

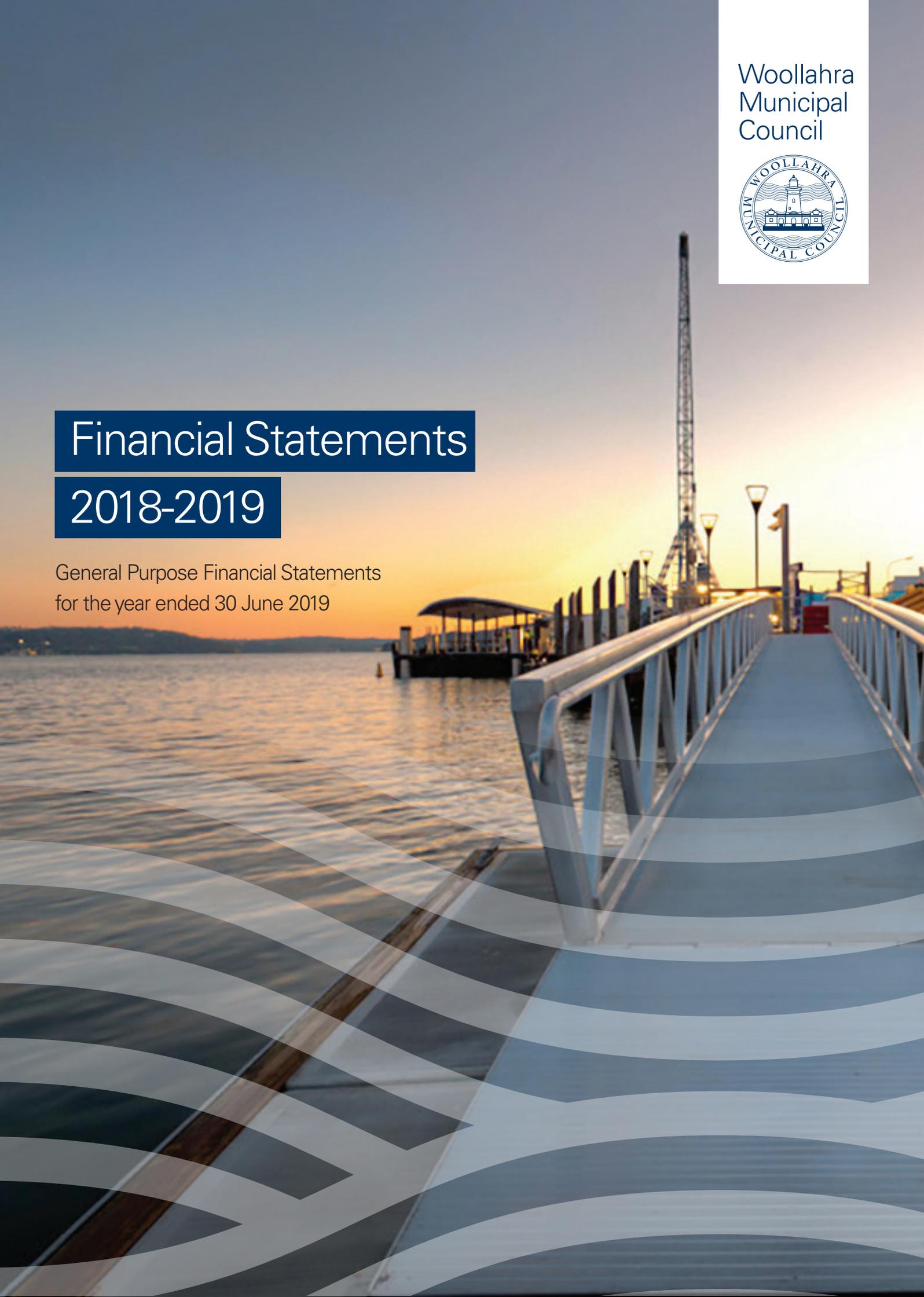
Woollahra
Municipal
Council



Financial Statements

2018-2019

General Purpose Financial Statements
for the year ended 30 June 2019



General Purpose Financial Statements

for the year ended 30 June 2019

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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.

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

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 2019.

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.

Woollahra Municipal Council

General Purpose Financial Statements

for the year ended 30 June 2019

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:

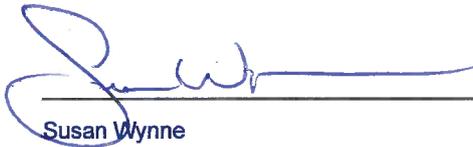
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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 23 September 2019.



Susan Wynne
Mayor
23 September 2019



Anthony Marano
Councillor
23 September 2019



Gary James
General Manager
23 September 2019



Sue Meekin
Responsible Accounting Officer
23 September 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Restated Actual 2018
Income from continuing operations				
<u>Revenue:</u>				
53,181	Rates and annual charges	3a	53,325	52,255
11,404	User charges and fees	3b	11,182	11,092
1,903	Interest and investment revenue	3c	2,356	2,140
23,999	Other revenues	3d	24,258	24,049
3,413	Grants and contributions provided for operating purposes	3e,3f	3,445	3,780
4,697	Grants and contributions provided for capital purposes	3e,3f	3,886	4,346
<u>Other income:</u>				
3,850	Fair value increment on investment properties	3g	–	3,244
<u>102,447</u>	Total income from continuing operations		<u>98,452</u>	<u>100,906</u>
Expenses from continuing operations				
41,021	Employee benefits and on-costs	4a	41,406	37,208
3,120	Borrowing costs	4b	3,120	3,284
19,092	Materials and contracts	4c	20,932	20,171
12,603	Depreciation and amortisation	4d	13,489	13,086
16,997	Other expenses	4e	16,941	16,458
2,954	Net losses from the disposal of assets	5	1,688	2,448
–	Fair value decrement on investment properties	10	816	–
<u>95,787</u>	Total expenses from continuing operations		<u>98,392</u>	<u>92,655</u>
<u>6,660</u>	Operating result from continuing operations		<u>60</u>	<u>8,251</u>
<u>6,660</u>	Net operating result for the year		<u>60</u>	<u>8,251</u>
6,660	Net operating result attributable to council		60	8,251
<u>1,963</u>	Net operating result for the year before grants and contributions provided for capital purposes		<u>(3,826)</u>	<u>3,905</u>

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	Restated 2018
Net operating result for the year (as per Income Statement)		60	8,251
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	106,006	11,698
Total items which will not be reclassified subsequently to the operating result		106,006	11,698
Total other comprehensive income for the year		106,006	11,698
Total comprehensive income for the year		106,066	19,949
Total comprehensive income attributable to Council		106,066	19,949

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

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	Restated 2018	Restated 1 July 2017
ASSETS				
Current assets				
Cash and cash equivalent assets	6(a)	9,113	7,922	9,227
Investments	6(b)	73,776	70,777	62,778
Receivables	7	6,201	6,494	7,153
Inventories	8a	273	256	254
Other	8b	498	526	506
Total current assets		<u>89,861</u>	<u>85,975</u>	<u>79,918</u>
Non-current assets				
Receivables	7	80	76	92
Infrastructure, property, plant and equipment	9	877,667	772,514	762,072
Investment property	10a	156,600	157,360	154,020
Other	8b	1,046	1,564	1,940
Total non-current assets		<u>1,035,393</u>	<u>931,514</u>	<u>918,124</u>
TOTAL ASSETS		<u>1,125,254</u>	<u>1,017,489</u>	<u>998,042</u>
LIABILITIES				
Current liabilities				
Payables	11	32,349	29,137	26,611
Income received in advance	11	1,089	1,801	1,264
Borrowings	11	2,660	2,547	3,351
Provisions	12	12,985	11,401	11,601
Total current liabilities		<u>49,083</u>	<u>44,886</u>	<u>42,827</u>
Non-current liabilities				
Borrowings	11	61,776	64,436	66,983
Provisions	12	370	208	222
Total non-current liabilities		<u>62,146</u>	<u>64,644</u>	<u>67,205</u>
TOTAL LIABILITIES		<u>111,229</u>	<u>109,530</u>	<u>110,032</u>
Net assets		<u>1,014,025</u>	<u>907,959</u>	<u>888,010</u>
EQUITY				
Accumulated surplus	13a	544,583	544,523	536,272
Revaluation reserves	13a	469,442	363,436	351,738
Council equity interest		<u>1,014,025</u>	<u>907,959</u>	<u>888,010</u>
Total equity		<u>1,014,025</u>	<u>907,959</u>	<u>888,010</u>

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 2019

	Notes	2019			2018		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus Restated	IPP&E revaluation reserve Restated	Total equity Restated
\$ '000							
Opening balance		544,523	363,436	907,959	536,272	315,062	851,334
Correction of prior period errors	13b,AR	–	–	–	–	36,676	36,676
Restated opening balance		544,523	363,436	907,959	536,272	351,738	888,010
Net operating result for the year		60	–	60	8,626	–	8,626
Correction of prior period errors	13b	–	–	–	(375)	–	(375)
Restated net operating result for the period		60	–	60	8,251	–	8,251
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9	–	106,006	106,006	–	11,698	11,698
Other comprehensive income		–	106,006	106,006	–	11,698	11,698
Total comprehensive income		60	106,006	106,066	8,251	11,698	19,949
Equity – balance at end of the reporting period		544,583	469,442	1,014,025	544,523	363,436	907,959

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 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
53,168	Rates and annual charges		53,240	52,125
12,216	User charges and fees		10,705	11,713
1,903	Investment and interest revenue received		2,189	2,062
8,713	Grants and contributions		7,539	7,912
–	Bonds, deposits and retention amounts received		7,515	7,893
26,533	Other		24,068	29,367
<u>Payments</u>				
(40,139)	Employee benefits and on-costs		(39,640)	(37,801)
(20,995)	Materials and contracts		(21,989)	(21,960)
(3,124)	Borrowing costs		(3,124)	(3,286)
–	Bonds, deposits and retention amounts refunded		(5,043)	(3,910)
(18,694)	Other		(14,799)	(18,906)
19,581	Net cash provided (or used in) operating activities	14b	20,661	25,209
Cash flows from investing activities				
<u>Receipts</u>				
–	Sale of investment securities		63,000	51,000
1,088	Sale of infrastructure, property, plant and equipment		1,475	981
<u>Payments</u>				
–	Purchase of investment securities		(66,000)	(59,000)
–	Purchase of investment property		(56)	(95)
(18,354)	Purchase of infrastructure, property, plant and equipment		(15,342)	(16,049)
(17,266)	Net cash provided (or used in) investing activities		(16,923)	(23,163)
Cash flows from financing activities				
<u>Payments</u>				
(2,547)	Repayment of borrowings and advances		(2,547)	(3,351)
(2,547)	Net cash flow provided (used in) financing activities		(2,547)	(3,351)
(232)	Net increase/(decrease) in cash and cash equivalents		1,191	(1,305)
56,369	Plus: cash and cash equivalents – beginning of year	14a	7,922	9,227
56,137	Cash and cash equivalents – end of the year	14a	9,113	7,922
Additional Information:				
–	plus: Investments on hand – end of year	6(b)	73,776	70,777
56,137	Total cash, cash equivalents and investments		82,889	78,699

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 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 23/09/2019.

