

Woollahra Municipal Council

Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Actual ⁽³⁾ Maintenance 2013/14	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Buildings	Council Offices / Administration Centres	-	292	278	11,550	0%	100%	0%	0%	0%
	Council Works Depot	-	156	93	1,767	0%	0%	100%	0%	0%
	Council Public Halls	-	123	195	3,701	0%	29%	71%	0%	0%
	Libraries	-	97	104	516	0%	100%	0%	0%	0%
	Other Buildings	-	136	42	1,446	0%	54%	46%	0%	0%
	Other - Car Park Buildings	-	81	57	4,420	0%	0%	100%	0%	0%
	Other - Park Buildings	100	79	71	3,483	0%	57%	34%	9%	0%
	Other - Toilets & Amenities	-	33	43	873	0%	16%	84%	0%	0%
	sub total	100	997	883	27,756	0.0%	57.8%	41.1%	1.1%	0.0%
Roads	Sealed Roads Surface	996	156	128	24,824	37%	5%	31%	25%	2%
	Sealed Roads Structure	-	369	304	212,017	87%	8%	4%	0%	0%
	Bridges	-	11	-	2,038	0%	100%	0%	0%	0%
	Footpaths	425	193	576	31,735	6%	64%	28%	2%	0%
	Kerb and Gutter	14	191	104	33,923	9%	42%	35%	13%	1%
	Other Road Assets	200	13	-	4,698	100%	0%	0%	0%	0%
	sub total	1,635	933	1,112	309,235	65.7%	17.7%	12.2%	3.9%	0.4%

Woollahra Municipal Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued) as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Actual ⁽³⁾ Maintenance 2013/14	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Stormwater Drainage	Stormwater Conduits	2,210	255	235	24,859	54%	13%	14%	6%	13%
	Inlet and Junction Pits	1,211	96	89	7,011	97%	3%	0%	0%	0%
	Outfall Structures	-	51	51	1,564	0%	60%	40%	0%	0%
	sub total	3,421	402	375	33,434	60.5%	13.1%	12.3%	4.5%	9.7%
Open Space/ Recreational Assets	Swimming Pools	-	50	46	3,131	93%	0%	7%	0%	0%
	Other	239	3,185	2,896	23,072	44%	12%	44%	0%	0%
	sub total	239	3,235	2,942	26,203	49.6%	10.6%	39.6%	0.3%	0.0%
TOTAL - ALL ASSETS		5,395	5,567	5,312	396,628	59.6%	19.7%	16.0%	3.5%	1.2%

Notes:

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.
This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard."
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements
- (5). **Infrastructure Asset Condition Assessment "Key"**

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

Woollahra Municipal Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2014

\$ '000	Amounts 2014	Indicator 2014	Prior Periods	
			2013	2012
Infrastructure Asset Performance Indicators Consolidated				
1. Building and Infrastructure Renewals Ratio				
Asset Renewals (Building and Infrastructure) ⁽¹⁾	<u>7,622</u>	89.61%	73.48%	56.62%
Depreciation, Amortisation & Impairment	<u>8,506</u>			
1(a). Building Renewals Ratio				
Asset Renewals (Buildings) ⁽¹⁾	<u>1,526</u>	74.91%	5.04%	12.14%
Depreciation, Amortisation & Impairment	<u>2,037</u>			
1(b). Infrastructure Renewals Ratio				
Asset Renewals (Infrastructure) ⁽¹⁾	<u>6,096</u>	94.23%	100.73%	74.25%
Depreciation, Amortisation & Impairment	<u>6,469</u>			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>5,395</u>	0.01	0.06	0.05
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>396,628</u>			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	<u>5,312</u>	0.95	1.10	1.05
Required Asset Maintenance	<u>5,567</u>			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	<u>9,094</u>	0.89	1.13	0.95
Annual Depreciation	<u>10,254</u>			

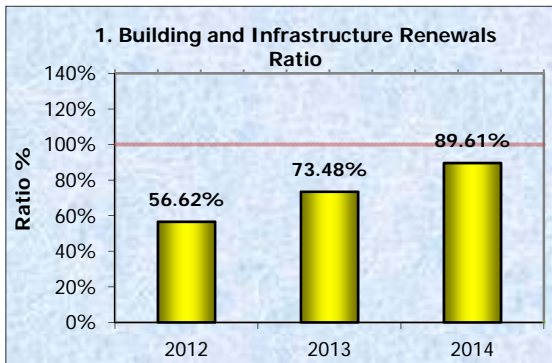
Notes

⁽¹⁾ Asset Renewals represent the replacement &/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. Asset Renewals include building and infrastructure assets only.

⁽²⁾ Written down value

Woollahra Municipal Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2014



— Minimum 100.00%

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

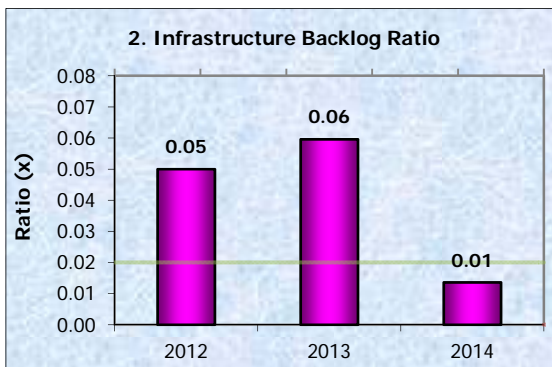
Purpose of Asset Renewals Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 89.61%

While improving, Council recognises that it needs to increase its investment in asset renewal.



