29              | –                   | 23              | –                   |
| Other  |                 |                     |                 |                     |
| – Environmental levy and infrastructure renewal levy | 212             | –                   | 148             | –                   |
| <b>Total external restrictions</b>                   | <b>978</b>      | <b>–</b>            | <b>717</b>      | <b>–</b>            |
| <b>Unrestricted receivables</b>                      | <b>4,704</b>    | <b>168</b>          | <b>5,484</b>    | <b>80</b>           |
| <b>TOTAL NET RECEIVABLES</b>                         | <b>5,682</b>    | <b>168</b>          | <b>6,201</b>    | <b>80</b>           |

| \$ '000   | 2020       | 2019      |
|---|------------|-----------|
| <b>Movement in provision for impairment of receivables</b>                  |            |           |
| Balance at the beginning of the year (calculated in accordance with AASB 9) | 59         | 30        |
| + new provisions recognised during the year                                 | 73         | 49        |
| – amounts already provided for and written off this year                    | –          | (20)      |
| <b>Balance at the end of the year</b>                                       | <b>132</b> | <b>59</b> |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

Note 9. Inventories and other assets

| \$ '000                          | 2020<br>Current   | 2020<br>Non-current | 2019<br>Current   | 2019<br>Non-current |
|----------------------------------|-------------------|---------------------|-------------------|---------------------|
| <b>(a) Inventories</b>           |                   |                     |                   |                     |
| <b>(i) Inventories at cost</b>   |                   |                     |                   |                     |
| Stores and materials             | 370               | –                   | 273               | –                   |
| <b>Total inventories at cost</b> | <b>370</b>        | <b>–</b>            | <b>273</b>        | <b>–</b>            |
| <b><u>TOTAL INVENTORIES</u></b>  | <b><u>370</u></b> | <b><u>–</u></b>     | <b><u>273</u></b> | <b><u>–</u></b>     |
| <b>(b) Other assets</b>          |                   |                     |                   |                     |
| Prepayments                      | 794               | –                   | 498               | –                   |
| Kiaora Place tenancy incentives  | –                 | 729                 | –                 | 1,046               |
| <b><u>TOTAL OTHER ASSETS</u></b> | <b><u>794</u></b> | <b><u>729</u></b>   | <b><u>498</u></b> | <b><u>1,046</u></b> |

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

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

Note 10. Infrastructure, property, plant and equipment

| \$ '000  | as at 30/06/19 <sup>1</sup> |                          |                     | Asset movements during the reporting period |                      |                             |                      |  |               |  | as at 30/06/20        |                          |                     |
|--|-----------------------------|--------------------------|---------------------|---|----------------------|-----------------------------|----------------------|--|---------------|--|-----------------------|--------------------------|---------------------|
|  | Gross carrying amount       | Accumulated depreciation | Net carrying amount | Additions renewals <sup>2</sup>             | Additions new assets | Carrying value of disposals | Depreciation expense | Impairment loss / revaluation decrements (recognised in P/L) | WIP transfers | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation | Net carrying amount |
| Capital work in progress                                   | 4,586                       | –                        | 4,586               | 1,993                                       | 1,114                | –                           | –                    | –  | (3,095)       | –                                      | 4,598                 | –                        | 4,598               |
| Plant and equipment  | 13,035                      | (4,792)                  | 8,243               | 3,206                                       | –                    | (827)                       | (1,294)              | –  | –             | –                                      | 14,454                | (5,126)                  | 9,328               |
| Office equipment   | 8,239                       | (4,517)                  | 3,722               | –   | 49                   | –                           | (662)                | –  | 321           | –                                      | 8,609                 | (5,179)                  | 3,430               |
| Furniture and fittings                                     | 2,329                       | (1,311)                  | 1,018               | –   | –                    | –                           | (150)                | –  | –             | –                                      | 2,329                 | (1,461)                  | 868                 |
| <b>Land:</b>   |                             |                          |                     |   |                      |                             |                      |  |               |  |                       |                          |                     |
| – Operational land   | 112,920                     | –                        | 112,920             | –   | –                    | –                           | –                    | –  | –             | –                                      | 112,920               | –                        | 112,920             |
| – Community land   | 128,970                     | –                        | 128,970             | –   | 3,400                | –                           | –                    | –  | –             | 24,548                                 | 156,918               | –                        | 156,918             |
| <b>Infrastructure:</b>                                     |                             |                          |                     |   |                      |                             |                      |  |               |  |                       |                          |                     |
| – Buildings – non-specialised                              | 73,189                      | (29,679)                 | 43,510              | 1,812                                       | –                    | –                           | (1,717)              | –  | 40            | –                                      | 75,041                | (31,396)                 | 43,645              |
| – Buildings – specialised                                  | 36,920                      | (13,920)                 | 23,000              | 1,395                                       | –                    | –                           | (926)                | –  | 522           | –                                      | 38,836                | (14,846)                 | 23,990              |
| – Roads  | 486,361                     | (121,873)                | 364,488             | 2,410                                       | 1,089                | (619)                       | (4,681)              | –  | 750           | –                                      | 487,034               | (123,598)                | 363,436             |
| – Bridges  | 2,431                       | (847)                    | 1,584               | 1,441                                       | 129                  | –                           | (24)                 | 117  | 186           | –                                      | 4,187                 | (754)                    | 3,433               |
| – Footpaths  | 100,046                     | (52,177)                 | 47,869              | 1,685                                       | 441                  | (440)                       | (1,452)              | –  | 171           | –                                      | 100,670               | (52,395)                 | 48,275              |
| – Stormwater drainage                                      | 96,336                      | (29,023)                 | 67,313              | 327   | 1,326                | (67)                        | (734)                | –  | 458           | –                                      | 98,360                | (29,737)                 | 68,623              |
| – Other open space/recreational assets                     | 33,278                      | (13,358)                 | 19,920              | 236   | 714                  | (219)                       | (1,184)              | –  | 305           | –                                      | 34,053                | (14,281)                 | 19,772              |
| – Harbourside Structures                                   | 7,556                       | (1,403)                  | 6,153               | –   | 9                    | –                           | (138)                | –  | –             | –                                      | 7,565                 | (1,541)                  | 6,024               |
| – Seawalls   | 41,951                      | (12,923)                 | 29,028              | –   | 15                   | –                           | (394)                | –  | –             | –                                      | 41,966                | (13,317)                 | 28,649              |
| – Retaining Walls  | 25,224                      | (11,924)                 | 13,300              | –   | 309                  | –                           | (285)                | –  | 342           | –                                      | 25,874                | (12,209)                 | 13,665              |
| <b>Other assets:</b>                                       |                             |                          |                     |   |                      |                             |                      |  |               |  |                       |                          |                     |
| – Library books  | 5,731                       | (4,450)                  | 1,281               | –   | 434                  | (63)                        | (536)                | –  | –             | –                                      | 5,805                 | (4,689)                  | 1,116               |
| – Council Art Gallery & Art Collection                     | 762                         | –                        | 762                 | –   | 46                   | –                           | –                    | –  | –             | 57                                     | 865                   | –                        | 865                 |
| <b>Total Infrastructure, property, plant and equipment</b> | <b>1,179,864</b>            | <b>(302,197)</b>         | <b>877,667</b>      | <b>14,505</b>                               | <b>9,075</b>         | <b>(2,235)</b>              | <b>(14,177)</b>      | <b>117</b>   | <b>–</b>      | <b>24,605</b>                          | <b>1,220,084</b>      | <b>(310,529)</b>         | <b>909,555</b>      |

(1) RESTATED

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

#### Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

|                                   |           |                                      |           |
|-----------------------------------|-----------|--------------------------------------|-----------|
| <b>Plant and equipment</b>        | Years     | <b>Buildings</b>                     | Years     |
| Office equipment                  | 3 to 10   | Buildings                            | 25 to 100 |
| Office furniture                  | 10 to 20  |                                      |           |
| Vehicles                          | 5 to 10   | <b>Stormwater assets</b>             |           |
| Heavy plant/road making equipment | 5 to 10   | Drains                               | 80 to 150 |
| <b>Transportation assets</b>      |           | <b>Other infrastructure assets</b>   |           |
| Road pavements                    | 33 to 100 | Other open space/recreational assets | 5 to 100  |
| Kerb, gutter and paths            | 33 to 100 |                                      |           |
| Footpaths                         | 33 to 100 |                                      |           |
| Bridges                           | 100       |                                      |           |
| Harbourside Structures            | 33 to 100 |                                      |           |
| Seawalls                          | 33 to 100 |                                      |           |
| Retaining Walls                   | 33 to 100 |                                      |           |

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

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

#### Land under roads

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

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

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

#### Crown reserves

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Investment properties

| \$ '000                                   | 2020           | 2019           |
|---|----------------|----------------|
| <b>Owned investment property</b>          |                |                |
| Investment property on hand at fair value | 156,695        | 156,600        |
| <b>Total owned investment property</b>    | <b>156,695</b> | <b>156,600</b> |

(a) Reconciliation – owned investment property

**Reconciliation of annual movement:**

|  |                |                |
|--|----------------|----------------|
| <b>Opening balance</b>                             | 156,600        | 157,360        |
| – Capitalised expenditure – this year              | 364            | 56             |
| – Net gain/(loss) from fair value adjustments      | (269)          | (816)          |
| <b>CLOSING BALANCE – OWNED INVESTMENT PROPERTY</b> | <b>156,695</b> | <b>156,600</b> |

(b) Valuation basis

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

The 2019 and 2020 revaluations were based on independent assessments made by Scott Fullarton Valuations Pty Ltd.

(c) Contractual obligations at reporting date (2019 only)

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

| \$ '000 | 2020 | 2019 |
|---------|------|------|
|---------|------|------|

(d) Leasing arrangements – Council as lessor (2019 only)

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

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

|  |          |                |
|--|----------|----------------|
| Within 1 year <sup>1</sup>                           | –        | 9,010          |
| Later than 1 year but less than 5 years <sup>1</sup> | –        | 31,629         |
| Later than 5 years <sup>1</sup>                      | –        | 89,538         |
| <b>Total minimum lease payments receivable</b>       | <b>–</b> | <b>130,177</b> |

Council's investment properties comprise two car parks and the Kiaora Place shopping centre. The two car parks are managed on Council's behalf by Care Park under an 8 year agreement which commenced in 2013.

Kiaora Place has twenty seven mixed use tenancies, anchored by Woolworths on a thirty year lease with options to extend.

Other tenants' leases range from five to ten years with further options to extend.

(1) In accordance with new accounting standards the Actual 2020 figures are presented in Note 13 (e) Leases

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Investment properties (continued)

| \$ '000   | 2020     | 2019         |
|---|----------|--------------|
| <b>(e) Investment property income and expenditure – summary<br/>(2019 only)</b> |          |              |
| <b>Rental income from investment property:</b>                                  |          |              |
| – Minimum lease payments <sup>2</sup>   | –        | 9,110        |
| – Other income <sup>2</sup>   | –        | 1,744        |
| <b>Direct operating expenses on investment property:</b>                        |          |              |
| – that generated rental income <sup>2</sup>                                     | –        | (6,249)      |
| <b>Net revenue contribution from investment property</b>                        | <b>–</b> | <b>4,605</b> |
| plus:   |          |              |
| <b>Fair value movement for year</b>   | <b>–</b> | <b>(816)</b> |
| <b>Total income attributable to investment property</b>                         | <b>–</b> | <b>3,789</b> |

**Accounting policy for investment property**

Investment property, principally comprising Kiaora Place shopping centre 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 and other expenses.

(2) In accordance with new accounting standards the Actual 2020 figures are presented in Note 13 (e) Leases

Note 12. Contract assets and liabilities

| \$ '000                      | 2020<br>Current | 2020<br>Non-current |
|------------------------------|-----------------|---------------------|
| <b>(a) Contract assets</b>   |                 |                     |
| Other                        | 719             | –                   |
| <b>Total Contract assets</b> | <b>719</b>      | <b>–</b>            |

**Total unrestricted assets**

719

–

**Total contract assets**

719

–

| \$ '000  | Notes | 2020<br>Current | 2020<br>Non-current |
|--|-------|-----------------|---------------------|
| <b>(b) Contract liabilities</b>  |       |                 |                     |
| <b>Grants and contributions received in advance:</b>                                   |       |                 |                     |
| Unexpended capital grants (to construct Council controlled assets)                     | (i)   | 28              | –                   |
| Unexpended operating grants (received prior to performance obligation being satisfied) | (ii)  | 5               | –                   |
| <b>Total grants received in advance</b>  |       | <b>33</b>       | <b>–</b>            |
| <b>Total contract liabilities</b>  |       | <b>33</b>       | <b>–</b>            |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities (continued)

Notes

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

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

| \$ '000  | 2020<br>Current | 2020<br>Non-current |
|--|-----------------|---------------------|
| <b>(i) Contract liabilities relating to restricted assets</b>        |                 |                     |
| <b>Externally restricted assets</b>                                  |                 |                     |
| Unspent grants held as contract liabilities (excl. Water & Sewer)    | 28              | –                   |
| <b>Contract liabilities relating to externally restricted assets</b> | <b>28</b>       | <b>–</b>            |
| <b>Total contract liabilities relating to restricted assets</b>      | <b>28</b>       | <b>–</b>            |
| <b>Total contract liabilities relating to unrestricted assets</b>    | <b>5</b>        | <b>–</b>            |
| <b>Total contract liabilities</b>                                    | <b>33</b>       | <b>–</b>            |

| \$ '000  | 2020       |
|--|------------|
| <b>(ii) Revenue recognised (during the financial year) from opening contract liability balances</b>  |            |
| <b>Grants and contributions received in advance:</b>   |            |
| Capital grants (to construct Council controlled assets)  | 145        |
| Operating grants (received prior to performance obligation being satisfied)  | 57         |
| <b>Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period</b> | <b>202</b> |

**Significant changes in contract assets and liabilities**

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

**Accounting policy for contract assets and liabilities**

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases

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

(i) Council as a lessee

Council has leases over a range some Office and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 3 and 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

| \$ '000                           | Vehicles          | Office and IT equipment | Total             |
|-----------------------------------|-------------------|-------------------------|-------------------|
| <b>(a) Right of use assets</b>    |                   |                         |                   |
| Opening balance at 30 June 2019   | 430               | –                       | 430               |
| Additions to right-of-use assets  | –                 | 143                     | 143               |
| Depreciation charge               | (78)              | (44)                    | (122)             |
| <b><u>RIGHT OF USE ASSETS</u></b> | <b><u>352</u></b> | <b><u>99</u></b>        | <b><u>451</u></b> |

| \$ '000                               | 2020<br>Current   | 2020<br>Non-current |
|---------------------------------------|-------------------|---------------------|
| <b>(b) Lease liabilities</b>          |                   |                     |
| Lease liabilities                     | 127               | 326                 |
| <b><u>TOTAL LEASE LIABILITIES</u></b> | <b><u>127</u></b> | <b><u>326</u></b>   |

(i) The maturity analysis

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

| \$ '000    | < 1 year | 1 – 5 years | > 5 years | Total | Total per<br>Statement of<br>Financial<br>Position |
|------------|----------|-------------|-----------|-------|--|
| Cash flows | 145      | 347         | –         | 492   | 453  |



Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

| \$ '000   | 2020<br>Current | 2020<br>Non-current |
|---|-----------------|---------------------|
| <b>(ii) Lease liabilities relating to restricted assets</b> |                 |                     |
| Total lease liabilities relating to unrestricted assets     | 127             | 326                 |
| <u>Total lease liabilities</u>                              | <u>127</u>      | <u>326</u>          |

| \$ '000 | 2020 |
|---------|------|
|---------|------|

(c) Income Statement

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

|  |            |
|--|------------|
| Interest on lease liabilities          | 21         |
| Impairment of right of use assets      | 122        |
| Expenses relating to short-term leases | 7          |
|  | <u>150</u> |

(d) Statement of Cash Flows

|                               |            |
|-------------------------------|------------|
| Total cash outflow for leases | 138        |
|                               | <u>138</u> |

Accounting policy

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

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

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

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

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

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

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

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

**Exceptions to lease accounting**

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

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.