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.

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

Full dollars have been used in Note 24 Related party disclosures in relation to the disclosure of specific related party transactions.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

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

and are clearly marked.

(a) New and amended standards adopted by Council

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

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 14.

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 7.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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
- Premeasure Insurance Pool

(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.

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by Council).

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

AASB 16 Leases

AASB 16 requires that all leases should be accounted for on the lessee's accounts similar to the finance lease accounting treatment.

This means recognition of right-of-use assets with the corresponding liability for the present value of minimum lease payments. Accounting treatment of assets leased out to external parties (lessor's perspective) have not changed and is treated similar to the currently used AASB 117.

Council has examined the impact of adopting this new accounting standard and determined that there is no material impact from adoption on 1 July 2019.

AASB 15 Revenue from Contracts with Customers and associated amending standards.

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Council has assessed each revenue stream particularly the impact expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. Council does not consider that these are likely to have a material impact on future financial statements, financial position, financial performance or cash flows.

AASB 1058 Income of NFP Entities

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

The majority of capital grants are paid in arrears based on actual expenditure and therefore Council will have met all obligations prior to receiving the grant payment. There were some grants which were unspent at 30 June 2019 and under the terms of the funding agreement would be shown as a liability and the income taken up when the works have been completed, however these were not material and Council does not consider that the standard will have a material impact on Council's future financial statements, financial position, financial performance or cash flows.

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

Notes to the Financial Statements
for the year ended 30 June 2019

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		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
A connected and harmonious community	2	31	696	704	(694)	(673)	2	18	7,268	7,093
A supported community	1,151	1,191	2,658	2,428	(1,507)	(1,237)	475	512	3,483	3,570
A creative and vibrant community	715	659	6,528	6,172	(5,813)	(5,513)	457	154	7,944	8,038
Well planned neighbourhoods	2,386	2,803	7,138	6,317	(4,752)	(3,514)	–	–	903	815
Liveable places	6,199	6,740	20,519	26,133	(14,320)	(19,393)	647	1,944	636,411	543,423
Getting around	10,634	9,574	4,025	3,627	6,609	5,947	74	221	81,320	60,748
Protecting our environment	300	275	2,004	1,888	(1,704)	(1,613)	–	–	67,533	41,222
Sustainable use of resources	16,350	16,082	11,329	11,009	5,021	5,073	–	90	3,746	4,131
Community focused economic development	9,772	14,020	7,958	8,104	1,814	5,916	114	135	154,363	155,519
Working together	2	14	1,212	915	(1,210)	(901)	–	–	45	35
Well managed Council	50,941	49,517	34,325	25,358	16,616	24,159	1,790	198	76,872	75,641
General purpose	–	–	–	–	–	–	808	1,628	85,366	117,254
Total functions and activities	98,452	100,906	98,392	92,655	60	8,251	4,367	4,900	1,125,254	1,017,489

Notes to the Financial Statements

for the year ended 30 June 2019

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

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 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	29,760	29,020
Business	4,896	4,868
Less: Pensioner rebates	(133)	(142)
Rates levied to ratepayers	34,523	33,746
Pensioner rate subsidies received	71	79
Total ordinary rates	34,594	33,825
Special rates		
Environmental and infrastructure levy	4,156	4,057
Less: Pensioner rebates	(107)	(116)
Rates levied to ratepayers	4,049	3,941
Total special rates	4,049	3,941
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	14,171	13,980
Stormwater management services	488	488
Section 611 charges	57	58
Less: Pensioner rebates	(76)	(82)
Annual charges levied	14,640	14,444
Pensioner subsidies received:		
– Domestic waste management	42	45
Total annual charges	14,682	14,489
TOTAL RATES AND ANNUAL CHARGES	53,325	52,255

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

Accounting policy for rates and charges

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

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.

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 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Waste management services (non-domestic)	1,944	1,979
Total specific user charges	1,944	1,979
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Advertising fees	357	418
Certificate fees	529	568
Compliance levy	353	430
Development application fees	643	878
Hoarding fees	164	225
Inspection fees	92	88
Principal certifying authority fees	16	30
Registration fees and permits	833	588
Section 96 amendment application fees	226	236
Subdivision application fees	1	5
Total fees and charges – statutory/regulatory	3,214	3,466
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Restoration charges	611	621
Casual park hire	219	122
Credit card usage charge	99	113
Construction zone charges	1,083	799
Footpath crossing administration fees	88	68
Fire safety statement lodgement fee	121	114
Filming fees	144	134
File retrieval charges	65	77
Pre DA lodgement advice service fees	36	43
Other	292	236
Parking permits – residential	353	343
Parking meters	2,014	2,076
Preschool fees	663	656
Rezoning requests	14	28
Rock anchors	–	68
Tree pruning income	173	104
Tree preservation order applications	49	45
Total fees and charges – other	6,024	5,647
TOTAL USER CHARGES AND FEES	11,182	11,092

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 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	119	124
– Cash and investments	2,216	2,005
– Other	22	12
Fair value adjustments		
– Movements in investments at fair value through profit and loss	(1)	(1)
TOTAL INTEREST AND INVESTMENT REVENUE	2,356	2,140

Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	119	124
General Council cash and investments	1,440	1,313

Restricted investments/funds – external:

Development contributions		
– Section 7.11 and Section 7.12	97	52
Other externally restricted assets	59	42

Restricted investments/funds – internal:

Internally restricted assets	641	609
Total interest and investment revenue	2,356	2,140

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 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Other revenues			
Rental income – investment property	10	10,854	10,704
Rental income – other council properties		4,408	4,291
Ex gratia rates		113	111
Fines – parking		5,832	5,951
Fines – other		497	450
Recycling income (non-domestic)		55	56
Other		335	214
Private use contributions		416	398
Recovered costs and reimbursements		1,591	1,655
Risk management Incentives		157	219
<u>TOTAL OTHER REVENUE</u>		<u>24,258</u>	<u>24,049</u>

Accounting policy for other revenue

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

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

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

Rental income is accounted for on a straight-line basis over the lease term.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	591	605	–	–
Financial assistance – local roads component	213	214	–	–
Payment in advance - future year allocation				
Financial assistance – general component	613	632	–	–
Financial assistance – local roads component	221	222	–	–
Total general purpose	1,638	1,673	–	–
Specific purpose				
Community care	9	44	–	–
Heritage and cultural	–	–	–	100
Library – per capita	109	111	–	–
LIRS subsidy	154	175	–	–
Street lighting	380	371	–	–
Transport (roads to recovery)	–	401	–	–
Transport (other roads and bridges funding)	217	155	852	771
Drainage	–	–	3	17
Environmental works	–	–	94	96
Library – special grant	82	43	–	–
Open space	–	–	139	350
Preschool	472	486	–	–
Other	30	–	188	104
NSW State Government FESL implementation	–	3	–	–
Total specific purpose	1,453	1,789	1,276	1,438
Total grants	3,091	3,462	1,276	1,438
Grant revenue is attributable to:				
– Commonwealth funding	1,638	2,073	483	32
– State funding	1,341	1,389	773	1,406
– Other funding	112	–	20	–
	3,091	3,462	1,276	1,438

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions: (s7.12 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.12 – fixed development consent levies		–	–	2,610	2,908
Total developer contributions – cash		<u>–</u>	<u>–</u>	<u>2,610</u>	<u>2,908</u>
Total developer contributions	23	<u>–</u>	<u>–</u>	<u>2,610</u>	<u>2,908</u>
Other contributions:					
Cash contributions					
Contribution to works		93	54	–	–
Paddington library		261	264	–	–
Total other contributions – cash		<u>354</u>	<u>318</u>	<u>–</u>	<u>–</u>
Total other contributions		<u>354</u>	<u>318</u>	<u>–</u>	<u>–</u>
Total contributions		<u>354</u>	<u>318</u>	<u>2,610</u>	<u>2,908</u>
TOTAL GRANTS AND CONTRIBUTIONS		<u>3,445</u>	<u>3,780</u>	<u>3,886</u>	<u>4,346</u>

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	13	14
Add: operating grants recognised in the current period but not yet spent	79	5
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent	(5)	(6)
Unexpended and held as restricted assets (operating grants)	87	13
Capital grants		
Unexpended at the close of the previous reporting period	283	171
Add: capital grants recognised in the current period but not yet spent	107	237
Add: capital grants received for the provision of goods and services in a future period	–	–
Less: capital grants recognised in a previous reporting period now spent	(187)	(125)
Unexpended and held as restricted assets (capital grants)	203	283
Contributions		
Unexpended at the close of the previous reporting period	5,781	4,430
Add: contributions recognised in the current period but not yet spent	2,707	2,960
Add: contributions received for the provision of goods and services in a future period	–	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–
Less: contributions recognised in a previous reporting period now spent	(2,492)	(1,609)
Unexpended and held as restricted assets (contributions)	5,996	5,781

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	29,796	27,801
Employee leave entitlements (ELE)	7,106	5,331
Superannuation	3,658	3,490
Workers' compensation insurance	1,085	781
Fringe benefit tax (FBT)	271	258
Other	93	91
Total employee costs	42,009	37,752
Less: capitalised costs	(603)	(544)
TOTAL EMPLOYEE COSTS EXPENSED	41,406	37,208
Number of 'full-time equivalent' employees (FTE) at year end	386	365
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	407	393

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

(b) Borrowing costs

(i) Interest bearing liability costs

Interest on loans	3,120	3,284
Total interest bearing liability costs expensed	3,120	3,284
TOTAL BORROWING COSTS EXPENSED	3,120	3,284

