



Woollahra Municipal Council

Annual Report 2017/18

Part 4 – Financial Information

Part 4 Financial Information

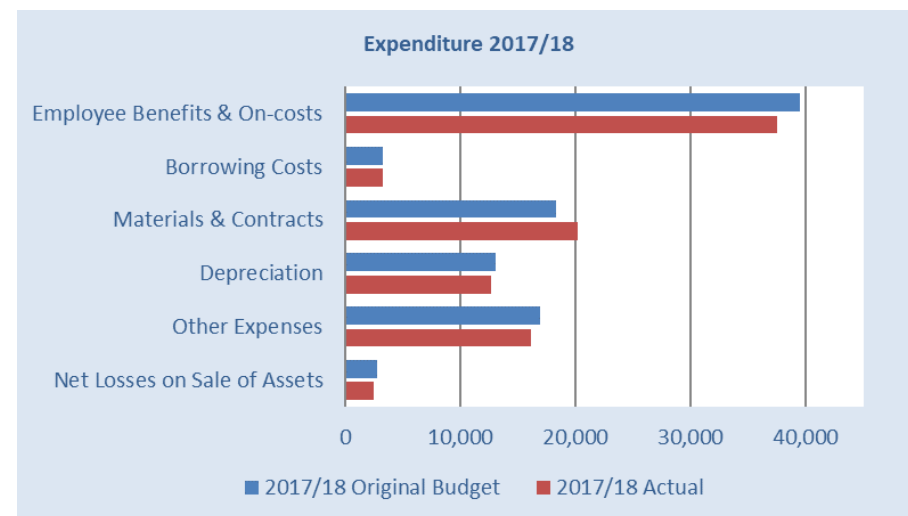
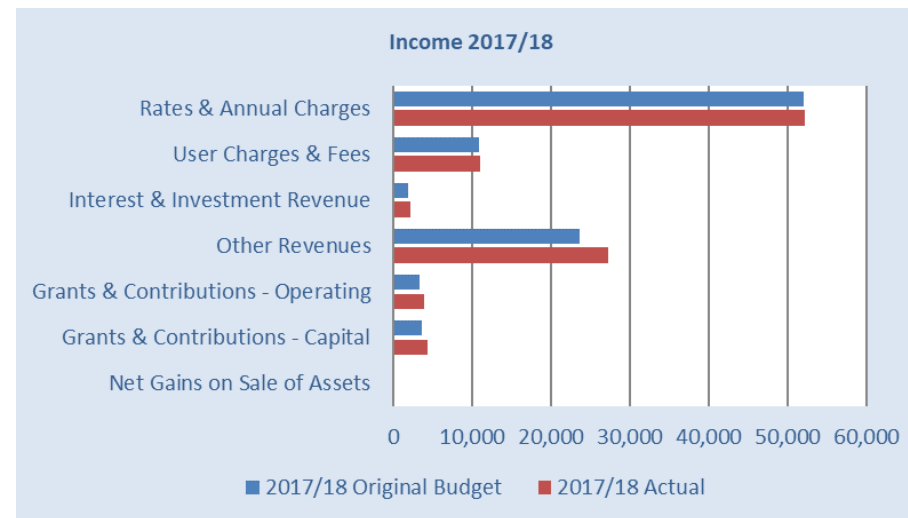
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Financial Summary by Goal

	income \$'000	expenditure \$'000	operating result \$'000	total assets held \$'000
Community well-being				
Goal 1: A connected and harmonious community	31	704	(673)	7,093
Goal 2: A supported community	1,191	2,428	(1,237)	3,570
Goal 3: A creative and vibrant community	659	6,172	(5,513)	8,038
Quality places and spaces				
Goal 4: Well planned neighbourhoods	2,803	6,317	(3,514)	815
Goal 5: Liveable places	6,740	26,133	(19,393)	543,423
Goal 6: Getting around	9,574	3,627	5,947	60,748
A healthy environment				
Goal 7: Protecting our environment	275	1,888	(1,613)	41,222
Goal 8: Sustainable use of resources	16,082	11,009	5,073	4,131
Local prosperity				
Goal 9: Community focused economic development	14,020	8,104	5,916	155,519
Community leadership & participation				
Goal 10: Working together	14	915	(901)	35
Goal 11: Well managed council	11,848	21,376	(9,528)	75,641
Governance	14	3,607	(3,593)	-
General Purpose Income	37,655		37,655	80,953
Total	\$100,906	\$92,280	\$8,626	\$981,188

Financial Summary

	\$'000
Total income from Continuing Operations	\$100,906
Total expenses from Continuing Operations	\$92,280
Net operating surplus for 2016/17	\$8,626
Net operating surplus before Capital Grants and Contributions	\$4,280
New Capital Works	\$1,676
Capital Renewal Works	\$13,097
Total Capital Expenditure	\$14,773
Total Assets	\$981,188
Total Liabilities	\$109,530
Net Assets	\$871,658



Key Financial Indicators

Ratio	Purpose	Benchmark	2017/18	2016/17	2015/16
Operating Performance Ratio	Operating Performance Ratio is an indication of continued capacity to meet on-going expenditure requirements.	Greater than or equal to break-even	3.73%	4.34%	-4.91%
Own Source Revenue Ratio	Own source revenue measures the degree of reliance on external funding sources. Financial flexibility increases as the level of own source revenue increases.	Greater than 60%	91.55%	90.40%	92.20%
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.	Greater than or equal to 1.5 : 1	4.46 : 1	3.87 : 1	2.67 : 1
Debt Service Cover Ratio	To assess the availability of operating cash to service debt including interest, principal and lease payments.	Greater than or equal to 2.00	2.94x	3.00x	0.18x
Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage	To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.	Less than 5.00%	3.74%	4.13%	3.99%
Cash Expense Cover Ratio	Indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflows.	Greater than or equal to 3 months	8.60^{mths}	6.97 ^{mths}	4.7 ^{mths}
Building, Infrastructure & Other Structures Renewal Ratio	Represents the replacement or refurbishment of existing assets to equivalent capacity or performance (as opposed to new assets or increasing performance or capacity of existing assets). Ratio compares the proportion spent on infrastructure asset renewals and assets deterioration.	Greater than or equal to 100%	87.95%	103.05%	115.87%
Infrastructure Backlog Ratio	Indicates the proportion of backlog against the total value of Council's infrastructure assets. Measures the extent to which asset renewal is required to maintain or improve service delivery in a sustainable way.	Less than 2%	1.27%	1.38%	1.04%
Asset Maintenance Ratio	Reflects the actual asset maintenance expenditure relative to the required asset maintenance.	Greater than 1.00	1.07	1.00	0.99
Cost to bring assets to Agreed Level of Service	A snapshot of the proportion of outstanding renewal works compared to the total suite of assets that Council has under its care and stewardship.	New ratio, none set	0.81%	0.89%	-

Woollahra Municipal Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

*"...a great place to live, work and visit where
places and spaces are safe, clean and well
maintained."*



Woollahra Municipal Council

General Purpose Financial Statements for the year ended 30 June 2018

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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.

Woollahra Municipal Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales 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 2018.

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 annual 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 2018

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:

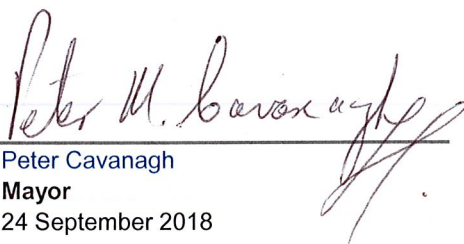
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

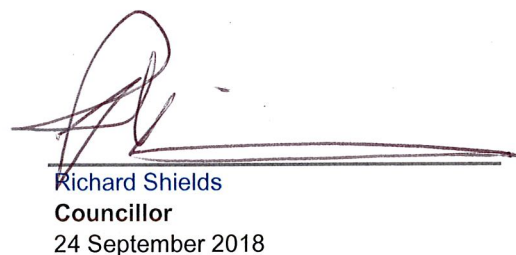
- present fairly the Council's operating result and financial position for the year,
- accord with Council's accounting and other records.

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 24 September 2018.



Peter Cavanagh
Mayor
24 September 2018



Richard Shields
Councillor
24 September 2018



Gary James
General Manager
24 September 2018



Trang Banfield
Responsible Accounting Officer
24 September 2018

Woollahra Municipal Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
52,105	Rates and annual charges	3a	52,131	51,427
10,822	User charges and fees	3b	11,092	11,238
1,936	Interest and investment revenue	3c	2,140	2,187
23,607	Other revenues	3d	24,049	24,071
3,400	Grants and contributions provided for operating purposes	3e,f	3,904	5,132
3,702	Grants and contributions provided for capital purposes	3e,f	4,346	4,303
Other income:				
–	Net gains from the disposal of assets	5	–	1,241
–	Fair value increment on investment property	11	3,244	4,974
	Net share of interests in joint ventures and associates using the equity method	17	–	–
95,572	Total income from continuing operations		100,906	104,573
Expenses from continuing operations				
39,511	Employee benefits and on-costs	4a	37,514	37,663
3,283	Borrowing costs	4b	3,284	3,462
18,326	Materials and contracts	4c	20,171	18,451
13,047	Depreciation and amortisation	4d	12,711	12,259
16,897	Other expenses	4e	16,152	17,925
2,745	Net losses from the disposal of assets	5	2,448	–
	Revaluation decrement / impairment of IPP&E	4d	–	117
	Net share of interests in joint ventures and associates using the equity method	17	–	–
93,809	Total expenses from continuing operations		92,280	89,877
1,763	Operating result from continuing operations		8,626	14,696
	Operating result from discontinued operations	22	–	–
1,763	Net operating result for the year		8,626	14,696
1,763	Net operating result attributable to Council		8,626	14,696
	Net operating result attributable to non-controlling interests		–	–
(1,939)	Net operating result for the year before grants and contributions provided for capital purposes		4,280	10,393

Woollahra Municipal Council

Statement of Comprehensive Income for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		8,626	14,696
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10a	11,698	57,040
Total items which will not be reclassified subsequently to the operating result		11,698	57,040
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		11,698	57,040
Total comprehensive income for the year		20,324	71,736
Total comprehensive income attributable to Council		20,324	71,736
Total comprehensive income attributable to non-controlling interests		-	-