**Accounting policy under AASB 117 and associated Accounting Interpretations (2019 only)**

Refer to Note 11.

(ii) Council as a lessor

(e) Operating leases

Council leases out a number of properties to tenants under long-term operating leases with rentals payable monthly; these leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property (refer note 11).

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

| \$ '000   | 2020           |
|---|----------------|
| <b>(i) Operating lease income</b>   |                |
| <b>Investment properties</b>  |                |
| Lease income (excluding variable lease payments not dependent on an index or rate)  | 9,320          |
| <b>Other lease income</b>   |                |
| Room/Facility Hire  | 2,525          |
| Other   | 1,222          |
| <b>Total income relating to operating leases</b>  | <b>13,067</b>  |
| <br>  |                |
| <b>(ii) Operating lease expenses</b>  |                |
| <b>Investment properties</b>  |                |
| Direct operating expenses that generated rental income  | 9,276          |
| Direct operating expenses that did not generate rental income   | 931            |
| <b>Total expenses relating to operating leases</b>  | <b>10,207</b>  |
| <br>  |                |
| <b>(iii) Repairs and maintenance: investment property</b>   |                |
| Contractual obligations for future repairs and maintenance  | -              |
| <b>Total repairs and maintenance: investment property</b>   | <b>-</b>       |
| <br>  |                |
| <b>(iv) Maturity analysis of contractual lease income</b>   |                |
| Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases: |                |
| < 1 year  | 8,781          |
| 1–2 years   | 8,286          |
| 2–3 years   | 7,649          |
| 3–4 years   | 7,087          |
| 4–5 years   | 6,493          |
| > 5 years   | 83,218         |
| <b>Total undiscounted contractual lease income receivable</b>   | <b>121,514</b> |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

Accounting policy

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

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

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

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

Note 14. Payables and borrowings

| \$ '000                                     | 2020<br>Current      | 2020<br>Non-current  | 2019<br>Current      | 2019<br>Non-current  |
|---|----------------------|----------------------|----------------------|----------------------|
| <b>Payables</b>                             |                      |                      |                      |                      |
| Prepaid rates <sup>1</sup>                  | 367                  | –                    | –                    | –                    |
| Goods and services – operating expenditure  | 2,807                | –                    | 3,621                | –                    |
| Goods and services – capital expenditure    | 227                  | –                    | 830                  | –                    |
| Accrued expenses:                           |                      |                      |                      |                      |
| – Borrowings                                | 57                   | –                    | 59                   | –                    |
| – Salaries and wages                        | 317                  | –                    | 735                  | –                    |
| Security bonds, deposits and retentions     | 29,966               | –                    | 26,855               | –                    |
| Other                                       | 1,497                | –                    | 249                  | –                    |
| <b>Total payables</b>                       | <b>35,238</b>        | <b>–</b>             | <b>32,349</b>        | <b>–</b>             |
| <b>Income received in advance</b>           |                      |                      |                      |                      |
| Payments received in advance                | 1,702                | –                    | 1,089                | –                    |
| <b>Total income received in advance</b>     | <b>1,702</b>         | <b>–</b>             | <b>1,089</b>         | <b>–</b>             |
| <b>Borrowings</b>                           |                      |                      |                      |                      |
| Loans – secured <sup>2</sup>                | 2,789                | 58,986               | 2,660                | 61,776               |
| <b>Total borrowings</b>                     | <b>2,789</b>         | <b>58,986</b>        | <b>2,660</b>         | <b>61,776</b>        |
| <b><u>TOTAL PAYABLES AND BORROWINGS</u></b> | <b><u>39,729</u></b> | <b><u>58,986</u></b> | <b><u>36,098</u></b> | <b><u>61,776</u></b> |

(1) In accordance with new accounting standards the Actual 2020 figures are now disclosed separately, the 2019 figures are included in 'payments received in advance' within note 14.

(2) 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 21.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

| \$ '000  | 2020<br>Current      | 2020<br>Non-current  | 2019<br>Current      | 2019<br>Non-current  |
|--|----------------------|----------------------|----------------------|----------------------|
| <b>(a) Payables and borrowings relating to restricted assets</b>     |                      |                      |                      |                      |
| <b>Internally restricted assets</b>                                  |                      |                      |                      |                      |
| Property reserve – Kiaora Place                                      | 236                  | –                    | 263                  | –                    |
| Payables and borrowings relating to internally restricted assets     | 236                  | –                    | 263                  | –                    |
| <b>Total payables and borrowings relating to restricted assets</b>   | <b>236</b>           | <b>–</b>             | <b>263</b>           | <b>–</b>             |
| <b>Total payables and borrowings relating to unrestricted assets</b> | <b>39,493</b>        | <b>58,986</b>        | <b>35,835</b>        | <b>61,776</b>        |
| <b><u>TOTAL PAYABLES AND BORROWINGS</u></b>                          | <b><u>39,729</u></b> | <b><u>58,986</u></b> | <b><u>36,098</u></b> | <b><u>61,776</u></b> |

| \$ '000 | 2020 | 2019 |
|---------|------|------|
|---------|------|------|

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

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

|  |               |               |
|--|---------------|---------------|
| Payables – security bonds, deposits and retentions | 25,058        | 21,876        |
| <b>Total payables and borrowings</b>               | <b>25,058</b> | <b>21,876</b> |

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

| \$ '000           | as at<br>30/06/19  |                | Non-cash<br>changes           | as at<br>30/06/20  |
|-------------------|--------------------|----------------|-------------------------------|--------------------|
|                   | Opening<br>Balance | Cash flows     | Other<br>non-cash<br>movement | Closing<br>balance |
| Loans – secured   | 64,436             | (2,661)        | –                             | 61,775             |
| Lease liabilities | –                  | 453            | –                             | 453                |
| <b>TOTAL</b>      | <b>64,436</b>      | <b>(2,208)</b> | <b>–</b>                      | <b>62,228</b>      |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

| \$ '000  | 2020       | 2019       |
|--|------------|------------|
| <b>(d) Financing arrangements <sup>1</sup></b>   |            |            |
| <b>(i) Unrestricted access was available at balance date to the following lines of credit:</b> |            |            |
| Bank overdraft facilities <sup>2</sup>   | 400        | 400        |
| Credit cards/purchase cards  | 16         | 15         |
| <b>Total financing arrangements</b>  | <b>416</b> | <b>415</b> |
| <b>Drawn facilities as at balance date:</b>  |            |            |
| – Credit cards/purchase cards  | 8          | 6          |
| <b>Total drawn financing arrangements</b>  | <b>8</b>   | <b>6</b>   |
| <b>Undrawn facilities as at balance date:</b>  |            |            |
| – Bank overdraft facilities  | 400        | 400        |
| – Credit cards/purchase cards  | 8          | 9          |
| <b>Total undrawn financing arrangements</b>  | <b>408</b> | <b>409</b> |

(1) During the current year, there were no defaults or breaches on any on loans.

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

**Accounting policy for payables and borrowings**

**Payables**

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

**Borrowings**

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions

| \$ '000  | 2020<br>Current | 2020<br>Non-current | 2019<br>Current | 2019<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| <b>Provisions</b>                              |                 |                     |                 |                     |
| <b>Employee benefits</b>                       |                 |                     |                 |                     |
| Annual leave                                   | 4,521           | –                   | 3,767           | –                   |
| Sick leave                                     | 661             | –                   | 653             | –                   |
| Long service leave                             | 9,228           | 557                 | 8,565           | 370                 |
| <b>Sub-total – aggregate employee benefits</b> | <b>14,410</b>   | <b>557</b>          | <b>12,985</b>   | <b>370</b>          |
| <b>TOTAL PROVISIONS</b>                        | <b>14,410</b>   | <b>557</b>          | <b>12,985</b>   | <b>370</b>          |

(a) Provisions relating to restricted assets

**Externally restricted assets**

|   |               |            |               |            |
|---|---------------|------------|---------------|------------|
| Domestic waste management                               | 1,204         | –          | 1,054         | –          |
| Provisions relating to externally restricted assets     | 1,204         | –          | 1,054         | –          |
| <b>Total provisions relating to restricted assets</b>   | <b>1,204</b>  | <b>–</b>   | <b>1,054</b>  | <b>–</b>   |
| <b>Total provisions relating to unrestricted assets</b> | <b>13,206</b> | <b>557</b> | <b>11,931</b> | <b>370</b> |
| <b>TOTAL PROVISIONS</b>                                 | <b>14,410</b> | <b>557</b> | <b>12,985</b> | <b>370</b> |

| \$ '000 | 2020 | 2019 |
|---------|------|------|
|---------|------|------|

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

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

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Provisions – employees benefits | 9,727        | 8,818        |
|                                 | <b>9,727</b> | <b>8,818</b> |

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 15. Provisions (continued)

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#### Accounting policy for provisions

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

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

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

#### Employee benefits

##### Short-term obligations

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

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

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

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

##### On-costs

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

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

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

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

##### **Statement of Financial Position**

#### (ii) AASB 15 and AASB 1058

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

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements
- Council has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

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

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

##### **Grants – operating**

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

##### **Grants – capital**

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where Council has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by Council and the contract is enforceable, then the asset is recognised as a contract liability on receipt and recorded as revenue as the performance obligation to acquire or construct the asset is completed.

##### **Changes in presentation**

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

- Movement of balances between receivables and contract assets.



Notes to the Financial Statements

for the year ended 30 June 2020

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

| \$ '000   | Balance at<br>1 July 2019 |
|---|---------------------------|
| <b>Opening contract balances at 1 July 2019</b> |                           |
| <b>Contract assets</b>                          |                           |
| – Under AASB 15                                 | –                         |
| – Under AASB 1058                               | –                         |
| <b>Total Contract assets</b>                    | <b>–</b>                  |
| <b>Contract liabilities</b>                     |                           |
| – Under AASB 15                                 | –                         |
| – Under AASB 1058                               | 203                       |
| <b>Total Contract liabilities</b>               | <b>203</b>                |

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

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

**Statement of Financial Position**

| \$ '000                                       | Carrying<br>amount per<br>Statement of<br>Financial<br>Position under<br>AASB 15 and<br>AASB 1058 | Reclassific-<br>ation | Remeasur-e<br>ment | Carrying<br>amount under<br>previous<br>revenue<br>standards | Notes |
|---|---|-----------------------|--------------------|--|-------|
| <b>Current assets</b>                         |   |                       |                    |  |       |
| Cash and cash equivalents                     | 13,881  | –                     | –                  | 13,881   |       |
| Investments                                   | 64,664  | –                     | –                  | 64,664   |       |
| Receivables                                   | 5,682   | –                     | –                  | 5,682  |       |
| Inventories                                   | 370   | –                     | –                  | 370  |       |
| Contract assets                               | 719   | (719)                 | –                  | –  |       |
| Other   | 794   | 719                   | –                  | 1,513  |       |
| <b>Total current assets</b>                   | <b>86,110</b>   | <b>–</b>              | <b>–</b>           | <b>86,110</b>  |       |
| <b>Current liabilities</b>                    |   |                       |                    |  |       |
| Payables                                      | 35,238  | –                     | –                  | 35,238   |       |
| Income received in advance                    | 1,702   | –                     | –                  | 1,702  |       |
| Contract liabilities                          | 33  | –                     | (33)               | –  |       |
| Lease liabilities                             | 127   | –                     | –                  | 127  |       |
| Borrowings                                    | 2,789   | –                     | –                  | 2,789  |       |
| Provisions                                    | 14,410  | –                     | –                  | 14,410   |       |
| <b>Total current liabilities</b>              | <b>54,299</b>   | <b>–</b>              | <b>(33)</b>        | <b>54,266</b>  |       |
| <b>Non-current assets</b>                     |   |                       |                    |  |       |
| Receivables                                   | 168   | –                     | –                  | 168  |       |
| Infrastructure, property, plant and equipment | 909,555   | –                     | –                  | 909,555  |       |
| Investment property                           | 156,695   | –                     | –                  | 156,695  |       |
| Right of use assets                           | 451   | –                     | –                  | 451  |       |

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

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

| \$ '000                              | Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058 | Reclassific-ation | Remeasur-e ment | Carrying amount under previous revenue standards | Notes |
|--------------------------------------|---|-------------------|-----------------|--|-------|
| Other                                | 729   | –                 | –               | 729  |       |
| <b>Total non-current assets</b>      | <b>1,067,598</b>  | <b>–</b>          | <b>–</b>        | <b>1,067,598</b>                                 |       |
| <b>Non-current liabilities</b>       |   |                   |                 |  |       |
| Lease liabilities                    | 326   | –                 | –               | 326  |       |
| Borrowings                           | 58,986  | –                 | –               | 58,986   |       |
| Provisions                           | 557   | –                 | –               | 557  |       |
| <b>Total Non-current liabilities</b> | <b>59,869</b>   | <b>–</b>          | <b>–</b>        | <b>59,869</b>                                    |       |
| <b>Net assets</b>                    | <b>1,039,540</b>  | <b>–</b>          | <b>33</b>       | <b>1,039,573</b>                                 |       |
| <b>Equity</b>                        |   |                   |                 |  |       |
| Accumulated surplus                  | 545,493   | –                 | 203             | 545,696  |       |
| Revaluation reserves                 | 494,047   | –                 | –               | 494,047  |       |
| <b>Council equity interest</b>       | <b>1,039,540</b>  | <b>–</b>          | <b>203</b>      | <b>1,039,743</b>                                 |       |
| <b>Total equity</b>                  | <b>1,039,540</b>  | <b>–</b>          | <b>203</b>      | <b>1,039,743</b>                                 |       |

The adoption of AASB15 and AASB1058 has not materially changed the statement of financial position for the year ended 30 June 2020. The adjustments made are in relation to the reclassification of Council's lease liabilities and remeasurement of Grants during the 2018/19 year and were unexpended at 30 June 2019.