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 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	5,986	6,024
– General contractor and consultancy costs	5,962	5,412
– Maintenance and security contracts	4,141	4,002
– Recycling	2,112	2,075
Auditors remuneration ²	83	87
Infringement notice contract costs (SEINS)	938	934
Legal expenses:		
– Legal expenses: planning and development	1,094	949
– Legal expenses: other	588	629
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	28	59
Total materials and contracts	<u>20,932</u>	<u>20,171</u>
TOTAL MATERIALS AND CONTRACTS	<u>20,932</u>	<u>20,171</u>
1. Operating lease payments are attributable to:		
Photocopiers	28	59
	<u>28</u>	<u>59</u>
2. Auditor remuneration		
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	75	73
Remuneration for audit and other assurance services	<u>75</u>	<u>73</u>
Total Auditor-General remuneration	<u>75</u>	<u>73</u>
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Other assurance services	8	14
Remuneration for audit and other assurance services	<u>8</u>	<u>14</u>
Total remuneration of non NSW Auditor-General audit firms	<u>8</u>	<u>14</u>
Total Auditor remuneration	<u>83</u>	<u>87</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E		
Depreciation and amortisation		
Plant and equipment	1,286	1,223
Office equipment	493	517
Furniture and fittings	150	158
Infrastructure:		
– Buildings – non-specialised	1,690	1,683
– Buildings – specialised	912	901
– Roads	4,412	4,616
– Bridges	26	26
– Footpaths	1,403	1,129
– Stormwater drainage	595	648
– Other open space/recreational assets	1,193	1,030
– Harbourside Structures	138	52
– Seawalls	284	390
– Retaining Walls	396	236
Other assets:		
– Library books	511	477
Total depreciation and amortisation costs	13,489	13,086
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E	13,489	13,086

Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E

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 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(e) Other expenses		
Advertising	471	424
Bad and doubtful debts	48	6
Bank charges	400	369
Contributions/levies to other levels of government		
– Department of planning levy	313	306
– NSW fire brigade levy	1,933	2,126
– State Emergency Services levy	79	94
Contributions to Sydney East Business Chamber	80	80
Contribution to Woollahra public art trust	–	100
Councillor expenses – mayoral fee	43	42
Councillor expenses – councillors' fees	301	270
Councillors' expenses (incl. mayor) – other (excluding fees above)	30	14
Donations, contributions and assistance		
– Donations, contributions and assistance Holdsworth	892	847
– Donations, contributions and assistance (other)	265	261
Election expenses	–	342
Electricity and heating	487	536
File archival and retrieval costs	203	194
Insurance deductibles and claims payments	827	337
Insurance premiums	1,351	1,268
Office rental	21	46
Postage	162	157
Recoverable expenses	218	253
Registration	183	180
Street lighting	1,383	1,271
Telephone and communications	117	123
Training	301	306
Valuation fees	87	85
Waste disposal costs	5,118	5,035
Water and council rates	274	283
Other – land tax	447	447
Other – Woollahra Local Planning Panel	151	70
Other	756	586
<u>TOTAL OTHER EXPENSES</u>	<u>16,941</u>	<u>16,458</u>

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 2019

Note 5. Gains or losses from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
Property (excl. investment property)			
Proceeds from disposal – property		–	(382)
Less: carrying amount of property assets sold/written off		–	–
Net gain/(loss) on disposal		–	(382)
Plant and equipment			
	9		
Proceeds from disposal – plant and equipment		950	834
Less: carrying amount of plant and equipment assets sold/written off		(1,510)	(1,139)
Net gain/(loss) on disposal		(560)	(305)
Infrastructure			
	9		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(1,129)	(1,806)
Net gain/(loss) on disposal		(1,129)	(1,806)
Investments			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		63,000	51,000
Less: carrying amount of investments sold/redeemed/matured		(63,000)	(51,000)
Net gain/(loss) on disposal		–	–
Capitalised Lease Incentives			
Proceeds from disposal – Capitalised Lease Incentives		236	131
Less: carrying amount of Capitalised Lease Incentives assets sold/written off		(235)	(86)
Net gain/(loss) on disposal		1	45
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(1,688)	(2,448)

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 2019

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	1,019	1,400
Cash-equivalent assets		
– Deposits at call	8,066	6,494
– Short-term deposits	28	28
Total cash and cash equivalents	<u>9,113</u>	<u>7,922</u>

Accounting policy for cash and cash equivalents

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

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Designated at fair value on initial recognition'	73,776	–	14,777	–
b. 'Held to maturity'	–	–	56,000	–
Total Investments	<u>73,776</u>	<u>–</u>	<u>70,777</u>	<u>–</u>
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	<u>82,889</u>	<u>–</u>	<u>78,699</u>	<u>–</u>
Financial assets at fair value through the profit and loss				
Long term deposits	61,000	–	–	–
NCD's, FRN's (with maturities > 3 months)	12,136	–	14,137	–
Mortgage backed securities	640	–	640	–
Total	<u>73,776</u>	<u>–</u>	<u>14,777</u>	<u>–</u>
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	–	–	56,000	–
Total	<u>–</u>	<u>–</u>	<u>56,000</u>	<u>–</u>

Accounting policy for investments

Accounting policy under AASB 9 – applicable from 1 July 2018

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).

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

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)
- 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.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

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

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

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

(b) Held to maturity investments

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Recognition and de-recognition

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

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

Impairment of financial assets

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	82,889	–	78,699	–
attributable to:				
External restrictions	13,449	–	11,230	–
Internal restrictions	67,619	–	65,703	–
Unrestricted	1,821	–	1,766	–
	<u>82,889</u>	<u>–</u>	<u>78,699</u>	<u>–</u>

\$ '000	2019	2018
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Details of restrictions

External restrictions

Developer contributions – general	5,995	5,780
Specific purpose unexpended grants	290	296
Domestic waste management	4,941	3,904
Stormwater management	553	389
Environmental and infrastructure renewal levy	1,670	861
Total external restrictions	<u>13,449</u>	<u>11,230</u>

Internal restrictions

Plant and vehicle replacement	–	254
Employees leave entitlement	2,675	2,539
Carry over works	3,656	3,158
Deposits, retentions and bonds	22,680	20,208
Open space and community facilities reserve	4,647	5,923
Election reserve	140	20
Information technology reserve	1,020	1,274
Insurance reserve	751	1,262
Kiaora place reserve	5,571	3,748
Open space projects reserve	325	570
Preschool reserve	427	399
Property development projects reserve	119	119
Property reserve	24,242	24,647
Oxford street placemaking reserve	231	250
Public art gallery reserve	161	238
Financial Assistance Grant Prepayment	834	854
Old Section 94	92	192
Other	48	48
Total internal restrictions	<u>67,619</u>	<u>65,703</u>
TOTAL RESTRICTIONS	<u>81,068</u>	<u>76,933</u>

Notes to the Financial Statements
for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	1,913	74	1,831	71
Interest and extra charges	150	6	130	5
User charges and fees	638	–	611	–
Capital debtors (being sale of assets)				
– Sale of land	–	–	258	–
– Other asset sales	27	–	58	–
Accrued revenues				
– Interest on investments	878	–	731	–
– Other income accruals	297	–	565	–
Amounts due from other councils	40	–	39	–
Government grants and subsidies	950	–	1,046	–
Leases and licences	691	–	493	–
Net GST receivable	388	–	419	–
Recovered costs	–	–	92	–
Restorations and other roadworks	164	–	48	–
Other debtors	124	–	203	–
Total	6,260	80	6,524	76
Less: provision of impairment				
User charges and fees	(59)	–	(30)	–
Total provision for impairment – receivables	(59)	–	(30)	–
TOTAL NET RECEIVABLES	6,201	80	6,494	76
Externally restricted receivables				
Domestic waste management	546	–	514	–
Stormwater management	23	–	22	–
Other				
– Environmental levy and infrastructure renewal levy	148	–	142	–
Total external restrictions	717	–	678	–
Unrestricted receivables	5,484	80	5,816	76
TOTAL NET RECEIVABLES	6,201	80	6,494	76

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	30	70
+ new provisions recognised during the year	49	6
– amounts already provided for and written off this year	(20)	(46)
Balance at the end of the period	59	30

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Receivables with a contractual amount of \$20k written off during the reporting period are still subject to enforcement activity.

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements
for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	273	–	256	–
Total inventories at cost	273	–	256	–
<u>TOTAL INVENTORIES</u>	<u>273</u>	<u>–</u>	<u>256</u>	<u>–</u>
(b) Other assets				
Prepayments	498	–	526	–
Kiaora Place tenancy incentives	–	1,046	–	1,564
<u>TOTAL OTHER ASSETS</u>	<u>498</u>	<u>1,046</u>	<u>526</u>	<u>1,564</u>

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 2019

Note 9. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2018 ¹			Asset movements during the reporting period							as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ²	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	2,825	–	2,825	4,633	–	–	–	(2,874)	–	–	4,586	–	4,586
Plant and equipment	13,277	(4,895)	8,382	–	2,577	(1,431)	(1,286)	–	–	–	13,035	(4,792)	8,243
Office equipment	6,298	(3,511)	2,787	138	101	(11)	(493)	147	1,054	–	8,239	(4,517)	3,722
Furniture and fittings	2,329	(1,161)	1,168	–	–	–	(150)	–	–	–	2,329	(1,311)	1,018
Land:													
– Operational land	90,552	–	90,552	–	–	–	–	–	–	22,368	112,920	–	112,920
– Community land	128,970	–	128,970	–	–	–	–	–	–	–	128,970	–	128,970
Infrastructure:													
– Buildings – non-specialised	72,592	(27,989)	44,603	372	215	–	(1,690)	10	–	–	73,189	(29,679)	43,510
– Buildings – specialised	36,422	(13,008)	23,414	380	86	–	(912)	33	–	–	36,920	(13,920)	23,000
– Roads	463,778	(146,618)	317,160	1,616	165	(761)	(4,412)	1,832	–	48,887	486,361	(121,873)	364,488
– Bridges	2,570	(623)	1,947	–	–	–	(26)	–	–	(337)	2,431	(847)	1,584
– Footpaths	75,039	(36,839)	38,200	2,248	43	(233)	(1,403)	47	–	8,967	100,046	(52,177)	47,869
– Stormwater drainage	87,289	(46,289)	41,000	190	575	(30)	(595)	135	–	26,039	96,336	(29,023)	67,313
– Other open space/recreational assets	33,156	(12,805)	20,351	962	185	–	(1,193)	670	(1,054)	–	33,278	(13,358)	19,920
– Harbourside Structures	7,556	(1,265)	6,291	–	–	–	(138)	–	–	–	7,556	(1,403)	6,153
– Seawalls	41,912	(12,527)	29,385	–	39	–	(396)	–	–	–	41,951	(12,923)	29,028
– Retaining Walls	25,257	(11,743)	13,514	96	79	(104)	(284)	–	–	–	25,224	(11,924)	13,300
Other assets:													
– Library books	5,614	(4,252)	1,362	–	498	(68)	(511)	–	–	–	5,731	(4,450)	1,281
– Council Art Gallery & Art Collection	603	–	603	–	77	–	–	–	–	82	762	–	762
Total Infrastructure, property, plant and equipment	1,096,039	(323,525)	772,514	10,635	4,640	(2,638)	(13,489)	–	–	106,006	1,179,864	(302,197)	877,667

(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 2019

Note 9. 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:

Plant and equipment	Years	Buildings	Years
Office equipment	3 to 10	Buildings	25 to 100
Office furniture	10 to 20		
Vehicles	5 to 10	Stormwater assets	
Heavy plant/road making equipment	5 to 10	Drains	80 to 150
Transportation assets		Other infrastructure assets	
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		

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 2019

Note 10. Investment property

\$ '000	2019	2018
(a) Investment property at fair value		
Investment property on hand	156,600	157,360
Reconciliation of annual movement:		
Opening balance	157,360	154,020
– Capitalised expenditure – this year	56	96
– Net gain/(loss) from fair value adjustments	(816)	3,244
CLOSING BALANCE – INVESTMENT PROPERTY	156,600	157,360

(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 revaluations were based on independent assessments made by Scott Fullarton Valuations Pty Ltd.