Woollahra Municipal Council

Statement of Financial Position

as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	7,922	9,227
Investments	6b	70,777	62,778
Receivables	7	6,494	7,153
Inventories	8	256	254
Other	8	526	506
Total current assets		85,975	79,918
Non-current assets			
Receivables	7	76	92
Infrastructure, property, plant and equipment	10	736,213	725,396
Investment property	11	157,360	154,020
Other	8	1,564	1,940
Total non-current assets		895,213	881,448
TOTAL ASSETS		981,188	961,366
LIABILITIES			
Current liabilities			
Payables	13	29,137	26,612
Income received in advance	13	1,801	1,264
Borrowings	13	2,547	3,351
Provisions	14	11,401	11,601
Total current liabilities		44,886	42,828
Non-current liabilities			
Borrowings	13	64,436	66,983
Provisions	14	208	222
Total non-current liabilities		64,644	67,205
TOTAL LIABILITIES		109,530	110,033
Net assets		871,658	851,333
EQUITY			
Accumulated surplus	15	544,898	536,272
Revaluation reserves	15	326,760	315,062
Council equity interest		871,658	851,333
Non-controlling equity interests		-	-
Total equity		871,658	851,333

Woollahra Municipal Council

Statement of Changes in Equity
for the year ended 30 June 2018

\$ '000	Notes	2018				2017				Total equity			
		Accumulated surplus	IPP&E revaluation reserve	Other reserves (specify)	Council controlling interest	Non-controlling interest	Total equity	Accumulated surplus	IPP&E revaluation reserve		Other reserves (specify)	Council controlling interest	Non-controlling interest
Opening balance		536,272	315,062	-	851,333	-	851,333	521,182	258,022	-	779,204	-	779,204
Correction of prior period errors	15 (b)	-	-	-	-	-	-	-	-	-	-	-	-
Changes in accounting policies	15 (c)	-	-	-	-	-	-	-	-	-	-	-	-
Other Changes	15 (b)	-	-	-	-	-	394	-	-	-	394	-	394
Restated opening balance		536,272	315,062	-	851,333	-	851,333	521,576	258,022	-	779,597	-	779,597
Net operating result for the year prior to correction of errors and changes in accounting policies		8,626	-	-	8,626	-	8,626	14,696	-	-	14,696	-	14,696
Correction of prior period errors	15 (b)	-	-	-	-	-	-	-	-	-	-	-	-
Changes in accounting policies	15 (c)	-	-	-	-	-	-	-	-	-	-	-	-
Net operating result for the year		8,626	-	-	8,626	-	8,626	14,696	-	-	14,696	-	14,696
Other comprehensive income													
- Gain (loss) on revaluation of IPP&E	10a	-	11,698	-	11,698	-	11,698	-	57,040	-	57,040	-	57,040
Other comprehensive income		-	11,698	-	11,698	-	11,698	-	57,040	-	57,040	-	57,040
Total comprehensive income (e&d)		8,626	11,698	-	20,324	-	20,324	14,696	57,040	-	71,736	-	71,736
Distributions to/(contributions from) non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity items		-	-	-	-	-	-	-	-	-	-	-	-
Equity - balance at end of the reporting period		544,898	326,760	-	871,658	-	871,658	536,272	315,062	-	851,333	-	851,333

Woollahra Municipal Council

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
52,067	Rates and annual charges		52,125	51,318
12,318	User charges and fees		11,713	10,833
1,936	Investment and interest revenue received		2,062	2,154
7,612	Grants and contributions		7,912	8,896
–	Bonds, deposits and retention amounts received		7,893	6,184
26,200	Other		29,367	30,654
Payments:				
(38,625)	Employee benefits and on-costs		(37,801)	(38,295)
(19,164)	Materials and contracts		(21,960)	(27,800)
(3,286)	Borrowing costs		(3,286)	(3,463)
–	Bonds, deposits and retention amounts refunded		(3,910)	(4,236)
(18,586)	Other		(18,906)	(21,611)
20,472	Net cash provided (or used in) operating activities	16b	25,209	14,634
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		51,000	77,010
1,075	Sale of infrastructure, property, plant and equipment		981	7,043
Payments:				
–	Purchase of investment securities		(59,000)	(84,000)
–	Purchase of investment property		(96)	(226)
(20,894)	Purchase of infrastructure, property, plant and equipment		(16,049)	(21,551)
(19,819)	Net cash provided (or used in) investing activities		(23,164)	(21,724)
Cash flows from financing activities				
Receipts:				
Nil				
–	Proceeds from borrowings and advances		–	–
Payments:				
(3,351)	Repayment of borrowings and advances		(3,351)	(3,175)
(3,351)	Net cash flow provided (used in) financing activities		(3,351)	(3,175)
(2,698)	Net increase/(decrease) in cash and cash equivalents		(1,305)	(10,266)
59,351	Plus: cash and cash equivalents – beginning of year	16a	9,227	19,493
56,653	Cash and cash equivalents – end of the year	16a	7,922	9,227
Additional Information:				
	plus: Investments on hand – end of year	6b	70,777	62,778
	Total cash, cash equivalents and investments		78,699	72,005

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 24/09/2018.

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.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

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 21 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

There have been no new (or amended) accounting standards adopted by Council in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

(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

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

- (v) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

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 other assets 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*
- *Premature 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 other assets 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 which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

Effective for annual reporting periods beginning on or after 1 July 2018

- *AASB 9 Financial Instruments*

This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

Effective for annual reporting periods beginning on or after 1 July 2019

- *AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- *AASB 16 Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

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

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	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)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Governance		5		3,264	–	(3,259)	–	–	–	–
A connected and harmonious community	31	18	704	663	(673)	(645)	18	17	7,093	7,226
A supported community	1,191	1,147	2,428	2,373	(1,237)	(1,226)	512	382	3,570	3,461
A creative and vibrant community	659	1,009	6,172	5,922	(5,513)	(4,913)	154	151	8,038	8,333
Well planned neighbourhoods	2,803	2,789	6,317	5,789	(3,514)	(3,000)	–	–	815	995
Liveable places	6,740	7,097	26,133	24,878	(19,393)	(17,781)	1,944	2,183	543,423	540,828
Getting around	9,574	9,573	3,627	5,274	5,947	4,299	221	90	60,748	53,981
Protecting our environment	275	340	1,888	1,946	(1,613)	(1,606)	–	6	41,222	41,557
Sustainable use of resources	16,082	16,618	11,009	11,164	5,073	5,454	90	182	4,131	3,871
Community focused economic developm't	14,020	15,303	8,104	8,398	5,916	6,905	135	150	155,519	152,946
Working together	14	8	915	909	(901)	(901)	–	–	35	40
Well managed Council	49,517	12,722	24,983	19,297	24,534	(6,575)	198	236	75,641	73,949
General purpose income		37,944		–	–	37,944	1,752	2,515	80,953	74,179
Total functions and activities	100,906	104,573	92,280	89,877	8,626	14,696	5,024	5,912	981,188	961,366

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Woollahra Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

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

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

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 developm't

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 strategise and ensure ongoing resources to fulfil long term community goals.

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	28,878	28,427
Business	4,868	4,803
Total ordinary rates	33,746	33,230
Special rates		
Environmental and infrastructure levy	3,941	3,882
Total special rates	3,941	3,882
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	13,898	13,772
Stormwater management services	488	486
Section 611 charges	58	57
Total annual charges	14,444	14,315
<u>TOTAL RATES AND ANNUAL CHARGES</u>	<u>52,131</u>	<u>51,427</u>

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

Accounting policy for rates and annual charges

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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.

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Waste management services (non-domestic)	1,979	2,066
Total specific user charges	1,979	2,066
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Advertising fees	418	412
Certificate fees	568	575
Compliance levy	430	423
Development application fees	878	842
Hoarding fees	225	199
Inspection fees	88	95
Principal certifying authority fees	30	19
Registration fees and permits	588	437
Section 96 amendment application fees	236	234
Subdivision application fees	5	9
Total fees and charges – statutory/regulatory	3,466	3,245
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Casual park hire	122	98
Credit card usage charge	113	155
Construction zone charges	799	687
Footpath crossing administration fees	68	68
Fire safety statement lodgement fee	114	105
Filming fees	134	123
File retrieval charges	77	75
Pre DA lodgement advice service fees	43	39
Parking permits – residential	343	351
Parking meters	2,076	2,061
Preschool fees	656	753
Restoration charges	621	882
Rezoning requests	28	117
Rock anchors	68	54
Tree pruning income	104	90
Tree preservation order applications	45	49
Other	236	220
Total fees and charges – other	5,647	5,927
TOTAL USER CHARGES AND FEES	11,092	11,238

Accounting policy for user charges and fees

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

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	124	152
– Cash and investments	2,005	1,925
– Other	12	11
Fair value adjustments		
– Fair valuation movements in investments (at fair value or held for trading)	(1)	99
TOTAL INTEREST AND INVESTMENT REVENUE	2,140	2,187
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	124	152
General Council cash and investments	1,313	1,046
Restricted investments/funds – external:		
Development contributions		
– Section 7.11 and Section 7.12	52	50
Other externally restricted assets	42	53
Restricted investments/funds – internal:		
Internally restricted assets	609	886
Total interest and investment revenue recognised	2,140	2,187

Accounting policy for interest and investment revenue

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

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Other revenues			
Rental income – investment property	11	10,704	10,470
Rental income – other council properties		4,291	4,289
Ex gratia rates		111	115
Fines – parking		5,951	5,972
Fines – other		450	499
Legal proceedings settlements		–	58
Private use contributions		398	408
Recycling income (non-domestic)		56	47
Recovered costs and reimbursements		1,655	1,753
Risk management bonuses		219	221
Other		214	239
<u>TOTAL OTHER REVENUE</u>		<u>24,049</u>	<u>24,071</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.

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

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

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

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	605	1,187	–	–
Financial assistance – local roads component	214	418	–	–
Payment in advance – future year allocation				
Financial assistance – general component	632	613	–	–
Financial assistance – local roads component	222	215	–	–
Other				
Pensioners' rates subsidies – general component	79	82	–	–
Other grants	–	–	–	–
Total general purpose	1,752	2,515	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	45	47	–	–
Community care	44	43	–	–
Drainage	–	–	17	44
Environmental works	–	–	96	146
Heritage and cultural	–	–	100	–
Library – per capita	111	108	–	–
Library – special grant	43	43	–	–
LIRS subsidy	175	196	–	–
Open space	–	–	350	629
Preschool	486	338	–	–
Street lighting	371	364	–	–
Sustainability	–	12	–	–
Transport (roads to recovery)	401	661	–	–
Transport (other roads and bridges funding)	155	153	771	444
NSW State Government FESL implementation	3	129	–	–
Other	–	33	104	7
Total specific purpose	1,834	2,127	1,438	1,270
Total grants	3,586	4,642	1,438	1,270
Grant revenue is attributable to:				
– Commonwealth funding	2,073	3,094	32	137
– State funding	1,513	1,548	1,406	1,126
– Other funding	–	–	–	7
	3,586	4,642	1,438	1,270

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.12 – fixed development consent levies		–	–	2,908	2,736
Total developer contributions – cash		–	–	2,908	2,736
Non-cash contributions					
Nil					
Total developer contributions	26	–	–	2,908	2,736
(f) Contributions (continued)					
Other contributions:					
Cash contributions					
Contribution to works		54	52	–	34
Paddington library		264	236	–	–
Holdsworth Community Playground		–	–	–	54
Public Art Gallery Contributions		–	199	–	209
Other		–	3	–	–
Total other contributions – cash		318	490	–	297
Non-cash contributions					
Nil					
Total other contributions		318	490	–	297
Total contributions		318	490	2,908	3,033
TOTAL GRANTS AND CONTRIBUTIONS		3,904	5,132	4,346	4,303

Accounting policy for 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 above.