**Income Statement**

| \$ '000  | Income Statement and comprehensive income under AASB 15 and AASB 1058 | Reclassific-ation | Remeasur-ement | Income Statement and comprehensive income under previous revenue standards | Notes |
|--|---|-------------------|----------------|--|-------|
| <u>Income from continuing operations</u>                 |   |                   |                |  |       |
| Rates and annual charges                                 | 54,776  | –                 | –              | 54,776   |       |
| User charges and fees                                    | 10,652  | –                 | –              | 10,652   |       |
| Other revenues   | 9,119   | –                 | –              | 9,119  |       |
| Grants and contributions provided for operating purposes | 4,329   | –                 | –              | 4,329  |       |
| Grants and contributions provided for capital purposes   | 10,161  | –                 | (236)          | 9,925  |       |
| Interest and investment income                           | 1,766   | –                 | –              | 1,766  |       |
| Rental income  | 13,067  | –                 | –              | 13,067   |       |
| <b>Total Income from continuing operations</b>           | <b>103,870</b>  | <b>–</b>          | <b>(236)</b>   | <b>103,634</b>   |       |
| <u>Expenses from continuing operations</u>               |   |                   |                |  |       |
| Employee benefits and on-costs                           | 44,582  | –                 | –              | 44,582   |       |
| Borrowing costs  | 3,031   | –                 | –              | 3,031  |       |

Notes to the Financial Statements

for the year ended 30 June 2020

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

| \$ '000  | Income Statement and comprehensive income under AASB 15 and AASB 1058 | Reclassification | Remeasurement | Income Statement and comprehensive income under previous revenue standards | Notes |
|--|---|------------------|---------------|--|-------|
| Materials and contracts                                  | 22,800  | –                | –             | 22,800   |       |
| Depreciation and amortisation                            | 14,177  | –                | –             | 14,177   |       |
| Other expenses   | 16,850  | –                | –             | 16,850   |       |
| Net losses from the disposal of assets                   | 1,043   | –                | –             | 1,043  |       |
| Fair value decrement on investment properties            | 269   | –                | –             | 269  |       |
| Revaluation decrement / impairment of IPP&E              | 5   | –                | –             | 5  |       |
| <b>Total Expenses from continuing operations</b>         | <b>102,757</b>  | <b>–</b>         | <b>–</b>      | <b>102,757</b>   |       |
| <b>Total Operating result from continuing operations</b> | <b>1,113</b>  | <b>–</b>         | <b>(236)</b>  | <b>877</b>   |       |
| Net operating result for the year                        | 1,113   | –                | (236)         | 877  |       |
| <b>Total comprehensive income</b>                        | <b>25,718</b>   | <b>–</b>         | <b>–</b>      | <b>25,718</b>  |       |

The adoption of AASB15 and AASB1058 has not materially changed the income statement for the year ended 30 June 2020. The adjustments made are in relation to the remeasurement of Grants during the 2018/19 year and were unexpended at 30 June 2019.

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

**Statement of Financial Position**

| \$ '000                  | Original Balance<br>1 July, 2019 | Impact Increase/<br>(decrease) | Restated Balance<br>1 July, 2019 |
|--------------------------|----------------------------------|--------------------------------|----------------------------------|
| Contract assets          | –                                | –                              | –                                |
| <b>Total assets</b>      | <b>1,125,254</b>                 | <b>–</b>                       | <b>1,125,254</b>                 |
| Contract liabilities     | –                                | 203                            | 203                              |
| <b>Total liabilities</b> | <b>111,229</b>                   | <b>203</b>                     | <b>111,432</b>                   |
| Accumulated surplus      | 544,583                          | (203)                          | 544,380                          |
| Revaluation Reserves     | 469,442                          | –                              | 469,442                          |
| <b>Total equity</b>      | <b>1,014,025</b>                 | <b>(203)</b>                   | <b>1,013,822</b>                 |

**(iii) AASB 16 Leases**

**Council as a lessee**

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Practical expedients used on transition

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

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

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

Council has recognised right-of-use assets and lease liabilities of \$552k at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee’s incremental borrowing rate applied to lease liabilities at 1 July 2019 was 4.9%.

| \$ '000   | Balance at<br>1 July 2019 |
|---|---------------------------|
| <b>Operating lease commitments at 30 June 2019 per Council financial statements</b>               | 161                       |
| <b>Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases</b>               |                           |
| <b>Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019</b> | 122                       |
| <b>Add:</b>   |                           |
| Contracts not accounted for as operating lease commitments last year                              | 430                       |
| Finance lease liabilities   | –                         |
| Extension options reasonably certain to be exercised not included in the commitments note         | –                         |
| Variable lease payments linked to an index  | –                         |
| Other   | –                         |
| <b>Less:</b>  |                           |
| Short-term leases included in commitments note  | –                         |
| Leases for low-value assets included in commitments note  | –                         |
| Other   | –                         |
| <b>Lease liabilities recognised at 1 July 2019</b>  | <u>552</u>                |

**Council as a lessor**

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

Statement of Financial Position

| \$ '000   | Original<br>Balance<br>1 July, 2019 | Impact<br>Increase/<br>(decrease) | Restated<br>Balance<br>1 July, 2019 |
|---|-------------------------------------|-----------------------------------|-------------------------------------|
| Rights-of-use assets                              | –                                   | 552                               | 552                                 |
| <b>Total assets</b>                               | <b>1,125,254</b>                    | <b>552</b>                        | <b>1,125,806</b>                    |
| Payables – accrued interest on leases (30/6/2019) | –                                   | –                                 | –                                   |
| Leases  | –                                   | 552                               | 552                                 |
| <b>Total liabilities</b>                          | <b>111,229</b>                      | <b>552</b>                        | <b>111,781</b>                      |
| Accumulated surplus                               | 544,583                             | –                                 | 544,583                             |
| Revaluation Reserves                              | 469,442                             | –                                 | 469,442                             |
| <b>Total equity</b>                               | <b>1,014,025</b>                    | <b>–</b>                          | <b>1,014,025</b>                    |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Statement of cash flow information

| \$ '000   | Notes | 2020          | 2019          |
|---|-------|---------------|---------------|
| <b>(a) Reconciliation of cash and cash equivalents</b>  |       |               |               |
| Total cash and cash equivalents per Statement of Financial Position                           | 7(a)  | 13,881        | 9,113         |
| <b>Balance as per the Statement of Cash Flows</b>   |       | <b>13,881</b> | <b>9,113</b>  |
| <b>(b) Reconciliation of net operating result to cash provided from operating activities</b>  |       |               |               |
| <b>Net operating result from Income Statement</b>   |       | 1,113         | 60            |
| <b>Adjust for non-cash items:</b>   |       |               |               |
| Depreciation and amortisation   |       | 14,177        | 13,489        |
| Net losses/(gains) on disposal of assets  |       | 1,043         | 1,688         |
| Non-cash capital grants and contributions   |       | 3,400         | –             |
| Adoption of AASB 15/1058  |       | (203)         | –             |
| Losses/(gains) recognised on fair value re-measurements through the P&L:                      |       |               |               |
| – Investments classified as ‘at fair value’ or ‘held for trading’                             |       | 111           | 1             |
| – Investment property   |       | 269           | 816           |
| – Revaluation decrements / impairments of IPP&E direct to P&L                                 |       | 5             | –             |
| <b>+/- Movement in operating assets and liabilities and other cash items:</b>                 |       |               |               |
| Decrease/(increase) in receivables  |       | 331           | (29)          |
| Increase/(decrease) in provision for impairment of receivables                                |       | 73            | 29            |
| Decrease/(increase) in inventories  |       | (97)          | (17)          |
| Decrease/(increase) in other current assets   |       | 21            | 546           |
| Decrease/(increase) in contract assets  |       | (719)         | –             |
| Increase/(decrease) in payables   |       | (814)         | 470           |
| Increase/(decrease) in accrued interest payable   |       | (2)           | (4)           |
| Increase/(decrease) in other accrued expenses payable   |       | (418)         | 104           |
| Increase/(decrease) in other liabilities  |       | 1,939         | 1,762         |
| Increase/(decrease) in contract liabilities   |       | 33            | –             |
| Increase/(decrease) in provision for employee benefits  |       | 1,612         | 1,746         |
| <b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b> |       | <b>21,874</b> | <b>20,661</b> |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint arrangements

(ii) Joint operations

| \$ '000   | Principal activity              | Place of business | Interest in ownership |      | Interest in voting |      |
|---|---------------------------------|-------------------|-----------------------|------|--------------------|------|
|   |                                 |                   | 2020                  | 2019 | 2020               | 2019 |
| <b>(a) Council is involved in the following joint operations (JO's)</b> |                                 |                   |                       |      |                    |      |
| <b>Name of joint operation:</b>   |                                 |                   |                       |      |                    |      |
| Alexandra Integrated Facility (AIF) Collaboration with Waverley Council | Running of the shared AIF Depot | AIF               | 41%                   | 41%  | 50%                | 50%  |

(b) Council assets employed in the joint operations

| \$ '000  | 2020          | 2019          |
|--|---------------|---------------|
| <b>Council's share of assets jointly owned with other partners</b> |               |               |
| Property, plant and equipment                                      | 13,438        | 13,596        |
| <b>Total net assets employed – Council and jointly owned</b>       | <b>13,438</b> | <b>13,596</b> |

(c) Share of joint operations expenditure commitments

Operating expenditure commitments

|  |            |            |
|--|------------|------------|
| Payable not later than 1 year                  | 280        | 270        |
| <b>Total operating expenditure commitments</b> | <b>280</b> | <b>270</b> |

Accounting policy for joint arrangements

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.

(c) Associates

Council remains a member of the Premsure Insurance Pool but holds an immaterial interest in the Joint Venture.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities (continued)

(d) Subsidiaries, joint arrangements and associates not recognised

None.

Note 19. Commitments

| \$ '000  | 2020         | 2019         |
|--|--------------|--------------|
| <b>(a) Capital commitments (exclusive of GST)</b>  |              |              |
| Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities: |              |              |
| <b>Property, plant and equipment</b>   |              |              |
| Buildings  | 3,638        | 1,210        |
| Plant and equipment  | 767          | 1,352        |
| Infrastructure   | 1,886        | 1,626        |
| Streetscapes   | 272          | 1            |
| Traffic  | 136          | 669          |
| Open space works   | 390          | 640          |
| Environmental works  | 103          | 79           |
| IT   | 17           | 107          |
| <b>Total commitments</b>   | <b>7,209</b> | <b>5,684</b> |
| <b>These expenditures are payable as follows:</b>  |              |              |
| Within the next year   | 7,209        | 5,684        |
| <b>Total payable</b>   | <b>7,209</b> | <b>5,684</b> |
| <b>Sources for funding of capital commitments:</b>   |              |              |
| Unrestricted general funds   | 808          | 1,503        |
| Future grants and contributions  | 301          | 526          |
| Section 7.11 and 64 funds/reserves   | 849          | 934          |
| Unexpended grants  | –            | 100          |
| Externally restricted reserves   | 63           | 1,136        |
| Internally restricted reserves   | 5,049        | 1,402        |
| Sale of plant and equipment  | 139          | 82           |
| Recovered Costs  | –            | 1            |
| <b>Total sources of funding</b>  | <b>7,209</b> | <b>5,684</b> |



Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Commitments (continued)

(b) Finance lease commitments (2019 only)

Nil

(c) Non-cancellable operating lease commitments (2019 only)

**a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

|  |          |            |
|--|----------|------------|
| Within the next year                                     | –        | 64         |
| Later than one year and not later than 5 years           | –        | 97         |
| <b>Total non-cancellable operating lease commitments</b> | <b>–</b> | <b>161</b> |

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

Assets leased and lease terms

The assets leased are a photocopier, printers, imacs and ipads.

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

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

Refer to Note 13 for information relating to leases for 2020.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20. Contingencies

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

#### LIABILITIES NOT RECOGNISED

##### 1. Guarantees

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20. Contingencies (continued)

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$680,681.40. The last valuation of the Scheme was performed by Richard Boyfield, FIAA as at 30 June 2019.

Council's expected contribution to the plan for the next annual reporting period is \$688,016.60.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$361,400 as at 30 June 2020.

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

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

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

\* Plus promotional increases

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

#### (ii) Statewide Limited

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

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

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

#### (iii) StateCover Limited

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20. Contingencies (continued)

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#### (iv) Other guarantees

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

#### 2. Other liabilities

##### (i) Third party claims

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

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

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

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

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

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

##### (iii) Legal Expenses

An action is currently in progress in relation to a restrictive covenant over land occupied by Double Bay Bowling Club. Should it proceed to trial it is anticipated this will be held in either October 2020 or February 2021. If it proceeds and there is an adverse judgement against Council there is the potential that costs could be awarded against Council, the exact amount of which cannot be known until these proceedings are concluded.

#### ASSETS NOT RECOGNISED

##### (i) 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.

##### (ii) Premsure Insurance Pool

At 30 June 2020, Council disclosed its continuing membership of the Premsure Insurance Pool on Note 18, noting it holds an immaterial interest in the Joint Venture.

It is known that some funds are held by the Pool and that they will be distributed to members upon closure of the Pool.

Accordingly, at year end there is a potential asset of Council in the amount of the distribution from the Pool.

However, there is no reliable basis upon which Council is able to determine the value of this potential asset.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 21. Financial risk management

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#### Risk management

Council's activities expose it to a variety of financial risks including (1) price risk, (2) credit risk, (3) liquidity risk and (4) interest rate risk. The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

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

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

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

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

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

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

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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.
- **Liquidity risk** - the risk that Council will not be able to pay its debts as and when they fall due.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature. Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 21. Financial risk management (continued)

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

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

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

| \$ '000  | Increase of values/rates |        | Decrease of values/rates |         |
|--|--------------------------|--------|--------------------------|---------|
|  | Profit                   | Equity | Profit                   | Equity  |
| <b>2020</b>  |                          |        |                          |         |
| Possible impact of a 10% movement in market values | 1,271                    | 1,271  | 1,271                    | 1,271   |
| Possible impact of a 1% movement in interest rates | 881                      | 881    | 881                      | 881     |
| <b>2019</b>  |                          |        |                          |         |
| Possible impact of a 10% movement in market values | 1,278                    | 1,278  | (1,278)                  | (1,278) |
| Possible impact of a 1% movement in interest rates | 840                      | 840    | (840)                    | (840)   |

#### (b) Credit risk

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

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

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

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

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

The level of outstanding receivables is reported to Council quarterly. Council makes suitable provision for doubtful receivables as required.

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

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

#### Credit risk profile

##### Receivables – rates and annual charges

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

| \$ '000               | Not yet overdue | < 1 year overdue | 1 - 2 years overdue | 2 - 5 years overdue | > 5 years overdue | Total |
|-----------------------|-----------------|------------------|---------------------|---------------------|-------------------|-------|
| <b>2020</b>           |                 |                  |                     |                     |                   |       |
| Gross carrying amount | –               | 2,222            | 315                 | 175                 | 184               | 2,896 |
| <b>2019</b>           |                 |                  |                     |                     |                   |       |
| Gross carrying amount | –               | 1,375            | 223                 | 252                 | 137               | 1,987 |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

**Receivables - non-rates and annual charges**

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

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

| \$ '000               | Not yet overdue | 0 - 30 days overdue | 31 - 60 days overdue | 61 - 90 days overdue | > 91 days overdue | Total |
|-----------------------|-----------------|---------------------|----------------------|----------------------|-------------------|-------|
| <b>2020</b>           |                 |                     |                      |                      |                   |       |
| Gross carrying amount | 1,932           | 443                 | 33                   | 52                   | 626               | 3,086 |
| ECL Provision         | –               | –                   | –                    | –                    | (132)             | (132) |
| <b>2019</b>           |                 |                     |                      |                      |                   |       |
| Gross carrying amount | 3,182           | 418                 | 513                  | 52                   | 188               | 4,353 |
| ECL Provision         | –               | (59)                | –                    | –                    | –                 | (59)  |

**(c) Liquidity risk**

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

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

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

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

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

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

| \$ '000                            | Weighted average interest rate | Subject to no maturity | ≤ 1 Year      | payable in:   |               | Total cash outflows | Actual carrying values |
|------------------------------------|--------------------------------|------------------------|---------------|---------------|---------------|---------------------|------------------------|
|                                    |                                |                        |               | 1 - 5 Years   | > 5 Years     |                     |                        |
| <b>2020</b>                        |                                |                        |               |               |               |                     |                        |
| Trade/other payables               | 0.00%                          | 29,966                 | 6,052         | –             | –             | 36,018              | 34,871                 |
| Loans and advances                 | 5.00%                          | –                      | 5,667         | 26,941        | 52,347        | 84,955              | 61,775                 |
| <b>Total financial liabilities</b> |                                | <b>29,966</b>          | <b>11,719</b> | <b>26,941</b> | <b>52,347</b> | <b>120,973</b>      | <b>96,646</b>          |
| <b>2019</b>                        |                                |                        |               |               |               |                     |                        |
| Trade/other payables               | 0.00%                          | 26,855                 | –             | –             | –             | 26,855              | 32,349                 |
| Loans and advances                 | 5.00%                          | –                      | 5,670         | 27,893        | 57,063        | 90,626              | 64,436                 |
| <b>Total financial liabilities</b> |                                | <b>26,855</b>          | <b>5,670</b>  | <b>27,893</b> | <b>57,063</b> | <b>117,481</b>      | <b>96,785</b>          |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations

Council’s original financial budget for 19/20 was adopted by the Council on 8 April 2019 and is unaudited.