(c) Contractual obligations at reporting date

Refer to Note 18 for disclosures relating to any capital and service obligations that have been contracted.

(d) Leasing arrangements – Council as lessor

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	9,010	8,769
Later than 1 year but less than 5 years	31,629	32,614
Later than 5 years	89,538	95,403
Total minimum lease payments receivable	130,177	136,786

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Investment property (continued)

\$ '000	2019	2018
(e) Investment property income and expenditure – summary		
Rental income from investment property:		
– Minimum lease payments	9,110	9,031
– Other income	1,744	1,673
Direct operating expenses on investment property:		
– that generated rental income	(6,249)	(6,556)
Net revenue contribution from investment property	4,605	4,148
plus:		
Fair value movement for year	(816)	3,244
Total income attributable to investment property	3,789	7,392

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.

Notes to the Financial Statements
for the year ended 30 June 2019

Note 11. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	3,621	–	3,151	–
Goods and services – capital expenditure	830	–	662	–
Accrued expenses:				
– Borrowings	59	–	63	–
– Salaries and wages	735	–	631	–
Security bonds, deposits and retentions	26,855	–	24,383	–
Other	249	–	247	–
Total payables	32,349	–	29,137	–
Income received in advance				
Payments received in advance	1,089	–	1,801	–
Total income received in advance	1,089	–	1,801	–
Borrowings				
Loans – secured ¹	2,660	61,776	2,547	64,436
Total borrowings	2,660	61,776	2,547	64,436
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>36,098</u>	<u>61,776</u>	<u>33,485</u>	<u>64,436</u>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 20.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Payables and borrowings relating to restricted assets				
Internally restricted assets				
Property reserve – Kiaora Place	263	–	263	–
Payables and borrowings relating to internally restricted assets	263	–	263	–
Total payables and borrowings relating to restricted assets	263	–	263	–
Total payables and borrowings relating to unrestricted assets	35,835	61,776	33,222	64,436
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>36,098</u>	<u>61,776</u>	<u>33,485</u>	<u>64,436</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

\$ '000	2019	2018
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(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

Payables – security bonds, deposits and retentions	21,876	19,538
Total payables and borrowings	21,876	19,538

(c) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018		Non-cash acquisition	Non-cash fair value changes	Other non-cash movements	as at 30/6/2019	
	Opening Balance	Cash flows				Closing balance	
Loans – secured	66,983	(2,547)	–	–	–	64,436	
TOTAL	66,983	(2,547)	–	–	–	64,436	

\$ '000	2019	2018
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(d) Financing arrangements ¹

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

Bank overdraft facilities ²	400	400
Credit cards/purchase cards	15	15
Total financing arrangements	415	415

Drawn facilities as at balance date:

– Credit cards/purchase cards	6	5
Total drawn financing arrangements	6	5

Undrawn facilities as at balance date:

– Bank overdraft facilities	400	400
– Credit cards/purchase cards	9	10
Total undrawn financing arrangements	409	410

(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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

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 2019

Note 12. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	3,767	–	3,482	–
Sick leave	653	–	606	–
Long service leave	8,565	370	7,313	208
Sub-total – aggregate employee benefits	12,985	370	11,401	208
TOTAL PROVISIONS	12,985	370	11,401	208

(a) Provisions relating to restricted assets

Externally restricted assets				
Domestic waste management	1,054	–	1,077	–
Provisions relating to externally restricted assets	1,054	–	1,077	–
Total provisions relating to restricted assets	1,054	–	1,077	–
Total provisions relating to unrestricted assets	11,931	370	10,324	208
TOTAL PROVISIONS	12,985	370	11,401	208

\$ '000	2019	2018
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(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	8,818	7,655
	8,818	7,655

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

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 2019

Note 13. 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) Correction of errors relating to a previous reporting period

Nature of prior-period error

A comprehensive revaluation and condition assessment of the Swimming Pools and Other Open Space/ Recreational Assets Classes was completed in the 2019 financial year. The revaluation and condition assessment identified a material difference between the carrying amount and fair value of these asset classes resulting from two separate issues. Independent valuations were made by Assetic Pty Ltd and XYST Australia Pty Ltd.

Prior to the revaluation and condition assessment, depreciated historical cost was used as a representation of fair value for these asset classes. The results of the revaluation showed that this was not an accurate representation of fair value. The difference between the depreciated historical cost and fair value of identified assets as at 30 June 2019 was estimated to be \$5.7million.

In addition some seawalls and retaining walls that had not been recorded in Council's asset register were identified. The fair value of the Seawalls was estimated to be \$28.4million and the Retaining Walls was estimated to be \$2.2million.

These errors were corrected by restating the balances of Infrastructure, Property, Plant and Equipment and the Asset Revaluation Reserve at the beginning of the earliest comparative period, 1 July 2017. As a result, the opening balance for both items was increased by \$36.7million.

Depreciation expense for the 2018 financial year was also revised to account for the increase in fair value of the asset classes. Depreciation expense for the 2018 year was increased by \$0.375million to \$13.1million in total. As a result, the net operating result for the year was reduced by \$0.375million to \$8.251million.

Changes to the opening Statement of Financial Position at 1 July 2017

Statement of Financial Position

\$ '000	Original Balance 1 July, 2017	Impact Increase/ (decrease)	Restated Balance 1 July, 2017
Infrastructure, property, plant and equipment	725,396	36,676	762,072
Total assets	961,366	36,676	998,042
Total liabilities	110,032	–	110,032
Accumulated Surplus	536,272	–	536,272
Revaluation reserves	315,062	36,676	351,738
Total equity	851,334	36,676	888,010

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Statement of Financial Position

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Adjustments to the comparative figures for the year ended 30 June 2018			
Infrastructure, property, plant and equipment	736,213	36,301	772,514
Total assets	981,188	36,301	1,017,489
Total liabilities	109,530	–	109,530
Accumulated Surplus	544,898	(375)	544,523
Revaluation reserves	326,760	36,676	363,436
Total equity	871,658	36,301	907,959

Income Statement

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Total income from continuing operations	100,906	–	100,906
Depreciation and amortisation	12,711	375	13,086
Total expenses from continuing operations	92,280	375	92,655
Net operating result for the year	8,626	(375)	8,251

Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Net operating result for the year	8,626	(375)	8,251
Other comprehensive income	11,698	–	11,698
Total comprehensive income for the year	20,324	(375)	19,949

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2017. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

– AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.

– AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

Classification of financial assets

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

Measurement of equity instruments

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions). This has had no material impact on the provision for doubtful debts.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	9,113	7,922
Balance as per the Statement of Cash Flows		9,113	7,922
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		60	8,251
Adjust for non-cash items:			
Depreciation and amortisation		13,489	13,086
Net losses/(gains) on disposal of assets		1,688	2,448
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as ‘at fair value’ or ‘held for trading’		1	1
– Investment property		816	(3,244)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(29)	317
Increase/(decrease) in provision for impairment of receivables		29	(40)
Decrease/(increase) in inventories		(17)	(2)
Decrease/(increase) in other current assets		546	356
Increase/(decrease) in payables		470	(256)
Increase/(decrease) in accrued interest payable		(4)	(2)
Increase/(decrease) in other accrued expenses payable		104	8
Increase/(decrease) in other liabilities		1,762	4,500
Increase/(decrease) in provision for employee benefits		1,746	(214)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		20,661	25,209

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. 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	
			2019	2018	2019	2018
(a) Council is involved in the following joint operations (JO's)						
Name of joint operation:						
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	2019	2018
Council's share of assets jointly owned with other partners		
Property, plant and equipment	13,596	13,716
Total net assets employed – Council and jointly owned	13,596	13,716

(c) Share of joint operations expenditure commitments

\$ '000	2019	2018
Operating expenditure commitments		
Payable not later than 1 year	270	350
Total operating expenditure commitments	270	350

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities (continued)

(c) Associates

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

(d) Unconsolidated structured entities

Council did not consolidate the following structured entities:

\$ '000	2019	2018
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Sydney East Business Chamber

The Sydney East Business Chamber (formally the Double Bay Chamber of Commerce) was founded to help the growth of Double Bay with a commitment to helping the local business community. Double Bay has a Place Plan (recently reviewed), a single plan for the future of Double Bay. The Plan, which has been endorsed by the Chamber and Council, sets out an ambitious series of strategies, priorities and actions aimed at achieving a new vision and place story for Double Bay.

Nature of risks relating to the Unconsolidated Structured Entity

Council regularly considers its involvement with the Chamber. Council agreed to provide \$80,000 of funding to assist the Chamber in carrying out the 2018-19 Actions under its Business Plan 2018-2021. Council also agreed to provide a line of credit up to \$30,000 for the 2018 Double Bay Street Festival. This money is to be paid back to Council in full by 30 September 2019.