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.

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(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	14	29
Add: operating grants recognised in the current period but not yet spent	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	(6)	(15)
Unexpended and held as restricted assets (operating grants)	<u>13</u>	<u>14</u>
Capital grants		
Unexpended at the close of the previous reporting period	171	197
Add: capital grants recognised in the current period but not yet spent	237	147
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	(125)	(173)
Unexpended and held as restricted assets (capital grants)	<u>283</u>	<u>171</u>
Contributions		
Unexpended at the close of the previous reporting period	4,430	4,714
Add: contributions recognised in the current period but not yet spent	2,960	2,785
Add: contributions received for the provision of goods and services in a future period	–	–
Less: contributions recognised in a previous reporting period now spent	(1,609)	(3,069)
Unexpended and held as restricted assets (contributions)	<u>5,781</u>	<u>4,430</u>

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	27,801	27,531
Travel expenses	1	8
Employee leave entitlements (ELE)	5,331	4,750
Superannuation	3,490	3,446
Workers' compensation insurance	781	1,862
Fringe benefit tax (FBT)	258	302
Training costs (other than salaries and wages)	306	226
Other	90	113
Total employee costs	38,058	38,238
Less: capitalised costs	(544)	(575)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>37,514</u>	<u>37,663</u>
Number of 'full-time equivalent' employees (FTE) at year end	365	362
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	393	392

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 19 for more information.

(b) Borrowing costs

(i) Interest bearing liability costs

Interest on loans	3,284	3,462
Total interest bearing liability costs expensed	3,284	3,462

(ii) Other borrowing costs

Nil		
<u>TOTAL BORROWING COSTS EXPENSED</u>	<u>3,284</u>	<u>3,462</u>

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.

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	6,024	4,975
Contractor and consultancy costs		
– General contractor and consultancy costs	5,412	4,769
– Maintenance and security contracts	4,002	4,046
– Recycling	2,075	2,032
Auditors remuneration ⁽²⁾	87	73
Infringement notice contract costs (SEINS)	934	937
Legal expenses:		
– Legal expenses: planning and development	949	639
– Legal expenses: other	629	928
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	59	52
Total materials and contracts	20,171	18,451
Less: capitalised costs	–	–
TOTAL MATERIALS AND CONTRACTS	20,171	18,451

Operating leases

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

1. Operating lease payments are attributable to:

Photocopiers	59	52
Other	–	–
	59	52

2. Auditor remuneration

During the year the following fees were paid or payable 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	87	73
Remuneration for audit and other assurance services	87	73
Total Auditor-General remuneration	87	73
Total Auditor remuneration	87	73

Woollahra Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		1,223	1,239
Office equipment		517	499
Furniture and fittings		158	104
Infrastructure:			
– Buildings – non-specialised		1,683	1,475
– Buildings – specialised		901	834
– Roads		4,616	4,401
– Bridges		26	26
– Footpaths		1,129	1,382
– Stormwater drainage		648	597
– Swimming pools		172	177
– Other open space/recreational assets		1,161	1,088
Other assets:			
– Library books		477	437
Total depreciation and amortisation costs		<u>12,711</u>	<u>12,259</u>

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment (continued)			
Impairment / revaluation decrement of IPP&E			
Infrastructure:			
– Bridges		–	117
Total IPP&E impairment		–	117
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>		<u>12,711</u>	<u>12,376</u>

Accounting policy for depreciation, amortisation and impairment expenses

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

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

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

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

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.

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(e) Other expenses		
Advertising	424	420
Bad and doubtful debts	6	58
Bank charges	369	370
– Department of planning levy	306	299
– NSW fire brigade levy	2,126	2,211
– State Emergency Services levy	94	105
Contributions to Double Bay partnership	80	80
Contribution to Woollahra public art trust	100	100
Councillor expenses – mayoral fee	42	41
Councillor expenses – councillors' fees	270	236
Councillors' expenses (incl. mayor) – other (excluding fees above)	14	22
Donations, contributions and assistance to other organisations (Section 356)		
– Donations, contributions and assistance Holdsworth	847	827
– Donations, contributions and assistance (other)	261	244
Election expenses	342	–
Electricity and heating	536	575
File archival and retrieval costs	194	177
Insurance deductibles and claims payments	337	315
Insurance premiums	1,268	1,486
Office rental	46	29
Postage	157	155
Recoverable expenses	253	175
Registration	180	193
Street lighting	1,271	1,283
Telephone and communications	123	164
Valuation fees	85	84
Waste disposal costs	5,035	5,117
Water and council rates	283	250
Other – costs awarded against council	–	1,663
Other – land tax	447	447
Other - Woollahra Local Planning Panel	70	–
Other	586	799
Total other expenses	16,152	17,925
Less: capitalised costs	–	–
TOTAL OTHER EXPENSES	16,152	17,925

Accounting policy for other expenses

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

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	10		
Proceeds from disposal – property		(382)	2,063
Less: carrying amount of property assets sold/written off		–	–
Net gain/(loss) on disposal		(382)	2,063
Plant and equipment	10		
Proceeds from disposal – plant and equipment		834	4,734
Less: carrying amount of plant and equipment assets sold/written off		(1,139)	(2,965)
Net gain/(loss) on disposal		(305)	1,769
Infrastructure	10		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(1,806)	(2,601)
Net gain/(loss) on disposal		(1,806)	(2,601)
Financial assets ⁽¹⁾	6		
Proceeds from disposal/redemptions/maturities – financial assets		51,000	77,010
Less: carrying amount of financial assets sold/redeemed/matured		(51,000)	(77,000)
Net gain/(loss) on disposal		–	10
Capitalised Lease Incentives			
Proceeds from disposal – Capitalised Lease Incentives		131	40
Less: carrying amount of Capitalised Lease Incentives assets sold/written off		(86)	(40)
Net gain/(loss) on disposal		45	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(2,448)	1,241
1. Financial assets disposals/redemptions include:			
– Net gain/(loss) from financial instruments 'at fair value through profit and loss'		–	10
Net gain/(loss) on disposal of financial instruments		–	10

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 derecognised.

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	1,400	385
Cash-equivalent assets		
– Deposits at call	6,494	8,814
– Short-term deposits	28	28
Total cash and cash equivalents	7,922	9,227

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes 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.

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Investments				
a. 'At fair value through the profit and loss'				
– 'Designated at fair value on initial recognition'	14,777		14,778	
b. 'Held to maturity'	56,000	–	48,000	–
Total investments	70,777	–	62,778	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS				
	78,699	–	72,005	–
Financial assets at fair value through the profit and loss				
NCD's, FRN's (with maturities > 3 months)	14,137	–	14,168	–
Mortgage backed securities	640	–	610	–
Total	14,777	–	14,778	–
Held to maturity investments				
Long term deposits	56,000	–	48,000	–
Total	56,000	–	48,000	–

Accounting policy for investments

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.

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments (continued)

Accounting policy for investments (continued)

(d) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

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 available for sale investments

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	78,699	–	72,005	–
attributable to:				
External restrictions (refer below)	11,231	–	8,561	–
Internal restrictions (refer below)	65,703	–	61,201	–
Unrestricted	1,765	–	2,243	–
	78,699	–	72,005	–

\$ '000	2018	2017
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Details of restrictions

External restrictions – included in liabilities

Nil

External restrictions – other

Developer contributions – general	5,781	4,430
Specific purpose unexpended grants	296	185
Domestic waste management	3,904	3,024
Stormwater management	389	222
Environmental and infrastructure renewal levy	861	701
External restrictions – other	11,231	8,561
Total external restrictions	11,231	8,561

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
Internal restrictions		
Plant and vehicle replacement	254	301
Employees leave entitlement	2,539	2,465
Carry over works	3,158	2,096
Deposits, retentions and bonds	20,208	16,225
Open space and community facilities reserve	5,923	8,211
Election reserve	20	363
Information technology reserve	1,274	250
Insurance reserve	1,262	737
Judgement costs	–	85
Kiaora place reserve	3,748	2,163
Open space projects reserve	570	634
Preschool reserve	399	303
Property development projects reserve	119	119
Property reserve	24,647	25,696
Oxford street placemaking reserve	250	250
Unexpended general purpose loans	–	4
Public art gallery reserve	238	199
Financial Assistance Grant Prepayment	854	828
Old Section 94	192	241
Other	48	31
Total internal restrictions	65,703	61,201
TOTAL RESTRICTIONS	76,934	69,762

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	1,831	71	1,817	79
Interest and extra charges	130	5	309	13
User charges and fees	611	–	487	–
Capital debtors (being sale of assets)				
– Sale of land	258	–	712	–
– Other asset sales	58	–	2	–
Accrued revenues				
– Interest on investments	731	–	465	–
– Other income accruals	565	–	649	–
Amounts due from other councils	39	–	166	–
Government grants and subsidies	1,046	–	599	–
Leases and licences	493	–	894	–
Net GST receivable	419	–	547	–
Recovered costs	92	–	229	–
Restorations and other roadworks	48	–	166	–
Other debtors	203	–	181	–
Total	6,524	76	7,223	92
Less: provision for impairment				
User charges and fees	(30)	–	(70)	–
Total provision for impairment – receivables	(30)	–	(70)	–
TOTAL NET RECEIVABLES	6,494	76	7,153	92
Externally restricted receivables				
Domestic waste management	514	–	510	–
Stormwater management	22	–	23	–
Other				
– Environmental levy and infrastructure renewal levy	142	–	142	–
Total external restrictions	678	–	675	–
Internally restricted receivables				
– Preschool reserve	–	–	14	–
– Property reserve (sales of land)	–	–	491	–
Internally restricted receivables	–	–	505	–
Unrestricted receivables	5,816	76	5,973	92
TOTAL NET RECEIVABLES	6,494	76	7,153	92
Movement in provision for impairment of receivables			2018	2017
Balance at the beginning of the year			70	72
+ new provisions recognised during the year			6	58
– amounts already provided for and written off this year			(46)	(60)
Balance at the end of the year			30	70

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

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.