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

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

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

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

| \$ '000 | 2020<br>Budget | 2020<br>Actual | 2020<br>----- Variance ----- |  |
|---------|----------------|----------------|------------------------------|--|
|---------|----------------|----------------|------------------------------|--|

**REVENUES**

|                                 |        |        |    |    |          |
|---------------------------------|--------|--------|----|----|----------|
| <b>Rates and annual charges</b> | 54,692 | 54,776 | 84 | 0% | <b>F</b> |
|---------------------------------|--------|--------|----|----|----------|

There are no individual material variances to report.

|                              |        |        |         |       |          |
|------------------------------|--------|--------|---------|-------|----------|
| <b>User charges and fees</b> | 11,835 | 10,652 | (1,183) | (10)% | <b>U</b> |
|------------------------------|--------|--------|---------|-------|----------|

While not a material variance overall, there are a number of individual material variances to report.

The following sources of income did not reach their original budgets predominantly due to COVID-19: Parking Meter Charges \$756k, Mobile Bin Service \$359k, Preschool fees \$228k, Development Application Fees \$178k, Workzone charges \$86k, Sportfield Casual Hire \$79k, Advertising Fees \$45k, Commercial Paper Service \$42k, Compliance Levy \$38k.

The following sources of income exceeded their original budgets: Footpath Restoration Charges \$268k, Crane Permits \$134k, Hoarding Application Fees \$131k, Roads & Local Government Act Fees \$115k.

The net total of these variances is \$1,163k.

|                       |        |       |         |       |          |
|-----------------------|--------|-------|---------|-------|----------|
| <b>Other revenues</b> | 10,541 | 9,119 | (1,422) | (13)% | <b>U</b> |
|-----------------------|--------|-------|---------|-------|----------|

The following source of income did not reach its original budget predominantly due to COVID-19: Parking Fines \$2,679k.

The following sources of income exceeded their original budgets: Settlement income from legal proceedings in relation to Council's Investments \$670k, Recovered costs \$312k, Easement Compensation \$193k, Sundry Income \$135k, Sale of recycling material \$81k and Private Use Contributions \$46k.

The net total of these variances is \$1,437k.

|   |       |       |       |     |          |
|---|-------|-------|-------|-----|----------|
| <b>Operating grants and contributions</b> | 3,287 | 4,329 | 1,042 | 32% | <b>F</b> |
|---|-------|-------|-------|-----|----------|

Other operating grants that exceeded their original budget are: Roads to Recovery \$274k, Black Spot Program \$251k, Emergency Services Levy Grant \$138k, COVID-19 Preschool subsidy \$125k, DOCS Preschool subsidy \$69k, Financial Assistance Grant \$41k, Council Litter Prevention grant \$48k, Library per capita subsidy \$36k, and Library Special Grants \$25k.

The total of these variances is \$1,007k



Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations (continued)

| \$ '000                                 | 2020<br>Budget | 2020<br>Actual | 2020<br>----- Variance ----- |               |
|---|----------------|----------------|------------------------------|---------------|
| <b>Capital grants and contributions</b> | 3,294          | 10,161         | 6,867                        | 208% <b>F</b> |

Other capital grants and contributions that exceeded their original budget are:  
Other contributions of \$3,400k which represents a parcel of land at Stephen St, Paddington gifted under the voluntary planning agreement, S7.12 development levies \$2,000k, and capital grants received for various roads and infrastructure projects including the preschool expansion \$665k, EJ Ward community facility \$75k, O'Sullivan Road Rose Bay \$495k, New South Head Rd - William St - Norwich Rd \$91k, Wilberforce Ave Rose Bay \$71k, and Birriga Road Pedestrian Facilities \$36k.

|  |       |       |       |                |
|--|-------|-------|-------|----------------|
| <b>Interest and investment revenue</b> | 2,056 | 1,766 | (290) | (14)% <b>U</b> |
|--|-------|-------|-------|----------------|

The Reserve Bank of Australia lowering interest rates over the course of the financial year resulted in a reduction of interest received on investments.

|  |       |   |         |               |
|--|-------|---|---------|---------------|
| <b>Fair value increment on investment property</b> | 3,940 | - | (3,940) | 100% <b>U</b> |
|--|-------|---|---------|---------------|

The fair value of investment properties was a decrement for the year and has been reported under expenses.

|                      |        |        |         |                |
|----------------------|--------|--------|---------|----------------|
| <b>Rental income</b> | 15,520 | 13,067 | (2,453) | (16)% <b>U</b> |
|----------------------|--------|--------|---------|----------------|

Rental income was lower than budget due to the COVID-19 Small Business Relief package whereby rent relief was granted to all small business tenants of Council-owned properties from 24th March 2020 - 30 June 2020.

**EXPENSES**

|                                       |        |        |       |             |
|---------------------------------------|--------|--------|-------|-------------|
| <b>Employee benefits and on-costs</b> | 44,369 | 44,582 | (213) | 0% <b>U</b> |
|---------------------------------------|--------|--------|-------|-------------|

|                        |       |       |      |               |
|------------------------|-------|-------|------|---------------|
| <b>Borrowing costs</b> | 3,010 | 3,031 | (21) | (1)% <b>U</b> |
|------------------------|-------|-------|------|---------------|

|                                |        |        |         |                |
|--------------------------------|--------|--------|---------|----------------|
| <b>Materials and contracts</b> | 20,539 | 22,800 | (2,261) | (11)% <b>U</b> |
|--------------------------------|--------|--------|---------|----------------|

Each year there is some expenditure in the Capital Budget that ultimately does not meet capitalisation guidelines and is expensed in Materials and Contracts. For 2019/20 this amounted to \$1,710k

Expenditure was greater than originally budgeted in the following areas:  
Waste Services Recycling general contracts \$475k, Legal expenses \$392k, Temporary staff \$275k, Appeal Consultants \$140k and Vehicle Parts & Repairs \$228k

Expenditure was less than originally budgeted in the following areas:  
IPB Processing Charges \$530k, Material:Goods & Services \$187k and Recurrent Contracts \$134k.

The net total of these variances is \$2,370k.

|                                      |        |        |       |               |
|--------------------------------------|--------|--------|-------|---------------|
| <b>Depreciation and amortisation</b> | 13,803 | 14,177 | (374) | (3)% <b>U</b> |
|--------------------------------------|--------|--------|-------|---------------|

There are no individual material variances to report.

|                       |        |        |     |             |
|-----------------------|--------|--------|-----|-------------|
| <b>Other expenses</b> | 17,338 | 16,850 | 488 | 3% <b>F</b> |
|-----------------------|--------|--------|-----|-------------|

This is a broad category of expenditure and although the overall variance is not material there were numerous variances that arose over the course of the year.

Expenditure was less than original budgets in the following areas:

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations (continued)

| \$ '000 | 2020<br>Budget | 2020<br>Actual | 2020<br>----- Variance ----- |  |
|---------|----------------|----------------|------------------------------|--|
|---------|----------------|----------------|------------------------------|--|

Street Lighting charges \$206k, Tipping charges \$170k, Electricity charges \$159k, Insurance premiums \$129k, and Claims recovery \$115k.

Expenditure was greater than original budget in the following area:  
Self Funded losses \$276k (these were funded from the Insurance Reserve).

The net total of these variances is \$503k.

|   |              |              |            |            |          |
|---|--------------|--------------|------------|------------|----------|
| <b>Net losses from disposal of assets</b> | <b>1,692</b> | <b>1,043</b> | <b>649</b> | <b>38%</b> | <b>F</b> |
|---|--------------|--------------|------------|------------|----------|

The favourable variance is mainly due to the write-off of renewed infrastructure assets being less than the original budget.

|  |          |            |              |          |          |
|--|----------|------------|--------------|----------|----------|
| <b>Fair value decrement on investment property</b> | <b>–</b> | <b>269</b> | <b>(269)</b> | <b>∞</b> | <b>U</b> |
|--|----------|------------|--------------|----------|----------|

An estimate of the Fair value change in Investment properties was an increment of \$3,940k (2.5%). The final result was a decrement of \$269k. As this is a non-cash item it did not affect the budget result.

|  |          |          |            |          |          |
|--|----------|----------|------------|----------|----------|
| <b>Revaluation decrement / impairment of IPP&amp;E</b> | <b>–</b> | <b>5</b> | <b>(5)</b> | <b>∞</b> | <b>U</b> |
|--|----------|----------|------------|----------|----------|

**STATEMENT OF CASH FLOWS**

|   |               |               |              |            |          |
|---|---------------|---------------|--------------|------------|----------|
| <b>Cash flows from operating activities</b> | <b>17,102</b> | <b>21,874</b> | <b>4,772</b> | <b>28%</b> | <b>F</b> |
|---|---------------|---------------|--------------|------------|----------|

The variances in revenues and expenses outlined above, together with movements in payables and receivables, give rise to variances in Council's cash flow forecasts.  
It should also be noted that it is difficult to forecast the movement in Bonds, Deposits & Retentions so Council does not include any movement in its Budget.

|   |                 |                 |            |             |          |
|---|-----------------|-----------------|------------|-------------|----------|
| <b>Cash flows from investing activities</b> | <b>(15,205)</b> | <b>(14,325)</b> | <b>880</b> | <b>(6)%</b> | <b>F</b> |
|---|-----------------|-----------------|------------|-------------|----------|

Council's original budget forecasts the total movement in Cash & Investments and does not break it into Cash & Cash equivalents and Investments which is determined by the terms of securities held at reporting date.

For 2019/20 the net purchase of investments (cash inflow) was \$9,000k.

The timing of capital expenditure also had an effect with more cash outflow than budgeted of \$8,260k.

Finally there was an additional \$503k in proceeds from the sale of plant and vehicles.

|   |                |                |              |           |          |
|---|----------------|----------------|--------------|-----------|----------|
| <b>Cash flows from financing activities</b> | <b>(2,660)</b> | <b>(2,781)</b> | <b>(121)</b> | <b>5%</b> | <b>U</b> |
|---|----------------|----------------|--------------|-----------|----------|

The repayment of principle on Council's loans was in line with budget forecasts.

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

Note 23. Fair Value Measurement

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

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

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

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

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

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

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

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

| 2020   | Fair value measurement hierarchy               |  |                |
|--|--|--|----------------|
|  | Level 2<br>Significant<br>observable<br>inputs | Level 3<br>Significant<br>unobserv-<br>able inputs | Total          |
| \$ '000  |  |  |                |
| <b>Recurring fair value measurements</b>                   |  |  |                |
| <b>Financial assets</b>                                    |  |  |                |
| Investments  |  |  |                |
| – 'Designated at fair value on initial recognition'        | 64,664   | –  | 64,664         |
| <b>Total financial assets</b>                              | <b>64,664</b>                                  | <b>–</b>   | <b>64,664</b>  |
| <b>Investment property</b>                                 |  |  |                |
| Kiaora place   | 152,000  | –  | 152,000        |
| Car parks  | 4,695  | –  | 4,695          |
| <b>Total investment property</b>                           | <b>156,695</b>                                 | <b>–</b>   | <b>156,695</b> |
| <b>Infrastructure, property, plant and equipment</b>       |  |  |                |
| Plant and equipment  | –  | 9,328  | 9,328          |
| Office equipment   | –  | 3,430  | 3,430          |
| Furniture and fittings                                     | –  | 868  | 868            |
| Operational land   | –  | 112,920  | 112,920        |
| Community land   | –  | 156,918  | 156,918        |
| Buildings – non-specialised                                | –  | 43,645   | 43,645         |
| Buildings – specialised                                    | –  | 23,991   | 23,991         |
| Roads  | –  | 363,436  | 363,436        |
| Bridges  | –  | 3,433  | 3,433          |
| Footpaths  | –  | 48,274   | 48,274         |
| Stormwater drainage  | –  | 68,623   | 68,623         |
| Other open space/recreational assets                       | –  | 19,771   | 19,771         |
| Harbourside structures                                     | –  | 6,024  | 6,024          |
| Seawalls   | –  | 28,649   | 28,649         |
| Retaining walls  | –  | 13,665   | 13,665         |
| <b>Total infrastructure, property, plant and equipment</b> | <b>–</b>                                       | <b>902,975</b>                                     | <b>902,975</b> |

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

Note 23. Fair Value Measurement (continued)

| 2019   | Fair value measurement hierarchy               |  |                |
|--|--|--|----------------|
|  | Level 2<br>Significant<br>observable<br>inputs | Level 3<br>Significant<br>unobserv-<br>able inputs | Total          |
| <b>\$ '000</b>   |  |  |                |
| <b>Recurring fair value measurements</b>                   |  |  |                |
| <b>Financial assets</b>                                    |  |  |                |
| Investments  |  |  |                |
| – ‘Designated at fair value on initial recognition’        | 73,776   | –  | 73,776         |
| <b>Total financial assets</b>                              | <b>73,776</b>                                  | <b>–</b>   | <b>73,776</b>  |
| <b>Investment property</b>                                 |  |  |                |
| Kiaora place   | 151,550  | –  | 151,550        |
| Car parks  | 5,050  | –  | 5,050          |
| <b>Total investment property</b>                           | <b>156,600</b>                                 | <b>–</b>   | <b>156,600</b> |
| <b>Infrastructure, property, plant and equipment</b>       |  |  |                |
| Plant and equipment  | –  | 8,243  | 8,243          |
| Office equipment   | –  | 3,722  | 3,722          |
| Furniture and fittings                                     | –  | 1,018  | 1,018          |
| Operational land   | –  | 112,920  | 112,920        |
| Community land   | –  | 128,970  | 128,970        |
| Buildings – non-specialised                                | –  | 43,510   | 43,510         |
| Buildings – specialised                                    | –  | 23,000   | 23,000         |
| Roads  | –  | 369,072  | 369,072        |
| Bridges  | –  | 1,584  | 1,584          |
| Footpaths  | –  | 47,869   | 47,869         |
| Stormwater drainage  | –  | 67,313   | 67,313         |
| Other open space/recreational assets                       | –  | 19,920   | 19,920         |
| Harbourside structures                                     | –  | 6,153  | 6,153          |
| Seawalls   | –  | 29,028   | 29,028         |
| Retaining walls  | –  | 13,300   | 13,300         |
| Other Assets – Library books & art collections             | –  | 2,043  | 2,043          |
| <b>Total infrastructure, property, plant and equipment</b> | <b>–</b>                                       | <b>877,665</b>                                     | <b>877,665</b> |

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

##### Financial assets

The Investments at Fair Value through Profit or Loss disclosed as Level 3 comprise Council's Emerald Reverse Mortgage Series 2007-1 Class B Security maturing 21 July 2057 and floating rate notes.