Losses (or expenses) incurred by Council relating to the Structured Entity	80	80
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Non-contractual financial support provided

Nil

Current intention to provide financial support

On 18 June 2018 Council resolved that \$80,000 be provided to the Chamber for 2018/19 for initiatives outlined in the Business Plan 2018-2021

(e) Subsidiaries, joint arrangements and associates not recognised

None.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Commitments

\$ '000	2019	2018
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	1,210	756
Plant and equipment	1,352	1,018
Infrastructure	1,626	1,142
Streetscapes	1	55
Traffic	669	422
Open space works	640	1,083
Environmental works	79	14
IT	107	29
Total commitments	5,684	4,519
These expenditures are payable as follows:		
Within the next year	5,684	4,519
Total payable	5,684	4,519
Sources for funding of capital commitments:		
Unrestricted general funds	1,503	968
Future grants and contributions	526	551
Section 7.11 and 64 funds/reserves	934	546
Unexpended grants	100	67
Externally restricted reserves	1,136	957
Internally restricted reserves	1,402	1,245
Sale of plant and equipment	82	181
Recovered Costs	1	4
Total sources of funding	5,684	4,519

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Commitments (continued)

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

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

Within the next year	64	28
Later than one year and not later than 5 years	97	6
Total non-cancellable operating lease commitments	161	34

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.

(d) Investment property commitments

Nil

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) 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 standard employer contributions and additional lump sum contributions to the fund.

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40 million per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are used to fund the deficit of assets to accrued liabilities.

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$ 752,076.52. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2018.

Council's expected contribution to the plan for the next annual reporting period is \$720,534.56

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

* 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 \$677,800.00 as at 30 June 2019.

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 2019

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) 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 2019, Council disclosed its continuing membership of the Premsure Insurance Pool on Note 15, 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 2019

Note 18. Financial risk management

Risk management

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

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

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

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

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 2019

Note 18. 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
2019				
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)
2018				
Possible impact of a 10% movement in market values	1,478	1,478	(1,478)	(1,478)
Possible impact of a 1% movement in interest rates	781	781	(781)	(781)

(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
2019						
Gross carrying amount	–	1,375	223	252	137	1,987
2018						
Gross carrying amount	–	1,317	213	241	131	1,902

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. 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 2019 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
2019						
Gross carrying amount	3,182	418	513	52	188	4,353
ECL Provision	–	(59)	–	–	–	(59)
2018						
Gross carrying amount	4,199	205	27	20	247	4,698
ECL Provision	–	(30)	–	–	–	(30)

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk 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 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		
2019							
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
Total financial liabilities		26,855	5,670	27,893	57,063	117,481	96,785
2018							
Trade/other payables	0.00%	24,383	4,754	–	–	29,137	29,137
Loans and advances	5.00%	–	5,667	28,337	62,288	96,292	66,983
Total financial liabilities		24,383	10,421	28,337	62,288	125,429	96,120

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations

Council’s original financial budget for 2018/19 was adopted by the Council on 18 June 2018 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	2019 Budget	2019 Actual	2019 ----- Variance -----	
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REVENUES

Rates and annual charges	53,181	53,325	144	0% F
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There are no individual material variances to report.

User charges and fees	11,404	11,182	(222)	(2)% U
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While not a material variance overall, there are a number of individual material variances to report.

The following sources of income exceeded their original budgets:
Crane Permits \$363k and Work Zone Charges \$326k.

The following sources of income did not reach their original budgets:
Policy Change Requests \$242k, Development Applications Fees \$184k, Sportsfield Casual Hire \$137k, Parking Meter Charges \$116k, Mobile Bin Service \$78k, Advertising Fees \$73k, Compliance Levy \$47k and S96 ammendments \$39k

The net total of these variances is \$227k.

Interest and investment revenue	1,903	2,356	453	24% F
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A higher level of funds invested resulted in interest on investments exceeding the original budget by \$469k while a lower level of Rates arrears saw interest on overdue Rates fall short of the original budget by \$26k

The net total of these variances is \$443k.

Other revenues	23,999	24,258	259	1% F
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While not a material variance overall, there are a number of individual material variances to report.

The following sources of income exceeded their original budgets:
Recovered costs \$299k, Fines & Penalties \$107k, Sundry Income \$73k and Footpath Licenses \$58k,

The following sources of income did not reach its original budget:
Parking Fines \$268k

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
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The net total of these variances is \$269k.

Operating grants and contributions	3,413	3,445	32	1%	F
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The Pensioner rebate Subsidy \$130k is now classified under Rates and Annual Charges yet was budgeted under Grants and Operating Contributions.
Other operating grants that exceeded their original budget are the Roads Grant \$56k and Preschool Subsidy \$39k.

The total of these variances is \$35k

Capital grants and contributions	4,697	3,886	(811)	(17)%	U
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The largest variance in capital grants and contributions relates to grants budgeted but not yet received in relation to New South Head Rd works, Cecil Lane walkway and Watsons Bay Flood diversion wall works, along with Council's unsuccessful application in Military Road walkway grant funds of \$250k.

Offsetting these were Section 7.12 (formerly Section 94A) developer contributions which exceeded original budget by \$110k.

Fair value increment on investment property	3,850	-	(3,850)	100%	U
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The fair value of investment properties was a decrement for the year and has been reported under expenses.

EXPENSES

Employee benefits and on-costs	41,021	41,406	(385)	(1)%	U
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Salaries and wages were \$385k higher than the original budget as a result of additional FTE's.

Borrowing costs	3,120	3,120	-	0%	F
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Borrowing costs or interest paid on loans was in line with the budget forecasts.

Materials and contracts	19,092	20,932	(1,840)	(10)%	U
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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 2018/19 this amounted to \$687k

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
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Expenditure was less than originally budgeted in the following areas:
Materials and contracts \$370k and recurrent contracts \$215k.

Expenditure was greater than originally budgeted in the following areas:
Temporary Staff \$975k, Legal Expenses General \$507k and General Consultants \$338k.

The net total of these variances is \$1,922k.

Depreciation and amortisation	12,603	13,489	(886)	(7)%	U
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Depreciation and amortisation exceeded budget by \$886k

This is mainly related to the additional depreciation of \$350k relating to prior year fair value adjustments of open space assets and the completion of major capital works including the synthetic field in 2017/18.

Other expenses	16,997	16,941	56	0%	F
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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:
Tipping charges \$192k, Insurance premiums \$69k, Electricity charges \$46k, Claims recovery \$44k, Interest paid on deposits refunded \$31k, Telephone and Line rental \$23k and Contributions to other organisations \$22k

Expenditure was greater than original budget in the following areas:
Self Funded losses \$414k (these were funded from the Insurance Reserve).

The net total of these variances is \$13k.

Net losses from disposal of assets	2,954	1,688	1,266	43%	F
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The favourable variance is mainly due to the write-off of renewed infrastructure assets being \$1,215k less than the original budget.

Fair value decrement on investment property	–	816	(816)	∞	U
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An estimate of the Fair value change in Investment properties was an increment of \$3,850k (2.5%). The final result was a decrement of \$816k. As this is a non-cash item it did not affect the budget result.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
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STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	19,581	20,661	1,080	6% F
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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.

Net cash provided from (used in) investing activities	(17,266)	(16,923)	343	(2)% F
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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 2018/19 the net purchase of investments (cash outflow) was \$(3,000k).

The timing of capital expenditure also had an effect with less cash outflow than budgeted of \$3,012k. This included New South Head Road \$995k, Russell St Vaucluse \$552k, Carlotta Road \$510k and Marine Parade Seawall \$483k which all remained unexpended at year end.

Finally there was an additional \$387k in proceeds from the sale of plant and vehicles.

Net cash provided from (used in) financing activities	(2,547)	(2,547)	-	0% F
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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 2019

Note 20. 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

2019	Notes	Fair value measurement hierarchy		Total
		Level 2 Significant observable inputs	Level 3 Significant unobserv- able inputs	
Recurring fair value measurements				
Financial assets				
Investments	6(b)			
– ‘Designated at fair value on initial recognition’		73,776	–	73,776
Total financial assets		73,776	–	73,776
Investment property				
Kiaora place	10	151,550	–	151,550
Car parks		5,050	–	5,050
Total investment property		156,600	–	156,600
Infrastructure, property, plant and equipment				
Plant and equipment	9	–	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
Total infrastructure, property, plant and equipment		–	877,665	877,665

Notes to the Financial Statements
for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

2018	Notes	Fair value measurement hierarchy		Total
		Level 2 Significant observable inputs	Level 3 Significant unobserv- able inputs	
Recurring fair value measurements				
Financial assets				
Investments	6(b)			
– ‘Designated at fair value on initial recognition’		14,777	–	14,777
Total financial assets		14,777	–	14,777
Investment property				
Kiaora place	10	152,550	–	152,550
Car parks		4,810	–	4,810
Total investment property		157,360	–	157,360
Infrastructure, property, plant and equipment				
Plant and equipment	9	–	8,382	8,382
Office equipment		–	2,787	2,787
Furniture and fittings		–	1,168	1,168
Operational land		–	90,552	90,552
Community land		–	128,970	128,970
Buildings – non-specialised		–	44,603	44,603
Buildings – specialised		–	23,414	23,414
Roads		–	317,160	317,160
Bridges		–	1,947	1,947
Footpaths		–	38,200	38,200
Stormwater drainage		–	41,000	41,000
Other open space/recreational assets		–	20,351	20,351
Harbourside structures		–	6,291	6,291
Seawalls		–	29,385	29,385
Retaining walls		–	13,514	13,514
Other Assets – Library books & art collections		–	1,965	1,965
Total infrastructure, property, plant and equipment		–	772,139	772,139

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 2019

Note 20. 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 2019 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 2019

Note 20. 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 2019

Note 20. Fair Value Measurement (continued)

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 2019

Note 20. 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

In 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

In 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 2019

Note 20. 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

In 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

In 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 2019

Note 20. 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 2019 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	Investments	Investment properties	Plant and equipment	Office equipment	Furniture and fittings
2018					
Opening balance	14,778	154,020	8,265	3,295	1,326
Purchases (GBV)	–	96	2,401	24	–
Disposals (WDV)	–	–	(1,061)	(15)	–
Depreciation and impairment	–	–	(1,223)	(517)	(158)
FV gains – Income Statement ¹	(1)	3,244	–	–	–
Closing balance	14,777	157,360	8,382	2,787	1,168
2019					
Opening balance	14,777	157,360	8,382	2,787	1,168
Transfers from/(to) another asset class	–	–	–	1,200	–
Purchases (GBV)	–	56	2,577	239	–
Disposals (WDV)	–	–	(1,431)	(11)	–
Depreciation and impairment	–	–	(1,285)	(493)	(150)
FV gains – Income Statement ¹	(2,001)	(816)	–	–	–
Closing balance	12,776	156,600	8,243	3,722	1,018