Impairment

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 on-going basis. Debts that are known to be uncollectible 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 Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

Woollahra Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	256	–	254	–
Total inventories at cost	256	–	254	–
TOTAL INVENTORIES	256	–	254	–
(b) Other assets				
Prepayments	526	–	506	–
Kiaora Place tenancy incentives	–	1,564	–	1,940
TOTAL OTHER ASSETS	526	1,564	506	1,940
Externally restricted assets				
There are no restrictions applicable to the above assets.				
Total unrestricted assets	782	1,564	760	1,940
TOTAL INVENTORIES AND OTHER ASSETS	782	1,564	760	1,940

Accounting policy

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 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.

Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Non-current assets classified as held for sale (and disposal groups)

\$ '000

Council did not classify any non-current assets or disposal groups as 'held for sale'.

Woolahra Municipal Council

Notes to the Financial Statements
for the year ended 30 June 2018

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

Asset class	as at 30/6/2017			Asset movements during the reporting period						as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	3,743	–	3,743	2,079			–	(2,997)		2,825	–	2,825
Plant and equipment	12,493	4,228	8,265	2,401		(1,062)	(1,223)			13,277	4,895	8,382
Office equipment	6,329	3,034	3,295		24	(15)	(517)			6,298	3,511	2,787
Furniture and fittings	2,329	1,003	1,326				(158)			2,329	1,161	1,168
Land:												
– Operational land	78,854	–	78,854				–		11,698	90,552	–	90,552
– Community land	128,970	–	128,970				–			128,970	–	128,970
Infrastructure:												
– Buildings – non-specialised	72,351	26,306	46,045	217			(1,683)	24		72,592	27,989	44,603
– Buildings – specialised	36,104	12,107	23,997	314			(901)	4		36,422	13,008	23,414
– Roads	463,190	143,930	319,260	2,370	273	(964)	(4,616)	837		463,778	146,618	317,160
– Bridges	2,570	597	1,973				(26)			2,570	623	1,947
– Footpaths	74,180	36,347	37,833	1,466	349	(319)	(1,129)			75,039	36,839	38,200
– Stormwater drainage	87,785	46,460	41,325	258	588	(523)	(648)			87,289	46,289	41,000
– Swimming pools	4,059	1,437	2,622				(172)			4,059	1,609	2,450
– Other open space/recreational assets	35,953	10,087	25,866	3,511	442		(1,161)	2,132		42,038	11,248	30,790
Other assets:												
– Library books	5,431	4,012	1,419	481		(61)	(477)			5,614	4,252	1,362
– Council Art Collection	394	–	394				–			394	–	394
– Public Art Gallery Art Collection	209	–	209				–			209	–	209
TOTAL INFRASTRUCTURE				13,097	1,676	(2,945)	(12,711)	–	11,698	1,034,255	298,042	736,213
PROPERTY, PLANT AND EQUIP.	1,014,944	289,548	725,396									

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

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least 5 yearly, however the carrying amount of assets is assessed 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 asset 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.

Land is not depreciated. 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	
Office equipment	3 to 10	Buildings	25 to 100
Office furniture	10 to 20		
Vehicles	5 to 10		
Heavy plant/road making equipment	5 to 10		
Transportation assets		Stormwater assets	
Road Pavements	33 to 100	Drains	80 to 150
Kerb, Gutter and Paths	33 to 100		
Footpaths	33 to 100		
Bridges	100		
		Other infrastructure assets	
		Other open space/recreational assets	5 to 100

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment

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.

Woollahra Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

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

\$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Domestic waste management						
Plant and equipment	5,312	2,540	2,772	5,006	2,260	2,746
Total DWM	5,312	2,540	2,772	5,006	2,260	2,746
TOTAL RESTRICTED IPP&E	5,312	2,540	2,772	5,006	2,260	2,746

Note 10(c). Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	2018	2017
(i) Impairment losses recognised in the Income Statement:			
Cutler Footway Paddington closed to pedestrians		–	(117)
Total impairment losses		–	(117)
IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L	4(d)	–	(117)

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Investment property

\$ '000	2018	2017
(a) Investment property at fair value		
<u>Investment property on hand</u>	<u>157,360</u>	<u>154,020</u>
Reconciliation of annual movement:		
Opening balance	154,020	148,820
– Capitalised expenditure – this year	96	226
– Net gain/(loss) from fair value adjustments	3,244	4,974
CLOSING BALANCE – INVESTMENT PROPERTY	<u>157,360</u>	<u>154,020</u>

(b) Valuation basis

The basis of valuation of investment property 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 2018 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 property 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	8,769	8,551
Later than 1 year but less than 5 years	32,614	33,170
Later than 5 years	95,403	102,471
Total minimum lease payments receivable	<u>136,786</u>	<u>144,192</u>

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 and 8 year agreement which commenced in 2013.

Kiaora Place has twenty seven tenancies, anchored by Woolworths on a thirty year lease with options to extend. Other tenants' leases range from five to ten years.

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Investment property

\$ '000	2018	2017
(e) Investment property income and expenditure – summary		
Rental income from investment property:		
– Minimum lease payments	10,704	10,470
– Contingent rentals	–	–
– Other income	1,673	1,620
Direct operating expenses on investment property:		
– that generated rental income	(6,556)	(7,048)
– that did not generate rental income	–	–
Net revenue contribution from investment property	5,821	5,043
plus:		
Fair value movement for year	3,244	4,974
Total income attributable to investment property	9,065	10,017

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.

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Intangible assets

\$ '000	2018	2017
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Intangible assets represent identifiable non-monetary assets without physical substance.

Council is unaware of any control over intangible assets that warrant recognition in the financial statements, including either internally generated and developed assets or purchased assets.

Woollahra Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 13. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	3,151	–	3,407	–
Goods and services – capital expenditure	662	–	1,850	–
Accrued expenses:				
– Borrowings	63	–	65	–
– Salaries and wages	631	–	623	–
Security bonds, deposits and retentions	24,383	–	20,400	–
Other	247	–	267	–
Total payables	29,137	–	26,612	–
Income received in advance				
Payments received in advance	1,801	–	1,264	–
Total income received in advance	1,801	–	1,264	–
Borrowings				
Loans – secured ¹	2,547	64,436	3,351	66,983
Total borrowings	2,547	64,436	3,351	66,983
TOTAL PAYABLES AND BORROWINGS	33,485	64,436	31,227	66,983

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
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	33,222	64,436	30,964	66,983
TOTAL PAYABLES AND BORROWINGS	33,485	64,436	31,227	66,983

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.

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Payables and borrowings (continued)

\$ '000	2018	2017
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(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

Payables – security bonds, deposits and retentions	19,538	15,547
	19,538	15,547

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	70,334	(3,351)				66,983
TOTAL	70,334	(3,351)	–	–	–	66,983

\$ '000	2018	2017
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(d) Financing arrangements

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

Bank overdraft facilities ⁽¹⁾	400	400
Credit cards/purchase cards	15	15
Total financing arrangements	415	415

Drawn facilities as at balance date:

– Bank overdraft facilities	–	–
– Credit cards/purchase cards	5	3
Total drawn financing arrangements	5	3

Undrawn facilities as at balance date:

– Bank overdraft facilities	400	400
– Credit cards/purchase cards	10	12
Total undrawn financing arrangements	410	412

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

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent 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.

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	3,482	–	3,414	–
Sick leave	606	–	687	–
Long service leave	7,313	208	7,500	222
Sub-total – aggregate employee benefits	11,401	208	11,601	222
<u>TOTAL PROVISIONS</u>	<u>11,401</u>	<u>208</u>	<u>11,601</u>	<u>222</u>

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Domestic waste management	1,077	–	1,136	–
Provisions relating to externally restricted assets	1,077	–	1,136	–
Internally restricted assets				
Nil				
Total provisions relating to restricted assets	1,077	–	1,136	–
Total provisions relating to unrestricted assets	10,324	208	10,465	222
TOTAL PROVISIONS	11,401	208	11,601	222

\$ '000	2018	2017
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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	7,655	7,904
	7,655	7,904

Woollahra Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 14. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions					Other employee benefits	Total
	Annual leave	Sick leave	Long service leave	ELE on- costs			
At beginning of year	3,414	687	7,722	–	–	11,823	
Additional provisions	2,365	(50)	1,087			3,402	
Amounts used (payments)	(2,297)	(31)	(1,288)			(3,616)	
Total ELE provisions at end of year	3,482	606	7,521	–	–	11,609	

2017	ELE provisions					Other employee benefits	Total
	Annual leave	Sick leave	Long service leave	ELE on- costs			
At beginning of year	3,296	838	8,172		55	12,361	
Additional provisions	2,332	(57)	544		(1)	2,818	
Amounts used (payments)	(2,214)	(94)	(994)		(54)	(3,356)	
Total ELE provisions at end of year	3,414	687	7,722	–	–	11,823	

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. 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.

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.

Woollahra Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 15. 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 reserves

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

(b) Correction of errors relating to a previous reporting period

Council made no correction of errors during the current reporting period.

(c) Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the year.