For its floating rate notes, Council receives monthly valuations from the issuer of the security. Council received independent valuation from CPG Research & Advisory for its Emerald RMBS. The 30 June valuations have been used to ensure the financial statements reflect the latest valuation. The best evidence of fair value is the current price in an active market for similar assets. The market, in the case of the Emerald RMBS, is highly illiquid as a consequence of the global financial crisis notwithstanding the robustness of its structure. As a consequence of this limited market evidence, it is difficult to value the security. The independent valuation indicates the value to be 61c.

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

##### Investment property

Council holds three Investment Properties:

Grafton Street Car Park, Bondi Junction  
 Cosmopolitan Centre Car Park, Knox Street, Double Bay  
 Kiaora Place, Double Bay

Council obtains independent valuations of its Investment Properties on an annual basis to ensure the financial statements reflect the latest valuations.

The best evidence of fair value is the current price in an active market for similar assets. The following information is used where necessary:

- current prices in an active market for similar properties;
- expected future rental income generated from the properties.

The 2020 valuations were based on Independent Assessments made by Scott Fullarton Valuations Pty Ltd. The income approach has been used to value the properties.

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

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

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

Council's Plant & Equipment, Office Equipment and Furniture & Fittings assets include:

- |                        |   |
|------------------------|---|
| • major plant          | truck, street sweepers, garbage compactors              |
| • vehicles             | cars, vans, utilities                                   |
| • miscellaneous        | plant mowers, breakers, pressure cleaners, line markers |
| • furniture & fittings | desks, chairs, cabinets, shelving                       |
| • office equipment     | PCs, laptops, servers, projectors                       |

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the Notes to the Financial Statements. Council assumes that the depreciated historic cost reflects the fair value of the asset.

Level 3 unobservable inputs include:

- pattern of consumption
- useful life
- asset condition
- replacement cost

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

#### Operational Land

Council classifies Operational Land in accordance with Part 2 of Chapter 6 of the Local Government Act (1993).

Council obtains independent "fair value" valuations of its Operational Land every 5 years using Level 3 inputs. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date taking into account the characteristics of the asset (condition and location of the asset and restrictions, if any, on the sale or use of the asset).

The unobservable Level 3 inputs used include:

- Rate per square metre

The 2019 valuations were based on Independent Assessments made by Scott Fullarton Valuations Pty Ltd. There has been no change to the valuation process during the reporting period.

#### Community Land

Council's Community Land is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access. The Local Government Act imposes restrictions on Community Land in order to preserve the qualities of the land.

The Division of Local Government has determined that Community Land may be valued using the NSW Valuer General's valuation to represent fair value. The Valuer General issues valuations every 3 to 4 years.

The Valuer General uses comparable property sales to the land being valued and considers factors such as:

- property market conditions as at 1 July in the year of valuation;
- most valuable use for the land;
- constraints on use such as zoning and heritage restrictions;
- land size, shape and land features, such as slope and soil type;
- nearby development and infrastructure;
- views.

Council fair values Community Land using either NSW Valuer General unimproved capital value or an average unit rate based on unimproved capital values and allocated by Council against those properties where the Valuer General did not provide an unimproved capital value.

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

#### Buildings – (Specialised and Non-Specialised)

Council buildings incorporate Libraries, Community Buildings, Car Park Buildings, Kiosks and Amenities, Sportsfield and Park Buildings, Council Chambers and Depot Buildings.

Council obtains independent "fair value" valuations of its Buildings every 5 years using Level 3 inputs. The valuer utilises the Gross Restatement Method; the Gross Value of each building is obtained by applying a unit rate based on its current replacement cost. Rates are derived from substantial analysis of construction costs from over 60 NSW Councils and are continually updated to reflect movements in construction costs. Complex building structures are componentised into significant parts with different useful lives taking into account a range of factors. While all buildings are physically inspected for valuation, inputs such as estimates of residual value, useful life and pattern of consumption have required professional judgement and impacted significantly on the final determination of fair value. Buildings are therefore classified as being valued using Level 3 inputs.

The unobservable Level 3 inputs used include:

- pattern of consumption
- useful life
- asset condition

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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Buildings (Specialised and Non Specialised) were valued in 2017 based on Independent Assessments made by Scott Fullarton Valuations Pty Ltd and a desktop valuation is completed annually. There has been no change to the valuation process during the reporting period.

#### Roads

This asset class comprises, Wearing Pavement Base, Pavement Sub Base, Kerb and Gutter and Traffic Facilities.

Council's Asset Management System (AMS) contains detailed segment dimensions and specifications for all Council roads. Council values this asset class every 4 years taking into consideration Council's minor works contract unit rates, visual assessment (every 4 to 5 years) of the asset condition by qualified Council engineers to determine useful life and the asset condition using a 1 – 5 rating system (1 = New, 5 = Failed). Due to the professional judgement required in valuation, roads are valued using Level 3 inputs.

Council also performs proactive asset inspections to determine if busy areas require additional maintenance thus prolonging the life of the asset. Council has in place an Asset Management Plan which details asset management practices to meet the required level of service in the most cost effective manner for present and future consumers.

The unobservable Level 3 inputs used include:

- pattern of consumption
- useful life
- asset condition rating

The 2019 valuations were based on Independent Assessments made by Assetic Pty Ltd. There has been no change to the valuation process during the reporting period.

#### Bridges

Council values this asset class every 4 years taking into consideration Council's minor works contract unit rates, visual assessment (every 4 to 5 years) of the asset condition by qualified Council engineers to determine useful life and the asset condition using a 1 – 5 rating system (1 = New, 5 = Failed). Due to the professional judgement required in valuation, bridges are valued using Level 3 inputs.

The unobservable Level 3 inputs used include:

- pattern of consumption
- useful life
- asset condition rating

The 2019 valuations were based on Independent Assessments made by Assetic Pty Ltd. There has been no change to the valuation process during the reporting period.

#### Footpaths

Council values this asset class every 4 years taking into consideration Council's minor works contract unit rates, visual assessment (every 4 to 5 years) of the asset condition by qualified Council engineers to determine useful life and the asset condition using a 1 – 5 rating system (1 = New, 5 = Failed). Due to the professional judgement required in valuation, footpaths are valued using Level 3 inputs. Council's Asset Management System (AMS) contains detailed segment dimensions and specifications for footpaths.

The unobservable Level 3 inputs used include:

- pattern of consumption
- useful life
- asset condition rating

The 2019 valuations were based on Independent Assessments made by Assetic Pty Ltd. There has been no change to the valuation process during the reporting period.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

#### Stormwater Drainage

This asset class comprises pits, pipes and stormwater quality improvements devices.

Council values this asset class every 5 years taking into consideration Council's minor works contract unit rates, visual assessment (every 4 to 5 years) of the asset condition by qualified Council engineers to determine useful life and the asset condition using a 1 – 5 rating system (1 = New, 5 = Failed). Due to the professional judgement required in valuation, drainage assets are valued using Level 3 inputs. Council's Asset Management System (AMS) contains detailed segment dimensions and specifications for drainage.

Council also performs proactive asset inspections to determine if additional maintenance is required thus prolonging the life of the asset. Council has in place an Asset Management Plan which details drainage asset management practices to meet the required level of service in the most cost effective manner for present and future consumers.

The unobservable Level 3 inputs used include:

- pattern of consumption
- useful life
- asset condition rating

The 2019 valuations were based on Independent Assessments made by Assetic Pty Ltd. There has been no change to the valuation process during the reporting period.

#### Other Open Space/Recreational Assets

Assets in this class include items such as playgrounds, gazebo's, park fencing and lighting, tennis courts, sportsfield surfaces and aggregated lower value assets such as park seats and picnic tables.

Council values this asset class every 5 years taking into consideration Council's minor works contract unit rates, visual assessment (every 4 to 5 years) of the asset condition by qualified Council engineers to determine useful life and the asset condition using a 1 – 5 rating system (1 = New, 5 = Failed). Due to the professional judgement required in valuation, open space assets are valued using Level 3 inputs.

The unobservable Level 3 inputs used include:

- pattern of consumption
- useful life
- asset condition rating

The 2019 valuations were based on Independent Assessments by XYST Australia Pty Ltd. There has been no change to the valuation process during the reporting period.

#### Harbourside Structures

Council has harbourside structures at Double Bay, Parsley Bay, Rose Bay, Rushcutters Bay and Watsons Bay which include swimming pools, platforms, boat ramps, piers and a footbridge.

Council values this asset class every 5 years taking into consideration Council's minor works contract unit rates, visual assessment (every 4 to 5 years) of the asset condition by qualified Council engineers to determine useful life and the asset condition using a 1 – 5 rating system (1 = New, 5 = Failed). Due to the professional judgement required in valuation, open space assets are valued using Level 3 inputs.

The unobservable Level 3 inputs used include:

- pattern of consumption
- useful life
- asset condition rating

The 2019 valuations were based on Independent Assessments by Assetic Pty Ltd. There has been no change to the valuation process during the reporting period.



## Notes to the Financial Statements

for the year ended 30 June 2020

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

#### Seawalls

Assets in this class include seawalls at Darling Point, Double Bay, Point Piper, Rose Bay, Vaucluse and Watsons Bay.

Council values this asset class every 5 years taking into consideration Council's minor works contract unit rates, visual assessment (every 4 to 5 years) of the asset condition by qualified Council engineers to determine useful life and the asset condition using a 1 – 5 rating system (1 = New, 5 = Failed). Due to the professional judgement required in valuation, open space assets are valued using Level 3 inputs.

The unobservable Level 3 inputs used include:

- pattern of consumption
- useful life
- asset condition rating

The 2019 valuations were based on Independent Assessments by Assetic Pty Ltd. There has been no change to the valuation process during the reporting period.

#### Retaining Walls

Assets in this class include retaining walls and retaining wall fences at various locations throughout the Woollahra local government area.

Council values this asset class every 5 years taking into consideration Council's minor works contract unit rates, visual assessment (every 4 to 5 years) of the asset condition by qualified Council engineers to determine useful life and the asset condition using a 1 – 5 rating system (1 = New, 5 = Failed). Due to the professional judgement required in valuation, open space assets are valued using Level 3 inputs.

The unobservable Level 3 inputs used include:

- pattern of consumption
- useful life
- asset condition rating

The 2019 valuations were based on Independent Assessments by Assetic Pty Ltd. There has been no change to the valuation process during the reporting period.

#### Library Books

Assets in this class include books, magazines, CD's, DVD and audio books.

Library books are valued using depreciated historic cost. Annual review determines if there has been any impairment of assets within the class.

The unobservable Level 3 inputs used include:

- pattern of consumption
- useful life
- asset condition

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

#### Art Collections

Assets in this class include artwork, ornaments and outdoor public art installations.

Council obtains independent valuations of its Art collections on an annual basis to ensure the financial statements reflect the latest valuations.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

The best evidence of fair value is the current price in an active market for similar assets. The following information is used where necessary:

- current prices in an active market for similar properties.

In 2020 Council's art collections were valued by McWilliam & Associates.

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

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

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

| \$ '000                                  | Plant and equipment | Office equipment | Furniture and fittings | Operational Land | Community Land |
|--|---------------------|------------------|------------------------|------------------|----------------|
| <b>Opening balance</b>                   | 8,243               | 3,722            | 1,018                  | 112,920          | 128,970        |
| Transfers from/(to) another asset class  | –                   | 321              | –                      | –                | –              |
| Purchases (GBV)                          | 3,206               | 49               | –                      | –                | 3,400          |
| Disposals (WDV)                          | (827)               | –                | –                      | –                | –              |
| Depreciation and impairment              | (1,294)             | (662)            | (150)                  | –                | –              |
| FV gains – Income Statement <sup>1</sup> | –                   | –                | –                      | –                | 24,548         |
| <b>Closing balance</b>                   | <b>9,328</b>        | <b>3,430</b>     | <b>868</b>             | <b>112,920</b>   | <b>156,918</b> |

(1) FV gains recognised in the Income Statement relating to assets still on hand at year end total

| \$ '000                                  | Buildings non-specialised | Building specialised | Roads          | Bridges      | Footpaths     |
|--|---------------------------|----------------------|----------------|--------------|---------------|
| <b>Opening balance</b>                   | 43,510                    | 23,000               | 364,488        | 1,584        | 47,869        |
| Transfers from/(to) another asset class  | 40                        | 522                  | 750            | 186          | 171           |
| Purchases (GBV)                          | 1,812                     | 1,395                | 3,499          | 1,570        | 2,126         |
| Disposals (WDV)                          | –                         | –                    | (619)          | –            | (440)         |
| Depreciation and impairment              | (1,717)                   | (926)                | (4,681)        | (24)         | (1,452)       |
| FV gains – Income Statement <sup>1</sup> | –                         | –                    | –              | 117          | –             |
| <b>Closing balance</b>                   | <b>43,645</b>             | <b>23,991</b>        | <b>363,437</b> | <b>3,433</b> | <b>48,274</b> |

(1) FV gains recognised in the Income Statement relating to assets still on hand at year end total

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

| \$ '000                                 | Stormwater<br>drainage | Harbourside<br>structures | Other open<br>space assets |
|---|------------------------|---------------------------|----------------------------|
| <b>Opening balance</b>                  | 67,313                 | 6,153                     | 19,920                     |
| Transfers from/(to) another asset class | 458                    | 305                       | –                          |
| Purchases (GBV)                         | 1,652                  | 950                       | 9                          |
| Disposals (WDV)                         | (67)                   | (219)                     | (138)                      |
| Depreciation and impairment             | (734)                  | (1,184)                   | –                          |
| <b>Closing balance</b>                  | <b>68,622</b>          | <b>6,005</b>              | <b>19,791</b>              |

| \$ '000                                  | Seawalls      | Retaining<br>Walls | Total           |
|--|---------------|--------------------|-----------------|
| <b>Opening balance</b>                   | 29,028        | 13,300             | <b>871,038</b>  |
| Transfers from/(to) another asset class  | –             | 342                | <b>3,095</b>    |
| Purchases (GBV)                          | 15            | 309                | <b>19,992</b>   |
| Disposals (WDV)                          | (394)         | (285)              | <b>(2,989)</b>  |
| Depreciation and impairment              | –             | –                  | <b>(12,824)</b> |
| FV gains – Income Statement <sup>1</sup> | –             | –                  | <b>24,665</b>   |
| <b>Closing balance</b>                   | <b>28,649</b> | <b>13,666</b>      | <b>902,977</b>  |

(1) FV gains recognised in the Income Statement relating to assets still on hand at year end total

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

There are no transfers identified in the above table.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

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

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

|   | Valuation technique/s                                | Unobservable inputs  |
|---|--|--|
| <b>Financial liabilities</b>                                  |  |  |
| Fair Value through Profit or Loss                             | Issuer and independent valuations                    | Unit Price   |
| <b>Investment properties</b>                                  |  |  |
| Investment properties   | Independent valuation                                | Net rental value<br>Rental Yield   |
| <b>Infrastructure, property, plant and equipment</b>          |  |  |
| Plant and Equipment, Office Equipment, Furniture and Fittings | Cost used to approximate fair value                  | Asset Cost<br>Useful Life  |
| Operational Land  | Independent valuation                                | Rate per m2  |
| Community Land  | Land values supplied by the Valuer General           | Unimproved Capital Value (rate per m2)   |
| Buildings   | Independent valuation                                | Current Replacement Cost<br>Useful life<br>Asset Condition                     |
| Roads, Bridges & Footpaths                                    | Independent valuation<br>Unit rates per m2 or length | Current Replacement Cost (Unit Rates)<br>Asset Condition Rating<br>Useful Life |
| Stormwater Drainage   | Independent valuation<br>Unit rates per m2 or length | Current Replacement Cost (Unit Rates)<br>Asset Condition Rating<br>Useful Life |
| Other Open Space / Recreational Assets                        | Independent valuation<br>Unit rates per m2 or length | Current Replacement Cost (Unit Rates)<br>Asset Condition Rating<br>Useful Life |
| Harbourside structures, Seawalls & Retaining Walls            | Independent valuation<br>Unit rates per m2 or length | Current Replacement Cost (Unit Rates)<br>Asset Condition Rating<br>Useful Life |
| Library Books   | Cost used to approximate fair value.                 | Asset Cost<br>Useful Life<br>Asset Condition                                   |
| Art Collections   | Independent valuation                                | Market Value   |

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### (4) Highest and best use

All of Council's non-financial assets are considered to be utilised for their highest and best use which was established in consideration of the criteria of physical possibility, legal permissibility and financial feasibility. Implied with these criteria is the recognition of the contribution of that specific use to community goals.