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

\$ '000	Operational Land	Community Land	Buildings non-specialised	Building specialised	Roads
2018					
Opening balance	78,854	128,970	46,045	23,997	323,003
Transfers from/(to) another asset class	–	–	24	4	(2,160)
Purchases (GBV)	–	–	217	314	4,722
Disposals (WDV)	–	–	–	–	(964)
Depreciation and impairment	–	–	(1,683)	(901)	(4,616)
FV gains – Income Statement ¹	11,698	–	–	–	–
Closing balance	90,552	128,970	44,603	23,414	319,985
2019					
Opening balance	90,552	128,970	44,603	23,414	319,985
Transfers from/(to) another asset class	–	–	10	32	(1,041)
Purchases (GBV)	–	–	587	466	6,414
Disposals (WDV)	–	–	–	–	(761)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

\$ '000	Operational Land	Community Land	Buildings non-specialis ed	Building specialised	Roads
Depreciation and impairment	–	–	(1,690)	(912)	(4,412)
FV gains – Income Statement ¹	22,368	–	–	–	48,887
Closing balance	112,920	128,970	43,510	23,000	369,072

(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 2019

Note 20. Fair Value Measurement (continued)

\$ '000	Bridges	Footpaths	Stormwater drainage	Harbourside structures	Other open space assets
2018					
Opening balance	1,973	37,833	41,325	2,628	25,866
Transfers from/(to) another asset class	–	–	–	–	2,132
Purchases (GBV)	–	1,815	846	–	3,953
Disposals (WDV)	–	(319)	(523)	–	–
Depreciation and impairment	(26)	(1,129)	(648)	(172)	(1,161)
Rounding	–	–	–	–	(1)
Closing balance	1,947	38,200	41,000	2,456	30,789
2019					
Opening balance	1,947	38,200	41,000	2,456	30,789
Transfers from/(to) another asset class	–	47	134	–	–
Purchases (GBV)	–	2,291	765	–	–
Disposals (WDV)	–	(233)	(30)	–	–
Depreciation and impairment	(26)	(1,403)	(595)	–	–
FV gains – Income Statement ¹	(337)	8,967	26,039	–	–
Closing balance	1,584	47,869	67,313	2,456	30,789

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

\$ '000	Library books and art	Seawalls	Retaining Walls	Total
2018				
Opening balance	2,022	30	14	894,244
Purchases (GBV)	481	–	–	14,869
Disposals (WDV)	(61)	–	–	(2,943)
Depreciation and impairment	(477)	–	–	(12,711)
FV gains – Income Statement ¹	–	–	–	14,941
Closing balance	1,965	30	14	908,399
2019				
Opening balance	1,965	30	14	908,399
Purchases (GBV)	575	39	175	14,184
Disposals (WDV)	(68)	–	–	(2,534)
Depreciation and impairment	(511)	(396)	(284)	(12,157)
FV gains – Income Statement ¹	82	–	–	103,189
Closing balance	2,043	(327)	(95)	1,011,463

(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 2019

Note 20. Fair Value Measurement (continued)

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

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.			
Financial liabilities			
Fair Value through Profit or Loss	12,776	Issuer and independent valuations	Unit Price
Investment properties			
Investment properties	156,600	Independent valuation	Net rental value Rental Yield
Infrastructure, property, plant and equipment			
Plant and Equipment, Office Equipment, Furniture and Fittings	12,983	Cost used to approximate fair value.	Asset Cost Useful Life
Operational Land	112,920	Independent valuation.	Rate per m2
Community Land	128,970	Land values supplied by the Valuer General.	Unimproved Capital Value (rate per m2)
Buildings	66,510	Independent valuation.	Current Replacement Cost Useful life Asset Condition
Roads, Bridges & Footpaths	418,525	Independent valuation Unit rates per m2 or length	Current Replacement Cost (Unit Rates) Asset Condition Rating Useful Life
Stormwater Drainage	67,313	Independent valuation Unit rates per m2 or length	Current Replacement Cost (Unit Rates) Asset Condition Rating Useful Life
Other Open Space / Recreational Assets	19,920	Independent valuation Unit rates per m2 or length	Current Replacement Cost (Unit Rates) Asset Condition Rating Useful Life
Harbourside structures, Seawalls & Retaining Walls	48,481	Independent valuation Unit rates per m2 or length	Current Replacement Cost (Unit Rates) Asset Condition Rating Useful Life
Library Books	1,281	Cost used to approximate fair value.	Asset Cost Useful Life Asset Condition
Art Collections	762	Independent valuation	Market Value

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

(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 2019

Note 21. Related Party Transactions

(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	2019	2018
Compensation:		
Short-term benefits	1,787	1,591
Post-employment benefits	94	82
Other long-term benefits	19	61
Termination benefits	–	304
Total	1,900	2,038

(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						
2019						
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 2019

Note 22. Events occurring after the reporting date

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 2019

Note 23. 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

\$ '000	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	1,259	–	–	18	–	–	1,277	–
Civic improvements	119	–	–	2	–	–	121	–
Recreation	25	–	–	–	(3)	–	22	–
Plan preparation and administration	46	–	–	1	–	–	47	–
S7.11 contributions – under a plan	1,449	–	–	21	(3)	–	1,467	–
S7.12 levies – under a plan	4,331	2,610	–	76	(2,489)	–	4,528	–
Total S7.11 and S7.12 revenue under plans	5,780	2,610	–	97	(2,492)	–	5,995	–
Total contributions	5,780	2,610	–	97	(2,492)	–	5,995	–

S7.11 Contributions – under a plan

CONTRIBUTION PLAN – 2002 Contributions Plan

Parking – Rose Bay	1,259	–	–	18	–	–	1,277	–
Civic improvements	119	–	–	2	–	–	121	–
Recreation	25	–	–	–	(3)	–	22	–
Plan preparation and administration	46	–	–	1	–	–	47	–
Total	1,449	–	–	21	(3)	–	1,467	–

Notes to the Financial Statements
for the year ended 30 June 2019

Note 23. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S7.12 Levies – under a plan								
CONTRIBUTION PLAN – 2005 Contributions Plan								
Other	4,331	2,610	–	76	(2,489)	–	4,528	–
Total	4,331	2,610	–	76	(2,489)	–	4,528	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018	Prior periods 2017	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(1,321)	(1.40)%	3.33%	4.34%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	94,567				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	91,009	92.44%	91.55%	90.40%	>60.00%
Total continuing operating revenue ¹	98,453				
3. Unrestricted current ratio					
Current assets less all external restrictions	75,695	4.37x	4.46x	3.87x	>1.50x
Current liabilities less specific purpose liabilities	17,335				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	15,288	2.70x	2.94x	3.00x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	5,667				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	2,143	3.87%	3.74%	4.13%	<5.00%
Rates, annual and extra charges collectible	55,368				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	70,113	9.66 mths	8.60 mths	7.00 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	7,262				

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

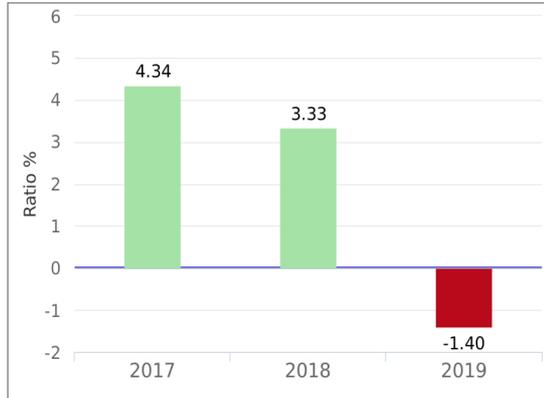
(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

The 2018 column has been restated

Notes to the Financial Statements
for the year ended 30 June 2019

Note 24(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 2018/19 result

2018/19 ratio (1.40)%

The 2018/19 ratio has been impacted by the increase in Council's Employee Leave Entitlement Provision and the additional depreciation. If these abnormal items were excluded the ratio would be within benchmark.

Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2018/19 result

2018/19 ratio 92.44%

The ratio remains well excess of the 60% benchmark.

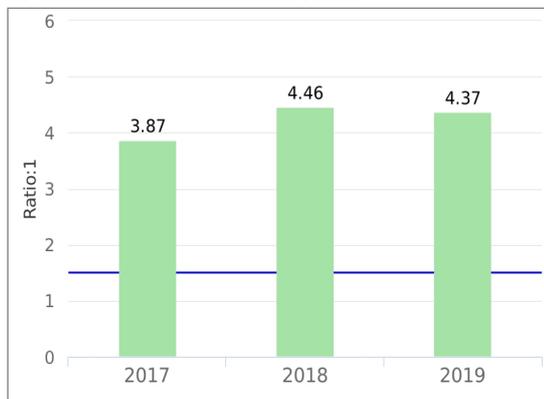
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2018/19 result

2018/19 ratio 4.37x

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 #27

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements
for the year ended 30 June 2019

Note 24(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 2018/19 result	
2018/19 ratio	2.70x
The ratio remains above the 2.0 benchmark.	

Benchmark: — > 2.00x

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

■ 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 2018/19 result	
2018/19 ratio	3.87%
The ratio remains below 4% which is comfortable below the 5% benchmark.	

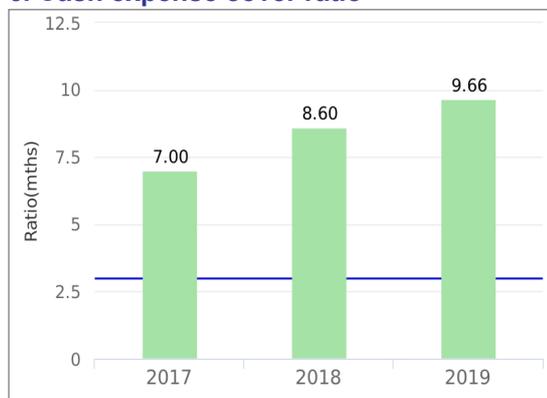
Benchmark: — < 5.00%

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

■ 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 2018/19 result	
2018/19 ratio	9.66 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 #27

■ Ratio is outside benchmark

Notes to the Financial Statements
for the year ended 30 June 2019

Note 24(b). Statement of performance measures – consolidated results (graphs)

The 2018 column has been restated

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25. Council information and contact details

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

Email: records@woollahra.nsw.gov.au

Officers

GENERAL MANAGER

Gary James

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 the Woollahra Municipal Council

Opinion

I have audited the accompanying financial statements of Woollahra Municipal Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, 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 2019, 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' (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 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Special 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 except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - 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.