— Maximum .02

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

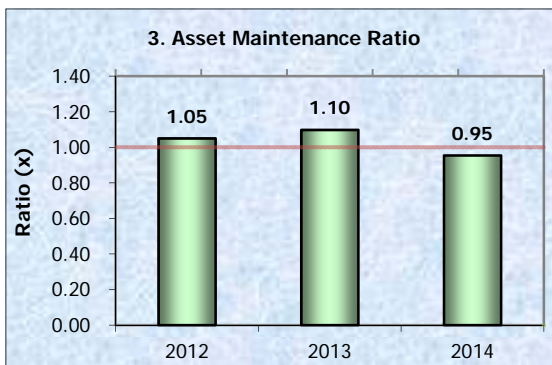
Purpose of Infrastructure Backlog Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 0.01 x

This ratio reflects Council's Building & Infrastructure Renewals Ratio being less than 100% for a number of years.



— Minimum 1.00

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

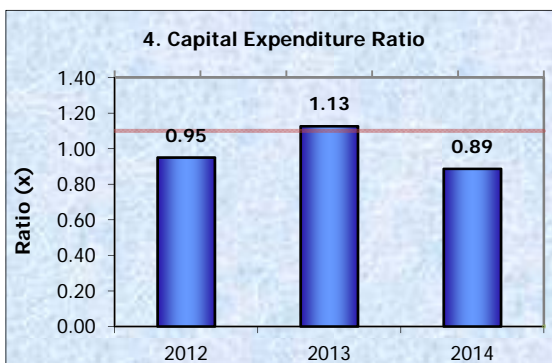
Purpose of Asset Maintenance Ratio

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 2013/14 Result

2013/14 Ratio 0.95 x

This ratio has fallen to just below the benchmark level of 1 for the first time in a number of years. Over the 3 years combined it remains above the benchmark.



— Minimum 1.10

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

Purpose of Capital Expenditure Ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

Commentary on 2013/14 Result

2013/14 Ratio 0.89 x

The 13/14 ratio was influenced by the write off of Open Space Assets to the value of \$1.571m. Without this the ratio would have been 1.04 and close to TCorp's benchmark.

5 December 2014

The General Manager
Woollahra Municipal Council
PO BOX 61
DOUBLE BAY NSW 1360

Attn: Mr. Tom O'Hanlon
Director - Technical Services

Dear Mr James

Report on Amended Special Schedule No. 7

We have conducted our verification of Woollahra Municipal Council's amended Special Schedule No. 7 (SS7) in accordance with our engagement letter dated 2 December 2014. This letter outlines the scope of the engagement and our findings.

Scope

The primary focus of this engagement was to consider the amendments made to the SS7 in light of the errors identified in the previously published and unaudited schedule. Accordingly, our engagement only involved verifying the amended schedule against the errors identified.

The errors in the previously published Schedule are as follows;

- I. Sealed Roads Structure;
 - a. In Council's asset data base, this asset category is comprised of two sub categories, Base Course and Subgrade. There is a significant error in the reported Written Down Value for this asset category as it did not include the value of the road subgrade. The written down value which was reported as \$41,168,000, should have been reported as \$212,017,000.
 - b. The reported 'Estimated cost to bring these up to a satisfactory standard' has been significantly over estimated. The previously reported cost to bring these assets up to satisfactory condition, which was \$5,885,000 has been amended to be \$0.
2. Buildings

For the asset category of buildings, the reported 'Estimated cost to bring these up to a satisfactory standard' has been significantly over estimated. The estimate in the Schedule 7 has been revised from \$3,667,000 to \$100,000.

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Based on Council's amendments to the schedule, we considered the following changes:

1. Sealed roads structure;
 - i. inclusion of the road subgrade to the written down value of the asset sub-class
 - ii. change to 'estimated cost to bring up to a satisfactory standard' based on the revised useful life of the assets in the asset class
2. Buildings - changes to 'estimated cost to bring up to a satisfactory standard' based on council's reassessment of renewal expenditure required.
3. Infrastructure backlog ratio - based on changes identified at (1) and (2) above.

Because the above procedures do not constitute either an audit in accordance with Australian Auditing Standards or a review in accordance with Australian Auditing Standards applicable to review engagements, we do not express any assurance on the amended SS7.

Had we performed additional procedures or had we performed an audit in accordance with Australian Auditing Standards or a review in accordance with Australian Auditing Standards applicable to review engagements, other matters might have come to our attention that would have been reported to you.

Findings

We report as follows:

(a) Sealed roads structures

- i. With respect to 1(i) above we found the change in the written down value of the asset sub-class was a result of the inclusion of the road subgrade.
- ii. With respect to 1(ii) above we found the change in the 'estimated cost to bring up to a satisfactory standard' was a result of revising the respective useful life of each base course assets in the asset class.

(b) Buildings

With respect to 2 above we found the changes in the 'estimated cost to bring up to a satisfactory standard' was a result of a revised estimate of expenditure required.

(c) Infrastructure backlog ratio

With respect to 3 above we found the change in ratio was a result of the changes identified at (a) and (b) above.

We therefore conclude that we have verified the correction of the errors reported to us.

Hill Rogers
Spencer Steer

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the reports and items specified above and does not extend to any financial or other report of Woollahra Municipal Council, taken as a whole.

Yours faithfully,

HILL ROGERS SPENCER STEER
ASSURANCE PARTNERS



Gary Mottau
Partner