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

Note 24. Related party disclosures

(a) Key management personnel

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

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

| \$ '000                  | 2020         | 2019         |
|--------------------------|--------------|--------------|
| <b>Compensation:</b>     |              |              |
| Short-term benefits      | 1,952        | 1,787        |
| Post-employment benefits | 99           | 94           |
| Other long-term benefits | 31           | 19           |
| <b>Total</b>             | <b>2,082</b> | <b>1,900</b> |

(b) Other transactions with KMP and their related parties

| Nature of the transaction               | Ref | Value of transactions during year | Outstanding balance (incl. loans and commitments) | Terms and conditions | Provisions for impairment of receivables outstanding | Expense recognised for impairment of receivables |
|---|-----|-----------------------------------|---|----------------------|--|--|
| \$ '000                                 |     |                                   |   |                      |  |  |
| <b>2020</b>                             |     |                                   |   |                      |  |  |
| Donations, contributions and assistance | 1   | 991                               | –   |                      | –  | –  |
| Legal Expenses - Other                  | 2   | 9                                 | –   |                      | –  | –  |
| Contractor & Consultancy Costs          | 3   | 70                                | –   |                      | –  | –  |
| <b>2019</b>                             |     |                                   |   |                      |  |  |
| Donations, contributions and assistance | 1   | 892                               | –   |                      | –  | –  |
| Legal Expenses - Other                  | 2   | 16                                | –   |                      | –  | –  |
| Contractor & Consultancy Costs          | 3   | 92                                | –   |                      | –  | –  |

- 1 Council provides financial support to Holdsworth Community which provides a range of services to the Woollahra community. A KMP is a Director of Holdsworth Community.
- 2 Council utilises Hones Lawyers Ptd Ltd to provide legal assistance and advice. a relative of a Council KMP is an employee of Hones Lawyers.
- 3 Council utilises Downer Pipetech on capital works projects. A relative of a Council KMP is an employee of Downer EDI Limited.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Related party disclosures (continued)

Note 25. Events occurring after the reporting date

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

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

Note 26. Statement of developer contributions

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

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

Summary of contributions and levies

|  | as at 30/06/19  |  |          | as at 30/06/20          |                         |                              |                          |  |
|--|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
|  | Opening Balance | Contributions received during the year |          | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
| \$ '000  |                 | Cash                                   | Non-cash |                         |                         |                              |                          |  |
| Parking  | 1,277           | –                                      | –        | 1                       | –                       | –                            | 1,278                    | –  |
| Civic improvements                               | 121             | –                                      | –        | –                       | –                       | –                            | 121                      | –  |
| Recreation                                       | 22              | –                                      | –        | –                       | (1)                     | –                            | 21                       | –  |
| Plan preparation and administration              | 47              | –                                      | –        | –                       | –                       | –                            | 47                       | –  |
| <b>S7.11 contributions – under a plan</b>        | <b>1,467</b>    | <b>–</b>                               | <b>–</b> | <b>1</b>                | <b>(1)</b>              | <b>–</b>                     | <b>1,467</b>             | <b>–</b>                                     |
| <b>S7.12 levies – under a plan</b>               | <b>4,528</b>    | <b>4,701</b>                           | <b>–</b> | <b>6</b>                | <b>(4,927)</b>          | <b>–</b>                     | <b>4,308</b>             | <b>–</b>                                     |
| <b>Total S7.11 and S7.12 revenue under plans</b> | <b>5,995</b>    | <b>4,701</b>                           | <b>–</b> | <b>7</b>                | <b>(4,928)</b>          | <b>–</b>                     | <b>5,775</b>             | <b>–</b>                                     |
| <b>Total contributions</b>                       | <b>5,995</b>    | <b>4,701</b>                           | <b>–</b> | <b>7</b>                | <b>(4,928)</b>          | <b>–</b>                     | <b>5,775</b>             | <b>–</b>                                     |

S7.11 Contributions – under a plan

CONTRIBUTION PLAN – 2002 Contributions Plan

|                                     |              |          |          |          |            |          |              |          |
|-------------------------------------|--------------|----------|----------|----------|------------|----------|--------------|----------|
| Parking – Rose Bay                  | 1,277        | –        | –        | 1        | –          | –        | 1,278        | –        |
| Civic improvements                  | 121          | –        | –        | –        | –          | –        | 121          | –        |
| Recreation                          | 22           | –        | –        | –        | (1)        | –        | 21           | –        |
| Plan preparation and administration | 47           | –        | –        | –        | –          | –        | 47           | –        |
| <b>Total</b>                        | <b>1,467</b> | <b>–</b> | <b>–</b> | <b>1</b> | <b>(1)</b> | <b>–</b> | <b>1,467</b> | <b>–</b> |



Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

|  | as at 30/06/19  |              |          | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | as at 30/06/20           |  |
|--|-----------------|--------------|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
|  | Opening Balance | Cash         | Non-cash |                         |                         |                              | Held as restricted asset | Cumulative internal borrowings due/(payable) |
| <b>\$ '000</b>                                     |                 |              |          |                         |                         |                              |                          |  |
| <b>S7.12 Levies – under a plan</b>                 |                 |              |          |                         |                         |                              |                          |  |
| <b>CONTRIBUTION PLAN – 2005 Contributions Plan</b> |                 |              |          |                         |                         |                              |                          |  |
| Other  | 4,528           | 4,701        | –        | 6                       | (4,927)                 | –                            | 4,308                    | –  |
| <b>Total</b>                                       | <b>4,528</b>    | <b>4,701</b> | <b>–</b> | <b>6</b>                | <b>(4,927)</b>          | <b>–</b>                     | <b>4,308</b>             | <b>–</b>                                     |

Notes to the Financial Statements

for the year ended 30 June 2020

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

| \$ '000  | Amounts<br>2020 | Indicator<br>2020 | Prior periods |        | Benchmark |
|--|-----------------|-------------------|---------------|--------|-----------|
|  |                 |                   | 2019          | 2018   |           |
| <b>1. Operating performance ratio</b>  |                 |                   |               |        |           |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup> | <b>(7,620)</b>  | <b>(8.12)%</b>    | (1.40)%       | 3.33%  | >0.00%    |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                           | <b>93,820</b>   |                   |               |        |           |
| <b>2. Own source operating revenue ratio</b>   |                 |                   |               |        |           |
| Total continuing operating revenue excluding all grants and contributions <sup>1</sup>                               | <b>89,491</b>   | <b>86.06%</b>     | 92.55%        | 91.55% | >60.00%   |
| Total continuing operating revenue <sup>1</sup>  | <b>103,981</b>  |                   |               |        |           |
| <b>3. Unrestricted current ratio</b>   |                 |                   |               |        |           |
| Current assets less all external restrictions  | <b>73,852</b>   | <b>4.04x</b>      | 4.37x         | 4.46x  | >1.50x    |
| Current liabilities less specific purpose liabilities  | <b>18,282</b>   |                   |               |        |           |
| <b>4. Debt service cover ratio</b>   |                 |                   |               |        |           |
| Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>             | <b>9,588</b>    | <b>1.65x</b>      | 2.70x         | 2.94x  | >2.00x    |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)                               | <b>5,812</b>    |                   |               |        |           |
| <b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>                                   |                 |                   |               |        |           |
| Rates, annual and extra charges outstanding  | <b>3,098</b>    | <b>5.43%</b>      | 3.86%         | 3.74%  | <5.00%    |
| Rates, annual and extra charges collectible  | <b>57,069</b>   |                   |               |        |           |
| <b>6. Cash expense cover ratio</b>   |                 |                   |               |        |           |
| Current year's cash and cash equivalents plus all term deposits  | <b>65,881</b>   | <b>8.68</b>       | 9.66          | 8.60   | >3.00     |
| Monthly payments from cash flow of operating and financing activities  | <b>7,590</b>    | <b>mths</b>       | mths          | mths   | mths      |

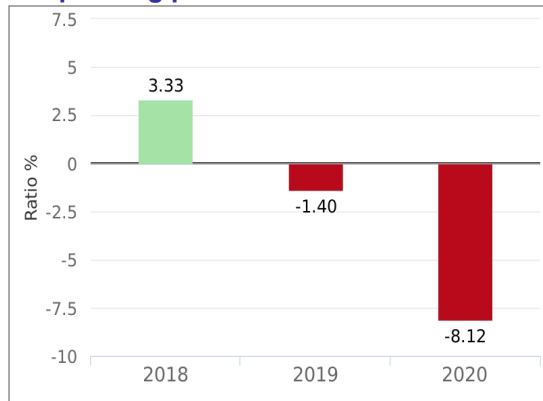
(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

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

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

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

1. Operating performance ratio



**Purpose of operating performance ratio**

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

**Commentary on 2019/20 result**

2019/20 ratio (8.12)%

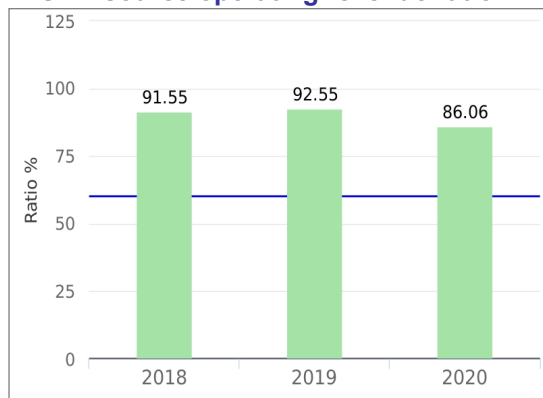
The 2019/20 ratio has been impacted by significant decreases in income due to COVID-19.

Benchmark: — > 0.00%

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

Ratio achieves benchmark (green bar)  
Ratio is outside benchmark (red bar)

2. Own source operating revenue ratio



**Purpose of own source operating revenue ratio**

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

**Commentary on 2019/20 result**

2019/20 ratio 86.06%

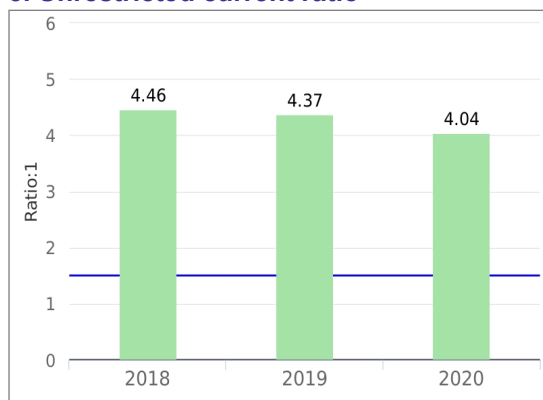
The ratio remains well in excess of the 60% benchmark. The reduction from 2018/19 is a result of the decrease in income due to COVID-19 particularly from the small business relief measures provided by Council.

Benchmark: — > 60.00%

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

Ratio achieves benchmark (green bar)  
Ratio is outside benchmark (red bar)

3. Unrestricted current ratio



**Purpose of unrestricted current ratio**

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

**Commentary on 2019/20 result**

2019/20 ratio 4.04x

Council's liquidity remains strong and well above the 1.5% benchmark.

Benchmark: — > 1.50x

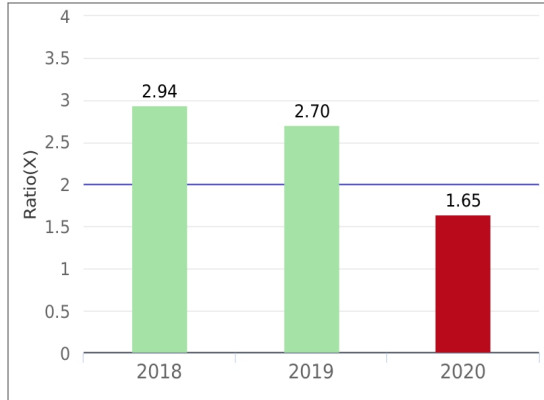
Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark (green bar)  
Ratio is outside benchmark (red bar)

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

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 1.65x

The 2019/20 ratio has been impacted by significant decreases in income due to COVID-19.

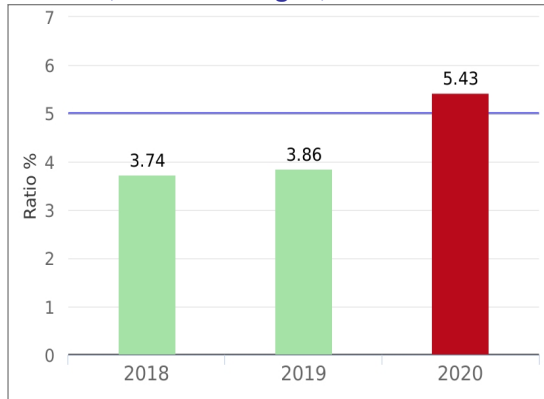
Benchmark: — > 2.00x

Ratio achieves benchmark

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

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 5.43%

The ratio has been impacted by the support provided to the community during COVID-19. Debt recovery action was put on hold and arrangements including payment plans and waiving of interest on Rates were provided to members of the community experiencing COVID-19 related financial difficulties.

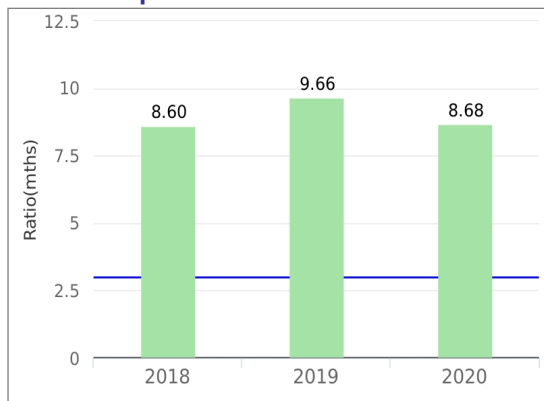
Benchmark: — < 5.00%

Ratio achieves benchmark

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

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 2019/20 result

2019/20 ratio 8.68 mths

The ratio remains well in excess of the 3 month benchmark.