Cathy Wu

Delegate of the Auditor-General for New South Wales

15 October 2019
SYDNEY



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

Contact: Cathy Wu
Phone no: 02 9575 7212
Our ref: D1920550/1812

15 October 2019

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2019 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 2019 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 2019 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.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issues and observations during my audit of the Council's financial statements. These issues and observations were addressed as part of my audit.

Correction of Prior Period Errors

The 2018–19 general purpose financial statements reflected a correction of two errors relating to prior periods, whereby:

- Seawalls, retaining walls and open space assets were recorded at depreciated historical cost and had not been assessed at fair value in previous years. This accounting treatment was not in accordance with the requirements of the Office of Local Government Code of Accounting Practice and Financial Reporting. An increase of \$5.7 million was made to prior year's balances to reflect the fair value adjustment.
- Certain seawalls and retaining wall assets existed but were not recorded in prior years. The estimated fair value of the unrecorded seawalls was \$28.4 million and the unrecorded retaining walls was \$2.2 million. These errors were corrected by restating prior year's balances for Infrastructure, Property, Plant and Equipment (IPPE) and the Asset Revaluation Reserve.

The total adjustment to opening balances for both items was an increase of \$36.7 million. Depreciation expense for the 2018 financial year was also revised to account for the increase in fair value of the asset classes. Note 13 of the financial statements contains disclosures of these prior period errors.

INCOME STATEMENT

Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	53.3	52.2	 2.1
Other revenues (includes rental income and fines)	24.3	24.0	 1.3
Grants and contributions revenue	7.3	8.1	 9.9
Operating result for the year	0.1	8.3	 98.8
Net operating result before capital grants and contributions	(3.8)	3.9	 197

Council's operating result of \$0.1 million (including the effect of depreciation and amortisation expense of \$13.5 million) was \$8.2 million lower than the 2017–18 result.

The 2017–18 result included income of \$3.2 million arising from the fair value increment on investment properties. In 2018–19, there was a fair value decrement on investment properties of \$0.8 million. This accounts for \$4.0 million of the total \$8.2 million movement in the operating result. The remaining \$4.2 million movement is primarily attributable to higher expenditure for employee benefits as Council reported an additional 21 full-time equivalent employees at 30 June 2019 compared to last year.

The net operating result before capital grants and contributions (\$3.8 million loss) was \$7.7 million lower than the 2017–18 result. This movement was similarly due to changes in the operating result as noted above.

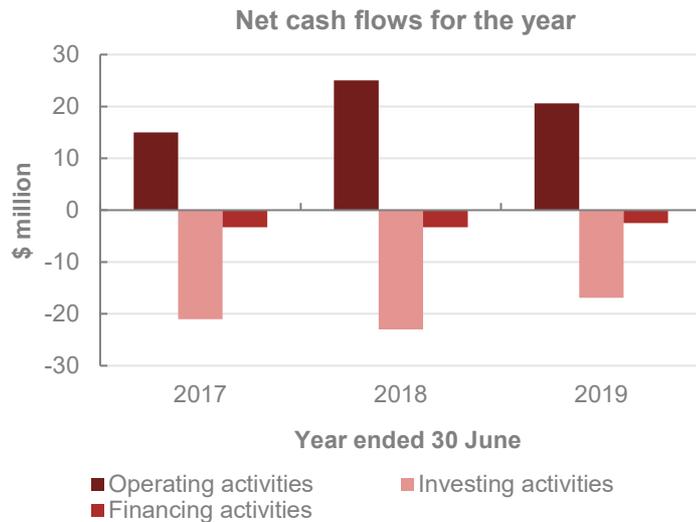
Rates and annual charges revenue (\$53.3 million) increased by \$1.1 million (2.1 per cent) in 2018–2019. This increase was consistent with the approved rate peg of 2.3 per cent.

Grants and contributions revenue (\$7.3 million) decreased by \$0.8 million (\$9.9 per cent) in 2018–2019 due to:

- a reduction in Commonwealth operating grant funding of \$0.4 million, largely related to Council work conducted under the Roads to Recovery program.
- a reduction in State capital grant funding of \$0.6 million related to heritage and open space projects.

STATEMENT OF CASH FLOWS

- The Council reported an increase in cash from \$7.9 million at 30 June 2018 to \$9.1 million at 30 June 2019.
- Cash inflows from operating activities decreased from 2017–18 as a result of reduced cash receipts from other sources.
- Cash outflows from investing activities decreased mainly due to less acquisitions of investments.
- The cash flows from financing activities have remained steady over the last three years.



FINANCIAL POSITION

Cash and investments

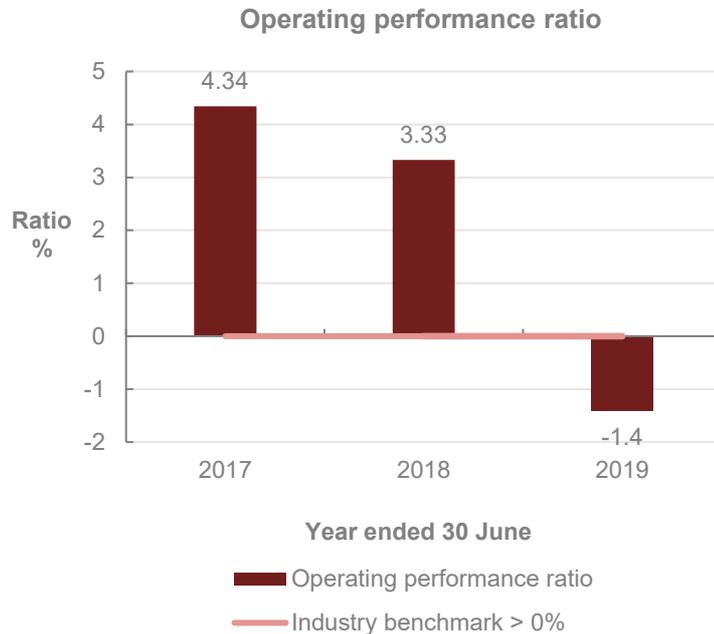
Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	13.5	11.2	<ul style="list-style-type: none"> • External restrictions include primarily developer contributions and domestic waste management charges. The increase from 2018 is primarily attributable to domestic waste management funds held. • Internal restrictions are due to Council policy or decisions for forward plans including the works program. The increase is primarily attributable to a \$2.5 million increase in deposits held. • Unrestricted balances provide liquidity for day-to-day operations and are consistent with last year.
Internal restrictions	67.6	65.7	
Unrestricted	1.8	1.8	
Cash and investments	82.9	78.7	

PERFORMANCE

Operating performance ratio

- Council's operating performance ratio of (1.4)% is below the industry benchmark for 2018–19.
- Council's operating results declined this year due to:
 - the \$0.8 million fair value decrement on investment properties (2017–18: \$3.2 million increment)
 - higher expenditure of \$4.2 million for employee benefits compared.

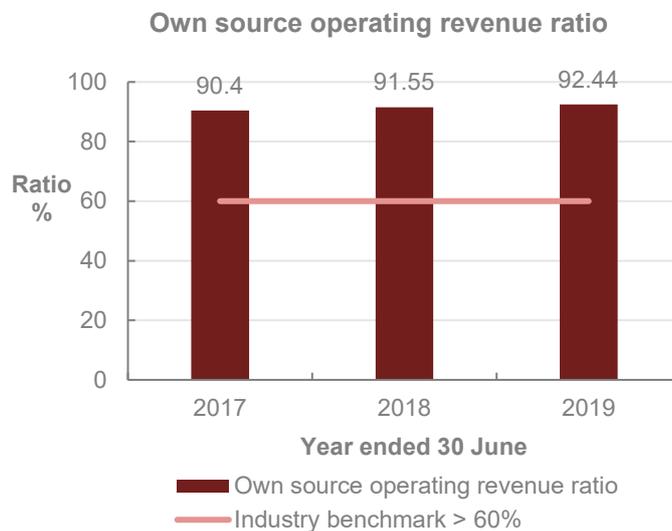
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

- Council's own source operating revenue ratio exceeded the industry benchmark for the past three years.
- This result reflects the significance of rates and revenue as funding sources for Council.
- This ratio has remained steady for the past three years.

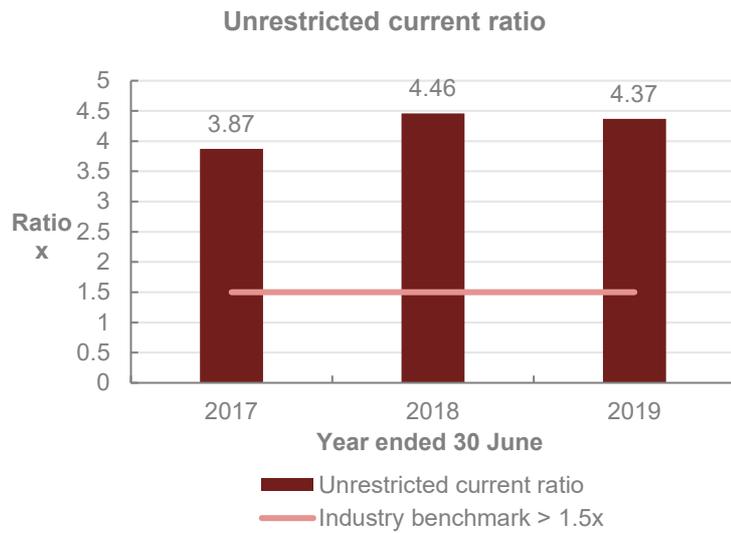
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

- Council's unrestricted current ratio exceeded the industry benchmark for the past three years.
- This ratio indicates that Council currently has \$4.37 of unrestricted current assets available to service every \$1.00 of its unrestricted current liabilities.

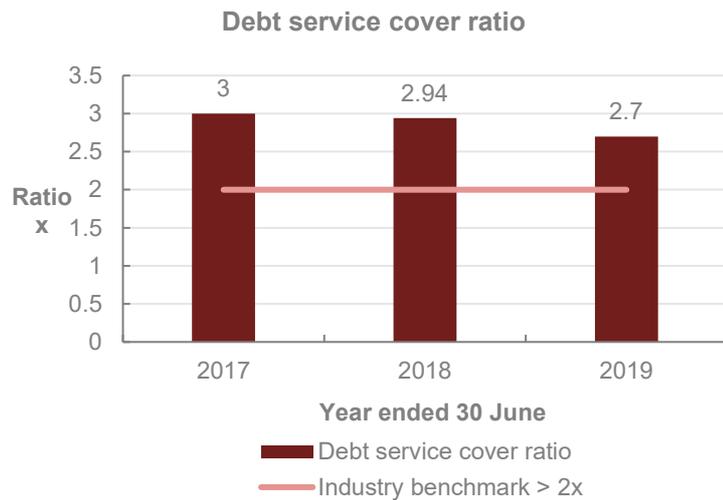
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

- Council's debt service cover ratio exceeded the industry benchmark for the past three years.
- Council appears to be effectively monitoring its liquidity levels to ensure it can meet its borrowing costs when they fall due.