(d) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	7,922	9,227
Less bank overdraft	13	–	–
Balance as per the Statement of Cash Flows		7,922	9,227
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		8,626	14,696
Adjust for non-cash items:			
Depreciation and amortisation		12,711	12,259
Net losses/(gains) on disposal of assets		2,448	(1,241)
Non-cash capital grants and contributions		–	(209)
Impairment losses recognition – investments		–	117
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		1	(99)
– investment property		(3,244)	(4,974)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		317	772
Increase/(decrease) in provision for doubtful debts		(40)	(2)
Decrease/(increase) in inventories		(2)	(2)
Decrease/(increase) in other assets		356	(15)
Increase/(decrease) in payables		(256)	(7,930)
Increase/(decrease) in accrued interest payable		(2)	(1)
Increase/(decrease) in other accrued expenses payable		8	136
Increase/(decrease) in other liabilities		4,500	1,664
Increase/(decrease) in employee leave entitlements		(214)	(538)
Increase/(decrease) in other provisions		–	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		25,209	14,634
(c) Non-cash investing and financing activities			
Public Art Gallery contributed artwork		–	209
Total non-cash investing and financing activities		–	209
(d) Net cash flows attributable to discontinued operations			

Please refer to Note 22 for details of cash flows that relate to discontinued operations

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. 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

(a) Council is involved in the following joint operations (JO's)

Name of joint operation	Principal activity	Place of business	Interest in ownership		Interest in voting	
			2018	2017	2018	2017
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

	2018	2017
Council's share of assets jointly owned with other partners		
Property, plant and equipment	13,716	13,465
Total net assets employed – Council and jointly owned	13,716	13,465

(c) Share of joint operations expenditure commitments

	2018	2017
Operating expenditure commitments		
Payable not later than 1 year	350	427
Total operating expenditure commitments	350	427

Accounting policy for joint arrangements

Joint operations

In relation to its joint operations, where the venturer has the rights to the individual assets and obligations arising from the arrangement, the Council has recognised:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

These figures are incorporated into the relevant line item in the primary statements

(c) Associates and joint ventures

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

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Interests in other entities (continued)

\$ '000

(d) Unconsolidated structured entities

Double Bay & Districts Business Chamber Ltd (trading as the Sydney East Business Chamber)

The Sydney East Business Chamber, formerly known as the Double Bay Chamber of Commerce, was founded to help the growth of Double Bay with a commitment to helping the local business community. Following on from participation in the Future Cities Program, Double Bay now has a Place Plan, 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 annually considers its involvement with the Chamber. In response to a request for funding for the 2017/18 financial year the Council agreed to provide \$80,000 of funding to assist the Chamber in carrying out the 2017 - 2018 Actions identified in the Business Plan 2015-2018. Council also agreed to provide a line of credit up to \$35,000 for the 2017 Double Bay Street Festival subject to the money advanced being paid back to Council in full by 31 December 2017.

	2018	2017
Losses (or expenses) incurred by Council relating to the Structured Entity	80	80

Non-contractual financial support provided

Nil

Current intention to provide financial support

The Double Bay Chamber of Commerce was provided with a line of credit of \$30,000 for the 2018 Double Bay Street Fair, to be repaid by 31 December 2018. 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.

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Commitments for expenditure

\$ '000	2018	2017
(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	756	418
Plant and equipment	1,018	64
Infrastructure	1,142	3,512
Streetscapes	55	342
Traffic	422	–
Open space works	1,083	725
Environmental works	14	113
IT	29	32
Total commitments	4,520	5,206
These expenditures are payable as follows:		
Within the next year	4,520	5,206
Later than one year and not later than 5 years		–
Later than 5 years		–
Total payable	4,520	5,206
Sources for funding of capital commitments:		
Unrestricted general funds	968	1,042
Future grants and contributions	551	989
Section 7.11 and 64 funds/reserves	546	274
Unexpended grants	67	–
Externally restricted reserves	957	1,539
Internally restricted reserves	1,245	1,331
Unexpended loans		–
New loans (to be raised)		–
Sale of plant and equipment	181	30
Recovered Costs	4	–
Total sources of funding	4,520	5,206

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Commitments for expenditure (continued)

\$ '000	2018	2017
(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	28	39
Later than one year and not later than 5 years	6	35
Later than 5 years	–	–
Total non-cancellable operating lease commitments	35	74

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

The assets leased are a plotter, folding machine and photocopiers for terms not exceeding five years.

Conditions relating to operating leases:

- All operating lease 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

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Contingencies and other liabilities/assets 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 participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

(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.

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iii) StateCover Limited (continued)

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

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

(iv) Other guarantees

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

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.

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Contingencies and other liabilities/assets not recognised (continued)

(iii) Council v. Minister for Local Govt

Council's legal action against the State Government's proposal to merge Woollahra with Randwick and Waverley was dismissed in the Land & Environment Court (LEC) on 20 July 2016 with Council ordered to pay costs (*Woollahra Municipal Council v Minister for Local Government [2016] NSWLEC 86*).

Council's appeal against the LEC decision was subsequently dismissed by the NSW Court of Appeal on 22 December 2016 with Council ordered to pay costs (*Woollahra Municipal Council v Minister for Local Government [2016] NSWCA 380*).

The High Court of Australia granted Council Special Leave to Appeal the decision of the Court of Appeal at a hearing held in Canberra on 12 May 2017. It was expected the High Court would hear Council's appeal in October 2017.

On 21 August 2017 the NSW Premier announced that the State Government had abandoned all remaining council merger proposals, including the proposed merger of Woollahra, Randwick and Waverley Councils.

Consequently, the High Court appeal hearing in respect of the proposed merger is no longer required. How the matter is now concluded in the High Court however, including orders in respect of costs, remains unclear.

As the matter currently stands, with adverse judgements against Council in the LEC and the Court of Appeal, cost orders in respect of both Courts are in the State Government's favour. Those orders would have been reversed had Council won on appeal in the High Court. The quantum of the State Government's costs is not known.

At the time of preparing this disclosure, discussions between the High Court Registrar, the Crown Solicitor's Office and Council's legal team were continuing in relation to how best to conclude the High Court proceedings and the terms of any court orders necessary.

ASSETS NOT RECOGNISED:

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

Woollahra Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 19. Contingencies and other liabilities/assets not recognised (continued)

ASSETS NOT RECOGNISED (continued):

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

(iii) Premsure Insurance Pool

At 30 June 2018, Council disclosed its continuing membership of the Premsure Insurance Pool on Note 17, 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.

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Financial risk management

\$ '000

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 there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **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.

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Financial risk management (continued)

\$ '000

(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.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
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)
2017				
Possible impact of a 10% movement in market values	1,517	1,517	(1,517)	(1,517)
Possible impact of a 1% movement in interest rates	725	725	(725)	(725)

(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:

	2018	2018	2017	2017
	Rates and	Other	Rates and	Other
	annual	receivables	annual	receivables
	charges		charges	
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	90%	0%	87%
Overdue	100%	10%	100%	13%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Financial risk management (continued)

\$ '000

	2018	2017
(ii) Ageing of receivables – value		
Rates and annual charges		
Current	–	–
< 1 year overdue	1,317	1,158
1 – 2 years overdue	213	346
2 – 5 years overdue	241	253
> 5 years overdue	131	139
	<u>1,902</u>	<u>1,896</u>
Other receivables		
Current	4,199	4,689
0 – 30 days overdue	205	259
31 – 60 days overdue	27	20
61 – 90 days overdue	20	66
> 91 days overdue	247	386
	<u>4,698</u>	<u>5,419</u>

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Financial risk management (continued)

\$ '000

(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 by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Bank overdraft		–				–	–
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
Lease liabilities						–	–
Total financial liabilities		24,383	10,421	28,337	62,288	125,429	96,120
2017							
Bank overdraft		–				–	–
Trade/other payables	0.00%	20,400	6,212			26,612	26,612
Loans and advances	5.00%		6,634	22,658	73,634	102,926	70,334
Lease liabilities						–	–
Total financial liabilities		20,400	12,846	22,658	73,634	129,538	96,946

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 26 July 2017 and is not required to be audited.

While the Income Statement included in this General Purpose Financial Report 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.

Note that for variations* of budget to actual :

Material variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	52,105	52,131	26	0%	F
There are no individual material variances to report.					
User charges and fees	10,822	11,092	270	2%	F
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 \$215k, Work Zones \$130k, Development Application Fees \$96k, Road Restoration Charges \$69k, Compliance Levy \$50k and Preschool Fees \$40k.					
The following sources of income did not reach their original budgets:					
Policy Change Requests \$110k, Trade Waste Charges \$103k, Sportsfields Casual Hire \$80k and Section 149 Planning Certificates \$34k.					
The net total of these variances is \$273k.					
Interest and investment revenue	1,936	2,140	204	11%	F
A higher level of funds invested resulted in interest on investments exceeding the original budget by \$220k while a lower level of Rates arrears saw interest on overdue Rates fall short of original budget by \$16k.					
The net total of these variances is \$204k.					

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES (continued)					
Other revenues	23,607	24,049	442	2%	F
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 \$317k, Leases & Licences \$105k, Risk Management Bonus \$81k, Delayed Settlement Charges \$35k and Sundry Income \$19k. The following source of income did not reach its original budget: Fines & Penalties \$122k. The net total of these variances is \$435k.					
Operating grants and contributions	3,400	3,904	504	15%	F
Council's Roads to recovery grant is budgeted in Capital but disclosed in Operating, a variance of \$401k. Other operating grants that exceeded their original budget are the Financial Assistance Grant \$65k, Preschool \$16k, Paddington Library \$15k and the Traffic Route Lighting Subsidy \$14k. The total of these variances is \$511k.					
Capital grants and contributions	3,702	4,346	644	17%	F
Council's Roads to recovery grant is budgeted in Capital but disclosed in Operating, a variance of (\$401k). At the same time, the Roads to Recovery grant exceed its original budget by \$200k. The largest variance in capital grants and contributions relates to Section 7.12 (formerly Section 94A) developer contributions which exceeded original budget by \$607k. The timing of related capital expenditure saw \$383k more than the original budget recognised as income in 2017/18. Further, Council received grant funding not anticipated in the budget in relation to the Better Waste & Recycling Fund \$96k and the St Brigid's \$100k and 3D Modelling \$104k projects. Offsetting these increases in grants and contributions is Council's unsuccessful application for \$450k in grant funds for the New South Head Road shared path. The net total of these variances is \$639k.					
Fair value increment on investment property	–	3,244	3,244	0%	F
An estimate for the increase in the fair value of Council's investment properties was not included in the original 2017/18 Budget. As a non-cash item, this omission did not affect the budget result. It does, however, affect this comparison against original budget when the fair value adjustment is made. An estimate of this fair value increase has been included in the 2018/19 Budget.					