Benchmark: — > 3.00mths

Ratio achieves benchmark

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

Ratio is outside benchmark

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 28. Council information and contact details

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**Principal place of business:**

536 New South Head Road  
Double Bay NSW 2028

**Mailing Address:**

PO Box 61  
Double Bay NSW 2028

**Telephone:** 02 9391 7000

**Facsimile:** 02 9391 7044

**Opening hours:**

8:00am - 4:30pm  
Monday to Friday

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

**Email:** [records@woollahra.nsw.gov.au](mailto:records@woollahra.nsw.gov.au)

#### Officers

**GENERAL MANAGER**

Craig Swift-McNair

**RESPONSIBLE ACCOUNTING OFFICER**

Sue Meekin

**PUBLIC OFFICER**

Don Johnston

**AUDITORS**

Audit Office of NSW  
Level 19, 201 Sussex Street  
Sydney NSW 2000

#### Elected members

**MAYOR**

Susan Wynne

**COUNCILLORS**

Richard Shields (Deputy Mayor)

Peter Cavanagh

Claudia Cullen

Luise Elsing

Mary-Lou Jarvis

Anthony Marano

Nick Maxwell

Megan McEwin

Harriet Price

Lucinda Regan

Matthew Robertson

Isabelle Shapiro

Mark Silcocks

Toni Zeltzer

#### Other information

**ABN:** 32 218 483 245



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Woollahra Municipal Council

To the Councillors of Woollahra Municipal Council

### Opinion

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

In my opinion:

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

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

## Basis for Opinion

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

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

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

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

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

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

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

## Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received 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 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: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

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

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



Unaib Jeffrey

Delegate of the Auditor-General for New South Wales

14 October 2020

SYDNEY





Cr Susan Wayne  
Mayor  
Woollahra Municipal Council  
PO Box 61  
DOUBLE BAY NSW 1360

Contact: Unaib Jeffrey  
Phone no: 02 9275 7450  
Our ref: D2019011/1812

14 October 2020

Dear Mayor

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

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

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

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

## INCOME STATEMENT

### Operating result

|  | 2020  | 2019  | Variance |
|--|-------|-------|----------|
|  | \$m   | \$m   | %        |
| Rates and annual charges revenue                             | 54.8  | 53.3  | ↑ 2.8    |
| Grants and contributions revenue                             | 14.5  | 7.3   | ↑ 98.6   |
| Operating result from continuing operations                  | 1.1   | 0.1   | ↑ 1000   |
| Net operating result before capital grants and contributions | (9.0) | (3.8) | ↑ 137    |
| Other revenues (includes rental income and fines)            | 22.2  | 24.3  | ↓ 8.6    |

The Council's operating result from continuing operations (\$1.1 million including depreciation and amortisation expense of \$14.2 million) was \$1.0 million higher than the 2018–19 result.

The 2019-20 results reported an increase of \$1.5 million in rates and annual charges revenue and \$7.2 million in grants and contributions revenue compared to the 2018-19 fiscal year. The overall increase in revenue has been offset by a decrease of \$2.1 million in other revenues and \$1.1 million in user charges and fees compared to 2018-19. These reductions were predominantly due to Council's COVID-19 Small Business Relief Package that provided financial support to Woollahra's business community as well as number of facilities, services and events were affected during the period of the pandemic restrictions. There was also a decrease of \$0.6 million in interest earned from investments attributable to a decrease in interest rates compared to the 2019 fiscal year. The remaining decrease of \$3.9 million is primarily attributable to an increase of \$3.2 million resulting from higher expenditure for employee benefits as Council reported an additional 14 full-time equivalent employees at 30 June 2020 compared to last year and \$0.7 million related to an increase in depreciation and amortisation expenditure.

The net operating result before capital grants and contributions (\$9.0 million) was \$5.2 million lower than the 2018–19 result. This movement was similarly due to changes in the operating result as noted above.

Rates and annual charges revenue (\$54.8 million) increased by \$1.5 million (2.8 per cent) in 2019–20 due to the rate peg increase of 2.7%.

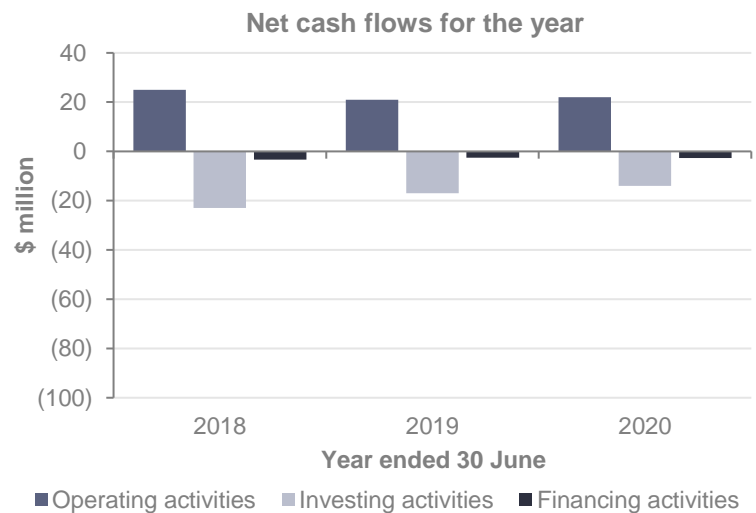
Grants and contributions revenue (\$14.5 million) increased by \$7.2 million (98.6 per cent) in 2019–20 due to:

- \$3.4 million of non-cash grants related to the Stephen St Paddington land parcel contribution that was transferred to Council under a voluntary planning agreement
- an increase of \$2.1 million in developer contributions received during the year compared to last year

- an increase of \$0.8 million in capital grants received compared to 2018-2019 attributable to preschool expansion
- an increase of \$0.6 million in other specific purpose grants compared to 2018-19 attributable to coastal walkway upgrade
- \$0.3 million of roads to recovery grants were received in the current fiscal year.

## STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased from \$9.1 million to \$13.9 million.
- Cash inflows from operating activities increased from 2018-19 as a result of the increment in cash receipts grants and contributions receipt compared to 2019 fiscal year.
- Cash outflows from investing activities decreased mainly due to a lower net acquisition of investments in the year as Council had lower funds to invest.
- The cash flows from financing activities has remained relatively consistent over the last three years.



## FINANCIAL POSITION

### Cash and investments

| Cash and investments        | 2020        | 2019        | Commentary   |
|-----------------------------|-------------|-------------|--|
|                             | \$m         | \$m         |  |
| External restrictions       | 11.3        | 13.5        | <ul style="list-style-type: none"> <li>External restrictions include unspent specific purpose grants, developer contributions, and domestic waste and stormwater management charges and unspent levies. The decrease is primarily attributable to a reduction in domestic waste management charges held.</li> </ul>  |
| Internal restrictions       | 66.1        | 67.6        |  |
| Unrestricted                | 1.1         | 1.8         |  |
| <b>Cash and investments</b> | <b>78.5</b> | <b>82.9</b> | <ul style="list-style-type: none"> <li>Balances are internally restricted due to Council policy or decisions for forward plans including the works program. The decrease is primarily attributable to a \$1.4 million reduction on Kiaora place reserves held.</li> <li>Unrestricted balances provide liquidity for day-to-day operations and decreased by \$0.6 million compared to 2018-19.</li> </ul> |

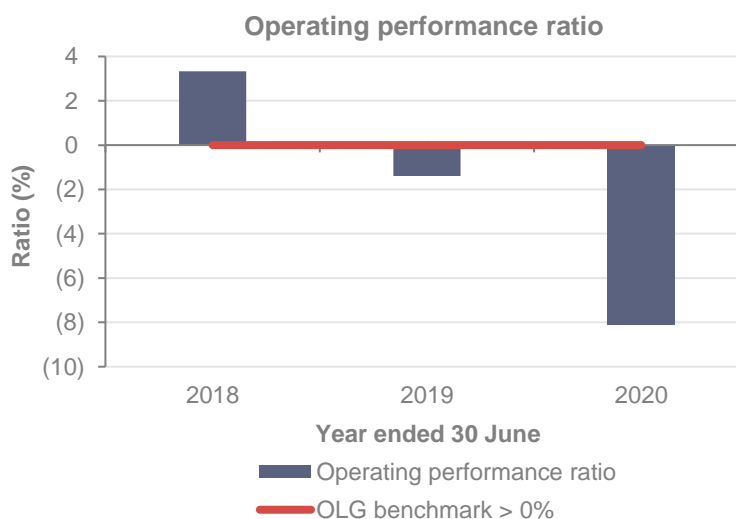
## PERFORMANCE

### Performance measures

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

#### Operating performance ratio

- Council's operating performance ratio of (8.12%) is below the industry benchmark of 0% for 2019-20.
- Council's operating results declined due to:
  - the \$2.1 million other revenues decrease compared to 2018-19 mainly attributable to a decline in investment property income by \$1.8 million compared to 2019 fiscal year predominantly due to Council's COVID-19 Small Business Relief Package that provided financial support to Woollahra's business community
  - an increase in employee benefits expense of \$3.2m compared to 2018-19 attributable to additional 14 full-time equivalent



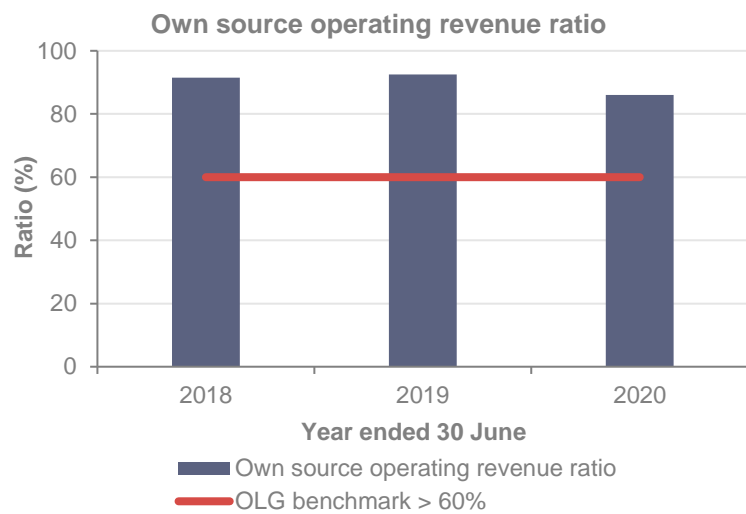
employees compared to 2019 fiscal year.

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

### Own source operating revenue ratio

- Council's own source operating revenue ratio of 86.06 per cent exceeded the industry benchmark of 60.0 for the past three years.
- This result reflects the significance of rates and user charges as funding sources for Council.

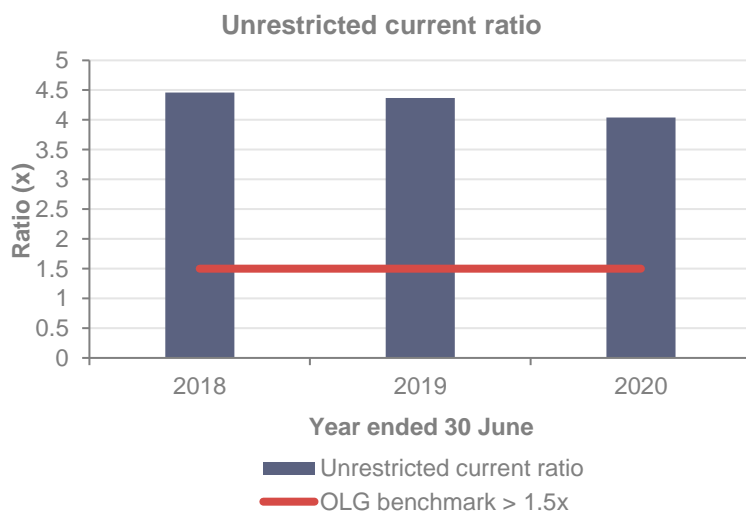
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



### Unrestricted current ratio

- Council's unrestricted current ratio of 4.04 times exceeded the industry benchmark of 1.5 times for the past three years.
- This ratio indicates that Council currently has \$4.04 of unrestricted current assets available to service every \$1.00 of its unrestricted current liabilities.

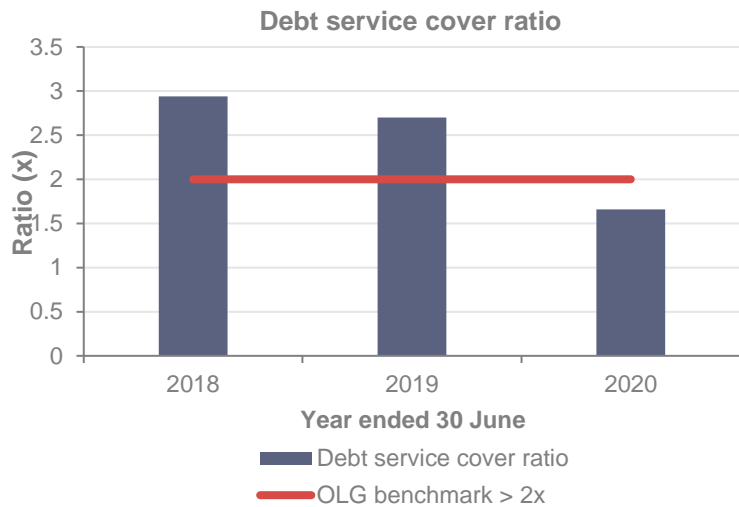
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



### Debt service cover ratio

- Council's debt service cover ratio of 1.65 times is below the industry benchmark of 2.0 times for 2019-20.
- Council capacity to service debt has been impacted by a decrease in certain income due to COVID-19.

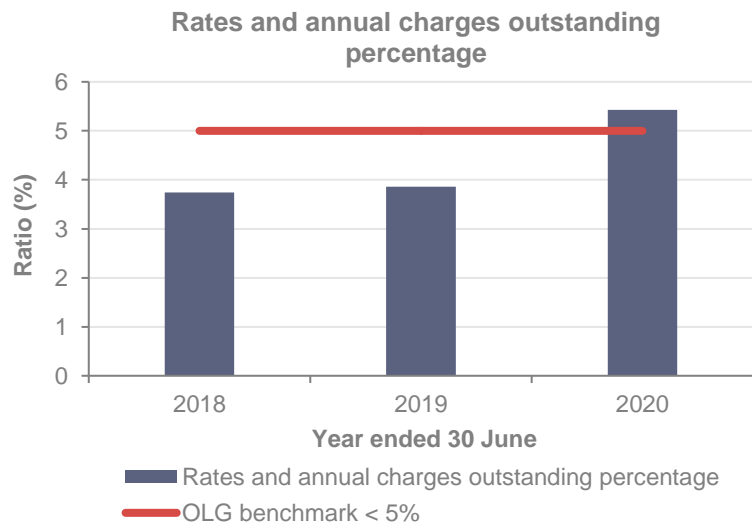
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



### Rates and annual charges outstanding percentage

- Council's Rates and annual charges outstanding percentage of 5.43% does not meet the industry benchmark of < 5% for 2019-20.
- The ratio has been impacted by the support provided to the community during COVID-19. Debt recovery action was put on hold and arrangements including payment plans and waiving interest on rates were provided to members of the community experiencing COVID-19 related financial difficulties and as a result the ratio has not been met.