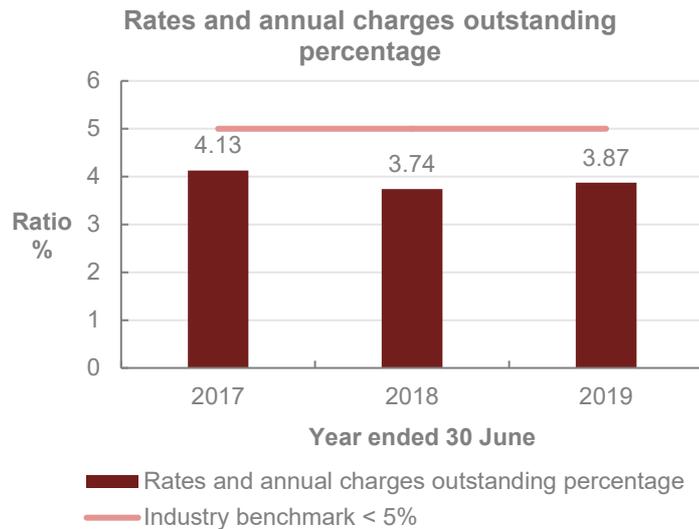
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

- Council's rates and annual charges outstanding percentage met the industry benchmark for the past three years.
- The collection procedures of the Council have operated effectively to collect rates and annual charges revenue within the receivable dates.

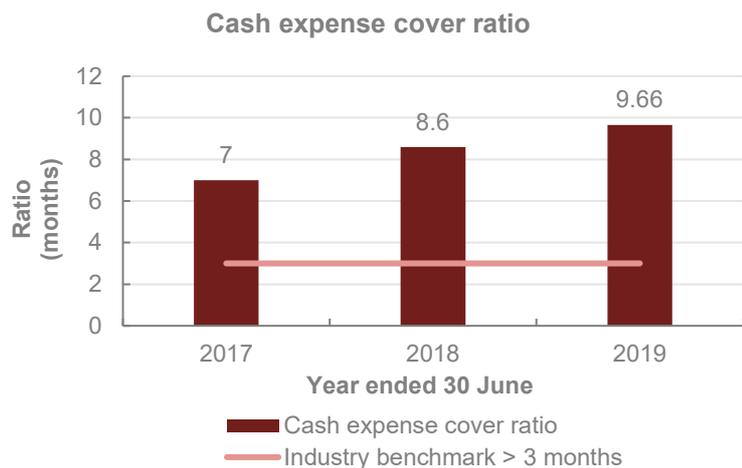
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

- Council's cash expense cover ratio exceeded the industry benchmark for the past three years.
- This indicates that Council had the capacity to cover 9.7 months of cash expenditure without additional cash inflows at 30 June 2019.
- The ratio has steadily increased over the last three years.

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 \$10.6 million on asset renewals in 2018–19 compared to \$13.1 million in 2017–18. 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 2018–19, asset renewals of \$10.6 million represented 79 per cent of Council's \$13.5 million depreciation expense. This result was lower than the 2017–18 result of 100 per cent.

Asset renewals in 2018–19 were carried out in accordance with Council's capital works program and primarily related to road and footpath assets.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9. Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 13(c).</p>

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.



Cathy Wu

Delegate of the Auditor-General for New South Wales

cc: Mr Gary James, 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 2019



Special Schedules

for the year ended 30 June 2019

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Special Schedules

Permissible income for general rates

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Report on Infrastructure Assets - Values

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Permissible income for general rates

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	39,199	38,327
Plus or minus adjustments ²	b	79	(13)
Notional general income	c = a + b	39,278	38,314
Permissible income calculation			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	i = e x (c + g)	1,061	881
Sub-total	k = (c + g + h + i + j)	40,339	39,195
Plus (or minus) last year's carry forward total	l	20	17
Less valuation objections claimed in the previous year	m	(20)	(6)
Sub-total	n = (l + m)	-	11
Total permissible income	o = k + n	40,339	39,206
Less notional general income yield	p	40,337	39,199
Catch-up or (excess) result	q = o - p	2	7
Plus income lost due to valuation objections claimed ⁴	r	1	20
Less unused catch-up ⁵	s	(4)	(7)
Carry forward to next year ⁶	t = q + r + s	(1)	20

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 2020.

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 27 (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' (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 2019 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 and Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

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, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

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

Cathy Wu

Delegate of the Auditor-General for New South Wales

15 October 2019
SYDNEY

Report on Infrastructure Assets
as at 30 June 2019

Asset Class	Asset Category	Estimated cost			2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council	2018/19 Required maintenance ^a				1	2	3	4	5
Buildings	Buildings	–	–	1,887	1,777	66,510	110,109	40.0%	13.0%	47.0%	0.0%	0.0%
	Sub-total	–	–	1,887	1,777	66,510	110,109	40.0%	13.0%	47.0%	0.0%	0.0%
Roads	Sealed roads	4,687	4,687	2,667	2,730	364,488	486,361	59.8%	18.3%	20.5%	1.1%	0.3%
	Bridges	1,500	1,500	–	–	1,584	2,431	0.0%	0.0%	80.0%	0.0%	20.0%
	Footpaths	1,556	1,556	3,243	3,373	47,869	100,046	6.0%	34.0%	57.0%	3.0%	0.0%
	Sub-total	7,743	7,743	5,910	6,103	413,941	588,838	50.4%	20.9%	26.9%	1.4%	0.4%
Stormwater drainage	Stormwater drainage	986	986	461	425	67,313	96,336	65.0%	12.0%	22.0%	1.0%	0.0%
	Sub-total	986	986	461	425	67,313	96,336	65.0%	12.0%	22.0%	1.0%	0.0%
Open space / recreational assets	Other parks & open space	768	768	1,229	1,229	19,920	33,278	18.4%	54.1%	25.2%	1.9%	0.4%
	Harbourside structures	–	–	112	112	6,153	7,556	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	768	768	1,341	1,341	26,073	40,834	33.5%	44.1%	20.5%	1.5%	0.4%
Other infrastructure assets	Retaining walls & seawalls	1,440	1,440	60	68	42,328	67,175	16.0%	44.0%	36.0%	3.0%	1.0%
	Sub-total	1,440	1,440	60	68	42,328	67,175	16.0%	44.0%	36.0%	3.0%	1.0%
	TOTAL - ALL ASSETS	10,937	10,937	9,659	9,714	616,165	903,292	47.4%	21.7%	29.2%	1.3%	0.4%

(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 2019

	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	8,353	75.60%	87.95%	103.05%	>= 100%
Depreciation, amortisation and impairment	11,049				
(a). Building renewals ratio					
Asset renewals (buildings)	785	30.17%	20.55%	41.40%	>= 100%
Depreciation, amortisation and impairment	2,602				
(b). Infrastructure renewals ratio					
Asset renewals (infrastructure)	7,568	89.59%	110.42%	121.15%	>= 100%
Depreciation, amortisation and impairment	8,447				
Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	10,937	1.78%	1.27%	1.38%	< 2.00%
Net carrying amount of infrastructure assets	616,165				
Asset maintenance ratio					
Actual asset maintenance	9,714	100.57%	107.24%	99.70%	> 100%
Required asset maintenance	9,659				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	10,937	1.21%	0.81%	0.89%	
Gross replacement cost	903,292				

Notes

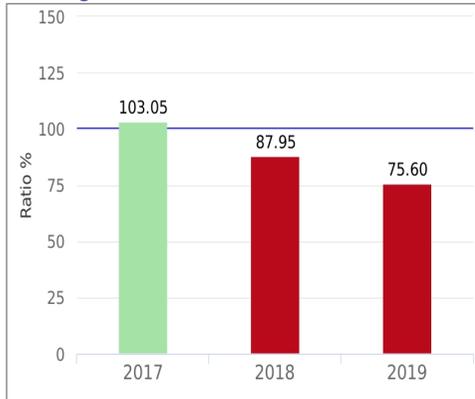
* All asset performance indicators are calculated using the asset classes identified in the previous table.

⁽¹⁾ Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)
as at 30 June 2019

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.

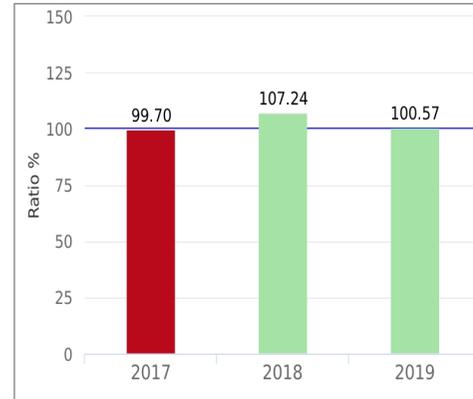
Commentary on result

18/19 ratio 75.60%

The ratio is influenced by the timing of the completion of capital works. The 2019 ratio has been impacted by the increase in depreciation relating to the prior period fair value adjustment as outlined in Note 13.

Benchmark: — \geq 100.00% ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

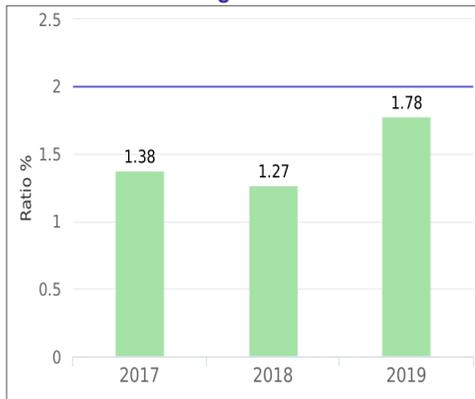
Commentary on result

18/19 ratio 100.57%

The ratio remains within the 100% benchmark.

Benchmark: — $>$ 100.00% ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

18/19 ratio 1.78%

The Ratio remains below the 2% benchmark.

Benchmark: — $<$ 2.00% ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

18/19 ratio 1.21%

The estimated cost to bring assets to our agreed service level represents less than 1.3% of the total value of Council's assets.