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	39,511	37,514	1,997	5%	F
<p>While not a material variance overall, there are a number of individual material variances to report. Salaries and wages were less than the original budget by \$1,184k, noting that there was a partially offsetting additional expenditure on temporary staffing reported in Materials and Contracts below. There was a consequential reduction in superannuation which was \$232k less than originally budgeted. Leave provisioning \$651k and workers' compensation insurance \$219k were also less than their original budgets. Staff training, disclosed here, is budgeted in Other Expenses resulting in a variance of (\$306k). The net total of these variances is \$1,980k.</p>					
Borrowing costs	3,283	3,284	(1)	(0%)	U
<p>Borrowing costs, or interest paid on loans, was in line with budget forecasts.</p>					
Materials and contracts	18,326	20,171	(1,845)	(10%)	U
<p>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 2017/18 this amounted to (\$1,090k). Expenditure was less than originally budgeted in the following areas: Recurrent Contracts \$351k, Materials, Goods and Services \$276k, Lifecycle Maintenance \$101k, Infringement Processing Charges \$49k and Fuel \$42k. Expenditure was greater than originally budgeted in the following areas: Temporary Staff \$801k, Legal Expenses \$524k, Vehicle Parts & Repairs \$127k, General Consultants \$84k and General Contracts \$57k. The net total of these variances is \$1,864k.</p>					
Depreciation and amortisation	13,047	12,711	336	3%	F
<p>Consistent with 2016/17, generous budget provisions resulted in Infrastructure depreciation being \$1,017k less than the original budget. This was offset by depreciation exceeding original budgets in the following asset classes: Buildings \$287k, Office Equipment \$174k, Furniture and Fittings \$121k, Library Books \$81k and Other Assets \$18k. The net total of these variances is \$336k.</p>					

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 Variance*		
EXPENSES (continued)					
Other expenses	16,897	16,152	745	4%	F
<p>This is a broad category of expenditure and there were numerous variances that arose over the course of the year. Expenditure was less than original budgets in the following areas: Insurance Premiums \$236k, Emergency Management Contribution \$155k, Contributions to Other Organisations \$101k, Street Lighting Charges \$79k, net Insurance Claims \$43k, Telephone Charges \$30k, Revenue Collection Charges \$28k, Interest paid on Deposits Refunded \$23k and Election Expenses \$20k. Expenditure was greater than original budgets in the following areas: Water Rates \$90k, Local Planning Panel \$70k, Waste Tipping Charges \$44k, Advertising \$38k and File Retrieval Charges \$25k. Also, Training Costs budgeted here are disclosed in Employee Benefits resulting in a variance of \$306k. The net total of these variances is \$754k.</p>					
Net losses from disposal of assets	2,745	2,448	297	11%	F
<p>As a consequence of the timing of replacements, the loss on disposal of plant and vehicles \$363k and the write off of renewed infrastructure assets \$271k were both less than originally budgeted. There was also a net gain on the sale of a capital incentive at Kiaora Place \$45k. Also during the year, a contract for the sale of unmade road was rescinded resulting in the reversal of \$382k in sales proceeds recognised in an earlier accounting period. The net total of these variances is \$297k.</p>					

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 Variance*	
Budget variations relating to Council's Cash Flow Statement include:				
Cash flows from operating activities	20,472	25,209	4,737	23.1% F
<p>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.</p> <p>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. The increase in Bonds Deposits & Retentions in 2017/18 was \$3,983k which also contributes to this variance.</p>				
Cash flows from investing activities	(19,819)	(23,164)	(3,345)	16.9% U
<p>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 2017/18 the net purchase of Investments (cash outflow) was \$8,000k.</p> <p>The timing of capital expenditure also had an effect. St Brigid's \$2,300k, Cutler Footway \$1,400k and the New South Head Road \$900k projects all remained unexpended at year end.</p> <p>Finally there was a \$164k improvement in proceeds from the sale of plant and vehicles.</p> <p>The net total of these variances is \$3,236k.</p>				
Cash flows from financing activities	(3,351)	(3,351)	0	(0.0%) F
<p>The repayment of principle on Council's loans was in line with budget forecasts.</p>				

Woollahra Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 22. Discontinued operations

Council has not classified any of its operations as 'discontinued'.

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Fair value measurement

\$ '000

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) The following table presents all assets and liabilities that have been measured and recognised at fair values:

2018	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Financial assets				
Investments				
– 'Designated at fair value on initial recognition'			14,777	14,777
Total financial assets	–	–	14,777	14,777
Investment property				
Kiaora place			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			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			319,985	319,985
Bridges			1,947	1,947
Footpaths			38,200	38,200
Stormwater drainage			41,000	41,000
Swimming pools			2,450	2,450
Other open space/recreational assets			30,790	30,790
Other Assets - Library books & art collections			1,965	1,965
Total infrastructure, property, plant and equipment	–	–	736,213	736,213

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Fair value measurement (continued)

\$ '000

2017	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Financial assets				
Investments				
– ‘Designated at fair value on initial recognition’			14,778	14,778
Total financial assets	–	–	14,778	14,778
Investment property				
Kiaora place			149,100	149,100
Car parks			4,920	4,920
Total investment property	–	–	154,020	154,020
Infrastructure, property, plant and equipment				
Plant and equipment			8,265	8,265
Office equipment			3,295	3,295
Furniture and fittings			1,326	1,326
Operational land			78,854	78,854
Community land			128,970	128,970
Buildings – non-specialised			46,045	46,045
Buildings – specialised			23,997	23,997
Roads			323,003	323,003
Bridges			1,973	1,973
Footpaths			37,833	37,833
Stormwater drainage			41,325	41,325
Swimming pools			2,622	2,622
Other open space/recreational assets			25,866	25,866
Other Assets - Library books & art collections			2,022	2,022
Total infrastructure, property, plant and equipment	–	–	725,396	725,396

(2) Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

Woollahra Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 23. Fair value measurement (continued)

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

Financial Assets

The Investments at Fair Value through the Profit & 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 Properties

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 income approach has been used to value the properties. They were valued by Scott Fullarton Valuations Pty Ltd.

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

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.

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Fair value measurement (continued)

Level 3 unobservable inputs include:

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

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

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

There has been no change to the valuation process during the reporting period. Valuation was performed by Scott Fullarton Valuations Pty Ltd.

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.

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Fair value measurement (continued)

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
- residual value

There has been no change to the valuation process during the reporting period. Valuations are performed by Scott Fullarton Valuations Pty Ltd.

Roads

This asset class comprises, Road Carriageway, Wearing and Base Course, 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
- residual value

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

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Fair value measurement (continued)

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
- residual value

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
- residual value

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

Bulk Earthworks

Bulk Earthworks comprises the road subgrade. Due to the nature of subgrade it cannot be visually inspected however it is assumed to have infinite life, 100% residual value and is not depreciated. The fair value is based on the cost method using a unit rate multiplied by an assumed nominal depth. Council values this asset class every 4 years.

The unobservable Level 3 inputs used include:

- useful life
- asset condition
- residual value

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

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Fair value measurement (continued)

Stormwater Drainage

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

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

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

The unobservable Level 3 inputs used include:

- pattern of consumption
- useful life
- asset condition rating
- residual value

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

Swimming Pools

Council has three harbour swimming pools:

- Watson's Bay Baths
- Murray Rose Pool (formerly Redleaf Pool)
- Parsley Bay

Harbour swimming pools are classified as Other Structures and are valued using depreciated historic cost. Annual review determines if there has been any impairment of assets within the class. Useful life, residual value and depreciation rates are reviewed annually.

The unobservable Level 3 inputs used include:

- pattern of consumption
- useful life
- asset condition
- residual value

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

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Fair value measurement (continued)

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.

Other Open Space/Recreational Assets are classified as Other Structures and are valued using depreciated historic cost. Annual review determines if there has been any impairment of assets within the class. Useful life, residual value and depreciation rates are reviewed annually. Council has in place an Asset Management Plan which details land improvement/other structure 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
- residual value

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
- residual value

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 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;

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

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

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3)

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

	Invest- ments	Investment properties	Plant and equipment	Office equipment	Total
Opening balance – 1/7/16	14,679	148,820	8,576	2,562	174,637
Transfers from/(to) another asset class	–	–	–	234	234
Purchases (GBV)	2,000	226	2,290	1,002	5,518
Disposals (WDV)	(2,000)	–	(1,363)	(4)	(3,367)
Depreciation and impairment	–	–	(1,239)	(499)	(1,738)
FV gains – other comprehensive income	100	4,974	–	–	5,074
Closing balance – 30/6/17	14,778	154,020	8,265	3,295	180,358

Purchases (GBV)	–	96	2,401	24	2,521
Disposals (WDV)	–	–	(1,061)	(15)	(1,076)
Depreciation and impairment	–	–	(1,223)	(517)	(1,740)
FV gains – Income Statement ¹	(1)	3,244	–	–	3,243
Closing balance – 30/6/18	14,777	157,360	8,382	2,787	183,306

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

YE 16/17	100	4,974	–	–	5,074
YE 17/18	(1)	2,714	–	–	2,713

	Furniture and fittings	Operational land	Community land	Buildings non specialised	Total
Opening balance – 1/7/16	220	63,641	121,422	25,727	211,010
Transfers from/(to) another asset class	1,164	–	–	–	1,164
Purchases (GBV)	46	–	–	280	326
Disposals (WDV)	–	(1,047)	–	(454)	(1,501)
Depreciation and impairment	(104)	–	–	(1,475)	(1,579)
FV gains – other comprehensive income	–	16,259	7,548	21,966	45,773
Closing balance – 30/6/17	1,326	78,854	128,970	46,045	255,194
Transfers from/(to) another asset class	–	–	–	24	24
Purchases (GBV)	–	–	–	217	217
Depreciation and impairment	(158)	–	–	(1,683)	(1,841)
FV gains – other comprehensive income	–	11,698	–	–	11,698
Closing balance – 30/6/18	1,168	90,552	128,970	44,603	265,292

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) (continued)

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

	Buildings specialised	Roads	Bridges	Footpaths	Total
Opening balance – 1/7/16	13,745	323,205	2,116	36,484	375,550
Transfers from/(to) another asset class	(1,366)	(359)	–	227	(1,498)
Purchases (GBV)	1,200	6,236	–	2,968	10,404
Disposals (WDV)	(13)	(1,677)	–	(464)	(2,155)
Depreciation and impairment	(834)	(4,401)	(143)	(1,382)	(6,761)
FV gains – other comprehensive income	11,266	–	–	–	11,266
Closing balance – 30/6/17	23,997	323,003	1,973	37,833	386,806
Transfers from/(to) another asset class	4	(2,160)	–	–	(2,156)
Purchases (GBV)	314	4,722	–	1,815	6,851
Disposals (WDV)	–	(964)	–	(319)	(1,283)
Depreciation and impairment	(901)	(4,616)	(26)	(1,129)	(6,672)
Closing balance – 30/6/18	23,414	319,985	1,947	38,200	383,546
	Storm-water drainage	Swimming pools	Other open space assets	Library books & art	Total
Opening balance – 1/7/16	40,836	2,794	23,500	1,445	68,575
Transfers from/(to) another asset class	30	–	71	–	101
Purchases (GBV)	1,143	4	3,756	1,099	6,003
Disposals (WDV)	(87)	–	(373)	(84)	(544)
Depreciation and impairment	(597)	(177)	(1,088)	(437)	(2,299)
Closing balance – 30/6/17	41,325	2,622	25,866	2,022	71,835
Transfers from/(to) another asset class	–	–	2,132	–	2,132
Purchases (GBV)	846	–	3,953	481	5,280
Disposals (WDV)	(523)	–	–	(61)	(584)
Depreciation and impairment	(648)	(172)	(1,161)	(477)	(2,458)
Closing balance – 30/6/18	41,000	2,450	30,790	1,965	76,205

Woollahra Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 23. Fair value measurement (continued)

(4). Fair value measurements using significant unobservable inputs (level 3)

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 table above.