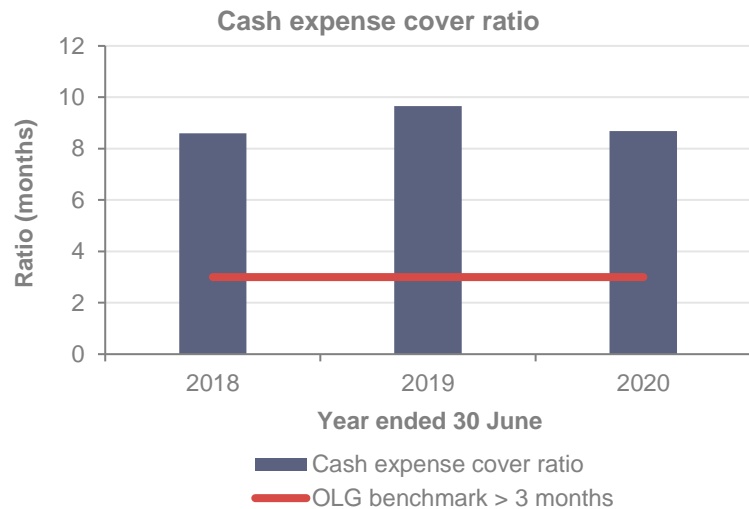
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 5 per cent for metro councils.



## Cash expense cover ratio

- Council's cash expense cover ratio of 8.7 months exceeded the industry benchmark of 3.0 months for the past three years.
- This indicates that Council had the capacity to cover 8.7 months of cash expenditure without additional cash inflows at 30 June 2020.

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



## Infrastructure, property, plant and equipment renewals

Council spent \$14.5 million on asset renewals in 2019-20 compared to \$10.6 million in 2018-19. Asset renewals are defined as the replacement of existing assets as opposed to the acquisition of new assets.

A short-term benchmark of Council's strategic asset management is to assess the rate at which Council's assets are being renewed against the rate at which they are depreciating. In 2019-20, asset renewals of \$14.5 million represented 102% of Council's \$14.2 million depreciation expense. This result was 23% higher than the 2018-19 result of 79%.

Asset renewals in 2019-20 were carried out in accordance with Council's capital works program and were primarily related to road and footpath assets.

## OTHER MATTERS

### Impact of new accounting standards

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

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

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

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

The Council recognised a \$0.2 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

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

## **AASB 16 'Leases'**

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

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

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

The Council recognised right-of-use assets and lease liabilities of \$0.55 million at 1 July 2019 on adoption of AASB 16.

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

## **Legislative compliance**

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

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



Unaib Jeffrey  
Delegate of the Auditor-General for New South Wales

cc: Mr Craig Swift-McNair, General Manager  
Mr John Gordon, Chair of Audit, Risk and Improvement Committee  
Jim Betts, Secretary of the Department of Planning, Industry and Environment



# Woollahra Municipal Council

SPECIAL SCHEDULES  
for the year ended 30 June 2020

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**Special Schedules**

for the year ended 30 June 2020

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**Special Schedules**

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Permissible income for general rates

| \$ '000   | Notes                   | Calculation<br>2020/21 | Calculation<br>2019/20 |
|---|-------------------------|------------------------|------------------------|
| <b>Notional general income calculation <sup>1</sup></b>           |                         |                        |                        |
| Last year notional general income yield                           | a                       | 40,337                 | 39,199                 |
| Plus or minus adjustments <sup>2</sup>                            | b                       | 71                     | 79                     |
| <b>Notional general income</b>                                    | c = a + b               | <b>40,408</b>          | <b>39,278</b>          |
| <b>Permissible income calculation</b>                             |                         |                        |                        |
| Or rate peg percentage  | e                       | 2.60%                  | 2.70%                  |
| Or plus rate peg amount   | i = e x (c + g)         | 1,051                  | 1,061                  |
| <b>Sub-total</b>  | k = (c + g + h + i + j) | <b>41,459</b>          | <b>40,339</b>          |
| Plus (or minus) last year's carry forward total                   | l                       | (2)                    | 20                     |
| Less valuation objections claimed in the previous year            | m                       | (1)                    | (20)                   |
| <b>Sub-total</b>  | n = (l + m)             | <b>(3)</b>             | <b>-</b>               |
| <b>Total permissible income</b>                                   | o = k + n               | <b>41,456</b>          | <b>40,339</b>          |
| Less notional general income yield                                | p                       | 41,423                 | 40,337                 |
| <b>Catch-up or (excess) result</b>                                | q = o - p               | <b>32</b>              | <b>2</b>               |
| Plus income lost due to valuation objections claimed <sup>4</sup> | r                       | -                      | 1                      |
| Less unused catch-up <sup>5</sup>                                 | s                       | -                      | (4)                    |
| <b>Carry forward to next year <sup>6</sup></b>                    | t = q + r + s           | <b>32</b>              | <b>(1)</b>             |

**Notes**

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



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

To the Councillors of Woollahra Municipal Council

### **Opinion**

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

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

## Emphasis of Matter - Basis of Accounting

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

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

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Unaib Jeffrey', with a large, sweeping flourish extending to the right.

Unaib Jeffrey  
Delegate of the Auditor-General for New South Wales

14 October 2020  
SYDNEY

Report on Infrastructure Assets

as at 30 June 2020

| Asset Class   | Asset Category             | Estimated cost   |   | 2019/20<br>Required<br>maintenance <sup>a</sup> | 2019/20<br>Actual<br>maintenance | Net carrying<br>amount | Gross<br>replacement<br>cost (GRC) | Assets in condition as a percentage of<br>gross replacement cost |              |              |             |             |
|---|----------------------------|--|---|---|----------------------------------|------------------------|------------------------------------|--|--------------|--------------|-------------|-------------|
|   |                            | Estimated cost<br>to bring assets<br>to satisfactory<br>standard | to bring to the<br>agreed level of<br>service set by<br>Council |   |                                  |                        |                                    | 1  | 2            | 3            | 4           | 5           |
|   |                            | \$ '000  | \$ '000   | \$ '000   | \$ '000                          | \$ '000                | \$ '000                            |  |              |              |             |             |
| <b>(a) Report on Infrastructure Assets - Values</b> |                            |  |   |   |                                  |                        |                                    |  |              |              |             |             |
| <b>Buildings</b>                                    | Buildings                  | –  | –   | 1,869   | 1,748                            | 67,635                 | 113,877                            | 40.0%  | 13.0%        | 47.0%        | 0.0%        | 0.0%        |
|   | <b>Sub-total</b>           | <b>–</b>   | <b>–</b>  | <b>1,869</b>                                    | <b>1,748</b>                     | <b>67,635</b>          | <b>113,877</b>                     | <b>40.0%</b>   | <b>13.0%</b> | <b>47.0%</b> | <b>0.0%</b> | <b>0.0%</b> |
| <b>Roads</b>  | Sealed roads               | 3,943  | 3,943   | 4,127   | 4,230                            | 363,436                | 487,034                            | 50.5%  | 8.8%         | 39.5%        | 0.9%        | 0.3%        |
|   | Bridges                    | 50   | 50  | –   | –                                | 3,433                  | 4,187                              | 20.0%  | 0.0%         | 80.0%        | 0.0%        | 0.0%        |
|   | Footpaths                  | 984  | 984   | 2,680   | 3,753                            | 48,275                 | 100,670                            | 10.0%  | 33.5%        | 54.1%        | 2.3%        | 0.1%        |
|   | <b>Sub-total</b>           | <b>4,977</b>   | <b>4,977</b>  | <b>6,807</b>                                    | <b>7,983</b>                     | <b>415,144</b>         | <b>591,891</b>                     | <b>43.4%</b>   | <b>12.9%</b> | <b>42.3%</b> | <b>1.1%</b> | <b>0.3%</b> |
| <b>Stormwater drainage</b>                          | Stormwater drainage        | 963  | 963   | 461   | 512                              | 68,623                 | 98,360                             | 65.3%  | 12.1%        | 21.6%        | 1.0%        | 0.0%        |
|   | <b>Sub-total</b>           | <b>963</b>   | <b>963</b>  | <b>461</b>                                      | <b>512</b>                       | <b>68,623</b>          | <b>98,360</b>                      | <b>65.3%</b>   | <b>12.1%</b> | <b>21.6%</b> | <b>1.0%</b> | <b>0.0%</b> |
| <b>Open space / recreational assets</b>             | Other parks & open space   | 754  | 754   | 1,330   | 1,330                            | 19,772                 | 34,053                             | 21.5%  | 52.1%        | 24.2%        | 1.9%        | 0.3%        |
|   | Harbourside structures     | 700  | 700   | 104   | 179                              | 6,024                  | 7,565                              | 90.0%  | 0.0%         | 0.0%         | 10.0%       | 0.0%        |
|   | <b>Sub-total</b>           | <b>1,454</b>   | <b>1,454</b>  | <b>1,434</b>                                    | <b>1,509</b>                     | <b>25,796</b>          | <b>41,618</b>                      | <b>34.0%</b>   | <b>42.6%</b> | <b>19.8%</b> | <b>3.4%</b> | <b>0.2%</b> |
| <b>Other infrastructure assets</b>                  | Retaining walls & seawalls | 1,469  | 1,469   | 60  | 66                               | 42,314                 | 67,840                             | 15.6%  | 44.3%        | 36.3%        | 3.1%        | 0.7%        |
|   | <b>Sub-total</b>           | <b>1,469</b>   | <b>1,469</b>  | <b>60</b>                                       | <b>66</b>                        | <b>42,314</b>          | <b>67,840</b>                      | <b>15.6%</b>   | <b>44.3%</b> | <b>36.3%</b> | <b>3.1%</b> | <b>0.7%</b> |
| <b>TOTAL - ALL ASSETS</b>                           |                            | <b>8,863</b>   | <b>8,863</b>  | <b>10,631</b>                                   | <b>11,818</b>                    | <b>619,512</b>         | <b>913,586</b>                     | <b>42.8%</b>   | <b>16.5%</b> | <b>39.2%</b> | <b>1.2%</b> | <b>0.2%</b> |

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

Infrastructure asset condition assessment 'key'

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

## Woollahra Municipal Council

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

|  | Amounts<br>2020 | Indicator<br>2020 | Prior periods |         | Benchmark |
|--|-----------------|-------------------|---------------|---------|-----------|
|  |                 |                   | 2019          | 2018    |           |
| <b>Infrastructure asset performance indicators (consolidated) *</b>      |                 |                   |               |         |           |
| <b>Buildings and infrastructure renewals ratio <sup>(1)</sup></b>        |                 |                   |               |         |           |
| Asset renewals <sup>(2)</sup>  | <u>10,609</u>   | <b>92.91%</b>     | 75.60%        | 87.95%  | >= 100%   |
| Depreciation, amortisation and impairment                                | <u>11,419</u>   |                   |               |         |           |
| <b>(a). Building renewals ratio</b>                                      |                 |                   |               |         |           |
| Asset renewals (buildings)   | <u>3,768</u>    | <b>142.62%</b>    | 30.17%        | 20.55%  | >= 100%   |
| Depreciation, amortisation and impairment                                | <u>2,642</u>    |                   |               |         |           |
| <b>(b). Infrastructure renewals ratio</b>                                |                 |                   |               |         |           |
| Asset renewals (infrastructure)  | <u>6,841</u>    | <b>77.95%</b>     | 89.59%        | 110.42% | >= 100%   |
| Depreciation, amortisation and impairment                                | <u>8,776</u>    |                   |               |         |           |
| <b>Infrastructure backlog ratio <sup>(1)</sup></b>                       |                 |                   |               |         |           |
| Estimated cost to bring assets to a satisfactory standard                | <u>8,863</u>    | <b>1.43%</b>      | 1.93%         | 1.27%   | < 2.00%   |
| Net carrying amount of infrastructure assets                             | <u>619,512</u>  |                   |               |         |           |
| <b>Asset maintenance ratio</b>   |                 |                   |               |         |           |
| Actual asset maintenance   | <u>11,818</u>   | <b>111.17%</b>    | 100.57%       | 107.24% | > 100%    |
| Required asset maintenance   | <u>10,631</u>   |                   |               |         |           |
| <b>Cost to bring assets to agreed service level</b>                      |                 |                   |               |         |           |
| Estimated cost to bring assets to an agreed service level set by Council | <u>8,863</u>    | <b>0.97%</b>      | 1.21%         | 0.81%   |           |
| Gross replacement cost   | <u>913,586</u>  |                   |               |         |           |

#### Notes

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

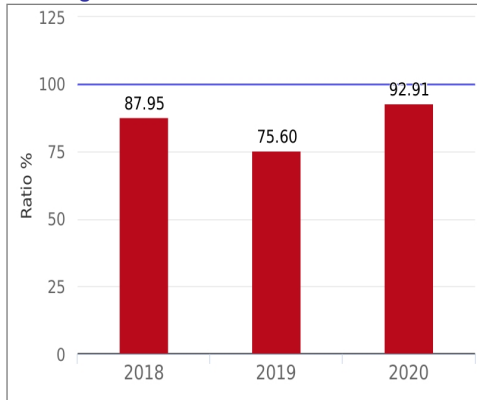
<sup>(1)</sup> Excludes Work In Progress (WIP)

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



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

**Buildings and infrastructure renewals ratio**



**Buildings and infrastructure renewals ratio**

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

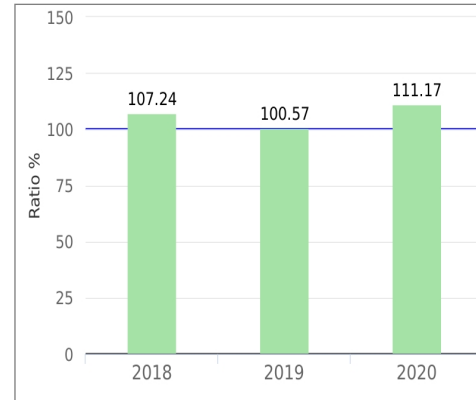
**Commentary on result**

19/20 ratio 92.91%

The ratio is influenced by the timing of the completion of capital works. It has also been impacted by the need to undertake a substantial amount of Stormwater Works which were considered to be New Works rather than Renewal Works.

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

**Asset maintenance ratio**



**Asset maintenance ratio**

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

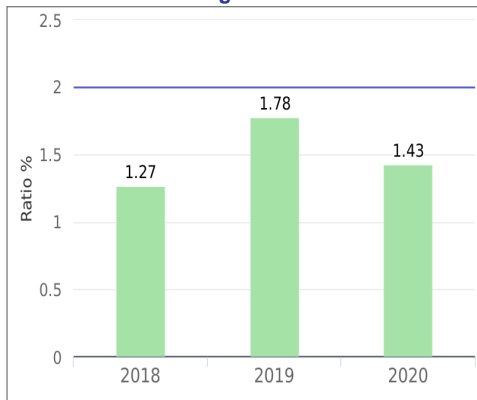
**Commentary on result**

19/20 ratio 111.17%

The ratio remains within the 100% benchmark.

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

**Infrastructure backlog ratio**



**Infrastructure backlog ratio**

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

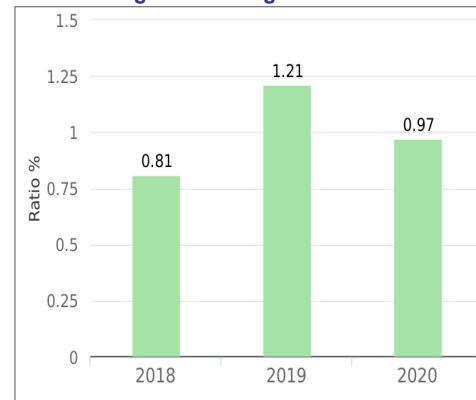
**Commentary on result**

19/20 ratio 1.43%

The ratio remains below the 2% benchmark.

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

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



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

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

**Commentary on result**

19/20 ratio 0.97%

The estimated cost to bring assets to our agreed service levels represents less than 1% of the total value of Council's assets.

Woollahra  
Municipal  
Council



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December 2020