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

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

Financial assets

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Fair Value through the Profit & Loss	14,777	Issuer and independent valuations	Unit Price

Investment properties

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Investment Properties	157,360	Independent valuation	<ul style="list-style-type: none"> Net rental value Rental Yield

I,PP&E

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Plant and Equipment, Office Equipment, Furniture and Fittings	12,337	Cost used to approximate fair value.	<ul style="list-style-type: none"> Asset Cost Useful Life
Operational Land	90,552	Independent valuation.	<ul style="list-style-type: none"> Rate per m²
Community Land	128,970	Land values supplied by the Valuer General.	<ul style="list-style-type: none"> Unimproved Capital Value (rate per m²)
Buildings	68,017	Independent valuation.	<ul style="list-style-type: none"> Current Replacement Cost Useful life Asset Condition

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Fair value measurement (continued)

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Roads, Bridges & Footpaths	360,132	Unit rates per m ² or length	<ul style="list-style-type: none"> • Current Replacement Cost (Unit Rates) • Asset Condition Rating • Useful Life
Stormwater Drainage	41,000	Unit rates per m ² or length	<ul style="list-style-type: none"> • Current Replacement Cost (Unit Rates) • Asset Condition Rating • Useful Life
Swimming Pools	2,450	Cost used to approximate fair value.	<ul style="list-style-type: none"> • Asset Cost • Asset Condition Rating • Useful Life
Other Open Space / Recreational Assets	30,790	Cost used to approximate fair value.	<ul style="list-style-type: none"> • Asset Cost • Useful Life • Asset Condition
Library Books	1,362	Cost used to approximate fair value.	<ul style="list-style-type: none"> • Asset Cost • Useful Life • Asset Condition
Art Collections	603	Independent valuation	<ul style="list-style-type: none"> • Market Value

(5). 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 within these criteria is the recognition of the contribution of that specific use to community goals.

Woollahra Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 24. Related party transactions

\$ '000

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.

Council has identified Councillors, the General Manager and Directors as KMP.

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

Compensation:	2018	2017
Short-term benefits	1,591	1,661
Post-employment benefits	82	93
Other long-term benefits	61	57
Termination benefits ¹	304	–
Total	2,037	1,811

¹ Termination benefits are annual leave and long service leave paid out on termination.

b. Other transactions with KMP and their related parties

Nil.

Woollahra Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 25. Events occurring after the reporting date

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

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 26. Statement of developer contributions

\$ '000

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

PURPOSE	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	1,247	–	–	12	–	–	1,259	–
Civic improvements	118	–	–	1	–	–	119	–
Recreation	31	–	–	1	(7)	–	25	–
Plan preparation and administration	46	–	–	–	–	–	46	–
S7.11 contributions – under a plan	1,442	–	–	14	(7)	–	1,449	–
S7.12 levies – under a plan	2,987	2,908	–	38	(1,602)	–	4,331	–
Total S7.11 and S7.12 revenue under plans	4,430	2,908	–	52	(1,609)	–	5,781	–
Total contributions	4,430	2,908	–	52	(1,609)	–	5,781	–

Woollahra Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 26. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN – 2002 Contributions Plan

PURPOSE	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 – Rose Bay	1,247			12			1,259	
Civic improvements	118			1			119	
Recreation	31			1	(7)		25	
Plan preparation and administration	46						46	
Total	1,442	-	-	14	(7)	-	1,449	-

S7.12 LEVIES – UNDER A PLAN

CONTRIBUTION PLAN - 2005 Contributions Plan

PURPOSE	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					
Other	2,987	2,908		38	(1,602)		4,331	
Total	2,987	2,908	-	38	(1,602)	-	4,331	-

Woollahra Municipal Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 27. Financial result and financial position by fund

\$ '000

Income Statement by fund				
\$ '000	2018	2018	2018	2018

Council utilises only a general fund for its operations.

Woollahra Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 28(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods 2017	2016	Benchmark
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>3,485</u>	3.73%	4.34%	-4.91%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>93,317</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>89,413</u>	91.55%	90.40%	92.20%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>97,663</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>74,066</u>	4.46x	3.87x	2.67x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>16,616</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>19,480</u>	2.94x	3.00x	0.18x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>6,635</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>2,037</u>	3.74%	4.13%	3.99%	5%
Rates, annual and extra charges collectible	<u>54,473</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>63,922</u>	8.60 mths	7.0 mths	4.7 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>7,434</u>				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

⁽³⁾ Refer to Notes 13 and 14.

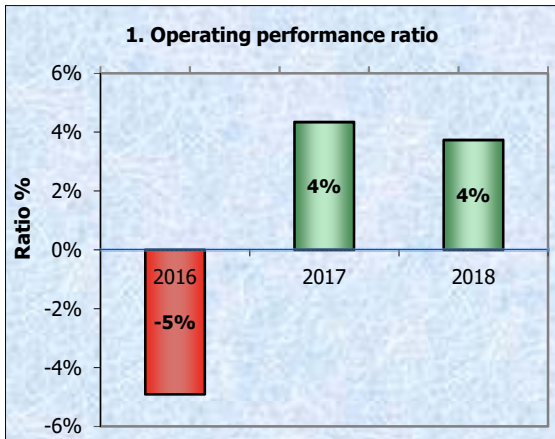
⁽⁴⁾ Refer to Note 13(b) and 14(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

END OF AUDITED FINANCIAL STATEMENTS

Woollahra Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 28(b). Statement of performance measures – consolidated results (graphs)



Purpose of operating performance ratio

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

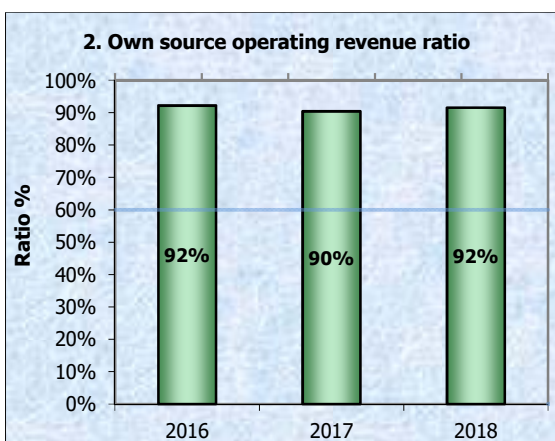
Commentary on 2017/18 result

2017/18 ratio 3.73%

The ratio remains strongly positive, and above benchmark, noting the 2016 ratio included a substantial one-off expenditure.

Benchmark: ——— Minimum $\geq 0.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark



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.

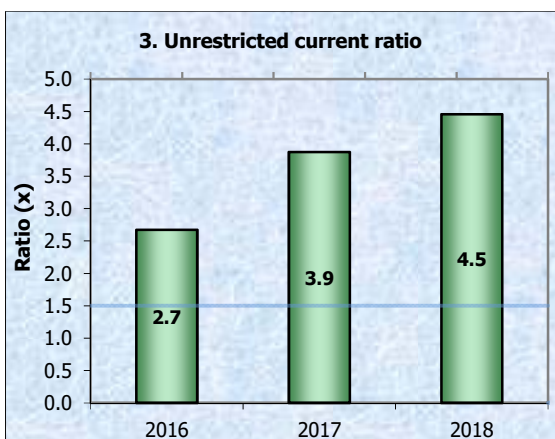
Commentary on 2017/18 result

2017/18 ratio 91.55%

The ratio remains well in excess of the 60% benchmark.

Benchmark: ——— Minimum $\geq 60.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark



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 2017/18 result

2017/18 ratio 4.46x

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

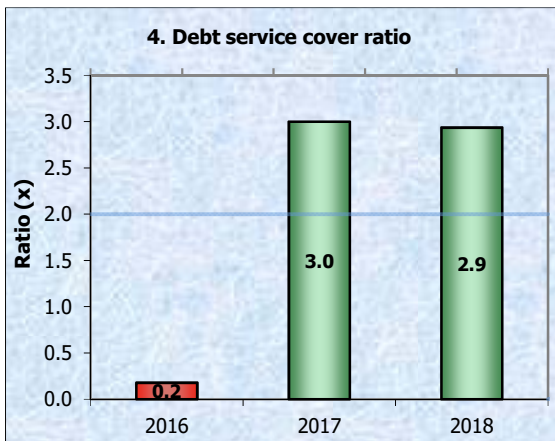
Benchmark: ——— Minimum ≥ 1.50
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark

Woollahra Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 28(b). Statement of performance measures – consolidated results (graphs)



Purpose of debt service cover ratio

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

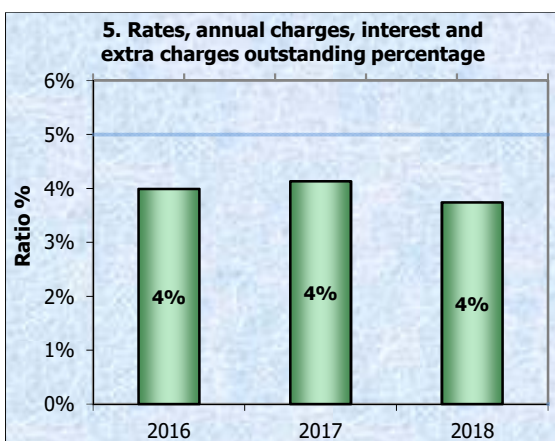
Commentary on 2017/18 result

2017/18 ratio 2.94x

The ratio remains above benchmark, noting the one-off below benchmark year in 2016 included refinancing of a \$58.25m loan facility associated with an Investment Property, Kiaora Place.

Benchmark: ——— Minimum ≥ 2.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

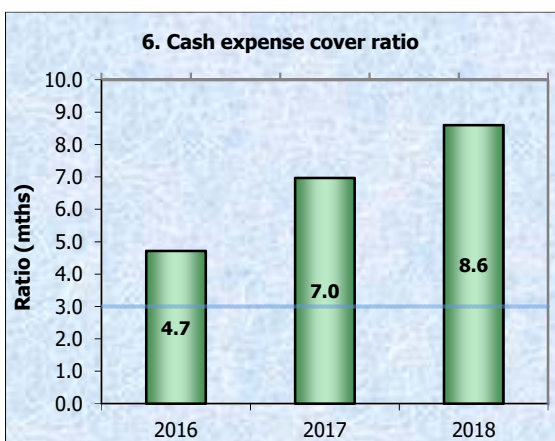
Commentary on 2017/18 result

2017/18 ratio 3.74%

The ratio increased slightly for 2017 as a consequence of deferring recovery action during Council's merger proposal period. As anticipated last year, the ratio has fallen below 4% and remains comfortably below the 5% benchmark.

Benchmark: ——— Maximum $< 5.00\%$
Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio is within Benchmark
Ratio is outside Benchmark



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 2017/18 result

2017/18 ratio 8.60 mths

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

Benchmark: ——— Minimum ≥ 3.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark

Woollahra Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 29. Council information and contact details

Principal place of business:

536 New South Head Road
Double Bay NSW 2028

Contact details

Mailing address:

PO Box 61
Double Bay NSW 2028

Opening hours:

Mon - Fri 8:00 am to 4:30 pm

Telephone: 02 9391 7000

Facsimile: 02 9391 7044

Internet: www.woollahra.nsw.gov.au

Email: records@woollahra.nsw.gov.au

Officers

GENERAL MANAGER

Gary James

RESPONSIBLE ACCOUNTING OFFICER

Trang Banfield

PUBLIC OFFICER

Don Johnston

AUDITORS

Audit Office of NSW
Level 15, 1 Margaret Street
Sydney NSW 2000

Elected members

MAYOR

Peter Cavanagh

COUNCILLORS

Susan Wynne (Deputy Mayor)
Claudia Cullen
Luise Elsing
Mary-Lou Jarvis
Anthony Marano
Nick Maxwell
Megan McEwin
Harriet Price
Lucinda Regan
Matthew Robertson
Isabelle Shapiro
Richard Shields
Mark Silcocks
Toni Zeltzer

Other information

ABN: 32 218 483 245



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial report
Woollahra Municipal Council

To the Councillors of the Woollahra Municipal Council

Opinion

I have audited the accompanying financial report of Woollahra Municipal Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, 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 report:
 - has been presented, in all material respects, in accordance with the requirements of this Division
 - is consistent with the Council's accounting records
 - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, 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 report 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 Report' 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

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report 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 of the Special Schedules (the Schedules).

My opinion on the financial report 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 Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 Report

The Councillors are responsible for the preparation and fair presentation of the financial report 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 report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, 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 Report

My objectives are to:

- obtain reasonable assurance about whether the financial report 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 financial report.

A description of my responsibilities for the audit of the financial report 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 21 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Weini Liao
Director

30 October 2018
SYDNEY

Cr Peter M Cavanagh
Mayor
Woollahra Municipal Council
PO Box 61
DOUBLE BAY NSW 1360

Contact: Weini Liao
Phone no: 02 9275 7432
Our ref: D1826630/1812

30 October 2018

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2018
Woollahra Municipal Council**





I have audited the general purpose financial statements of Woollahra Municipal Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2018	2017	Variance
	\$m	\$m	%
Rates and annual charges revenue	52.1	51.4	 1.4
Grants and contributions revenue	8.3	9.4	 11.7
Operating result for the year	8.6	14.7	 41.5
Net operating result before capital amounts	4.3	10.4	 58.7

Council’s operating result (\$8.6 million including the effect of depreciation and amortisation expense of \$12.7 million) was \$6.1 million lower than the 2016–17 result. This was mainly due to the loss on sale of assets, increased expenditure on materials and contracts and lower operating grants and contributions.

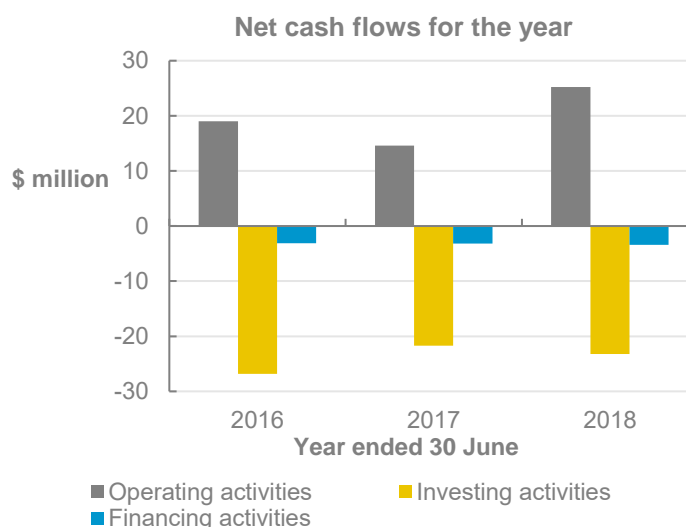
The net operating result before capital grants and contributions (\$4.3 million) in 2017-18 was also \$6.1 million lower than the 2016–17 result due to reasons mentioned above.

Rates and annual charges revenue (\$52.1 million) increased by \$0.7 million (1.4 per cent) in 2017–18. The increase is consistent with the applicable rate capping limit for the year.

Grants and contributions revenue (\$8.3 million) decreased by \$1.1 million (11.7 per cent) in 2017–18 mainly due to the timing of financial assistance grants.

STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash decreased from \$9.2 million to \$7.9 million at the close of the year.
- Cash inflows from operating activities increased from 2016-17 as a result of a large payment in 2016-17 relating to relating to an accrual from the previous year.
- Cash outflows from investing activities increased mainly due to higher net acquisition of investment securities held.
- The cash flows from financing activities has remained steady over the last three years.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	11.2	8.6	<ul style="list-style-type: none"> • External restrictions include unspent specific purpose grants, developer contributions, and domestic waste and stormwater management charges and unspent levies. The increase being mostly due to developer contributions held. • Balances are internally restricted due to Council policy or decisions for forward plans including works program. A \$4 million increase on security deposits accounting for most of the increase. • Unrestricted balances provide liquidity for day-to-day operations.
Internal restrictions	65.7	61.2	
Unrestricted	1.8	2.2	
Cash and investments	78.7	72.0	

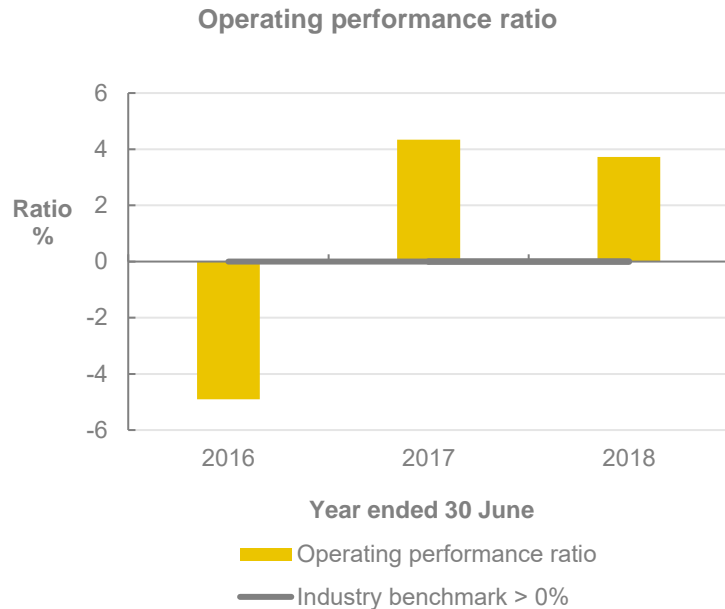
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 28 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

Operating performance ratio

- Council has exceeded the benchmark of zero per cent for the last two years. The deficit result in 2016 was primarily due to a large revaluation gain of investment properties impacting the operating result.
- The operating performance ratio has decreased marginally from last year due to an increase in operating expenses.

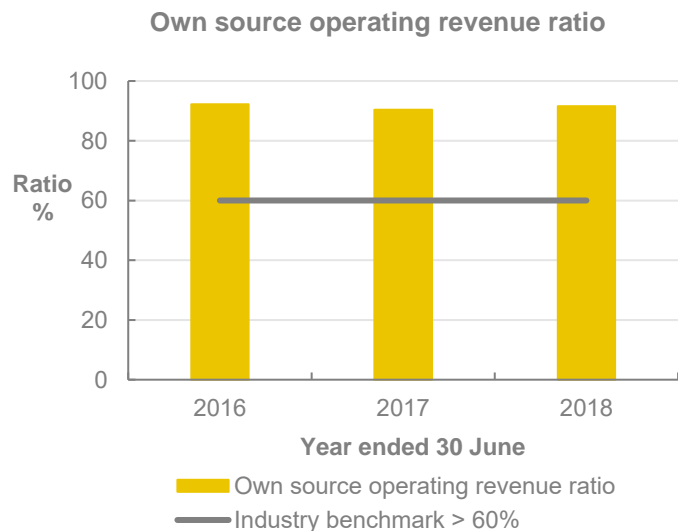
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

- Council's own source operating revenue ratio of 91.55 per cent exceeded the industry benchmark. This reflects the significance of rates and user charges as funding sources for Council.
- This ratio has remained steady for the last three years.

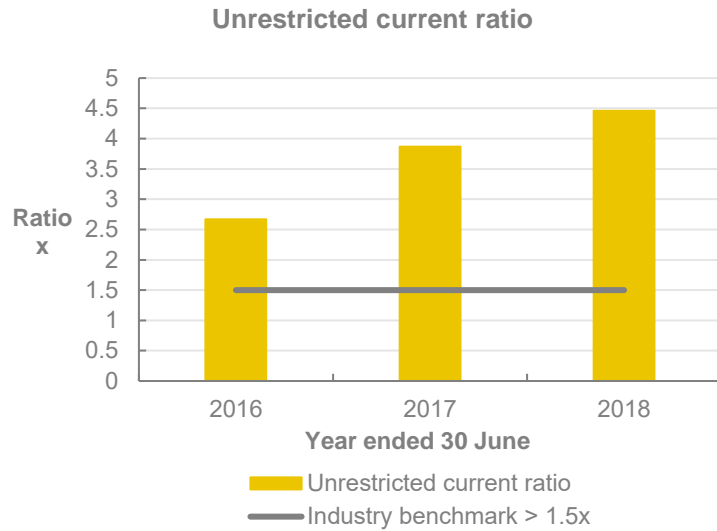
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

- Council has exceeded the benchmark of 1.5 times for the last three years.
- This ratio indicated that Council currently had \$4.5 of unrestricted current assets available to service every one dollar of its unrestricted current liabilities. This exceeded the industry benchmark.
- There has been a steady increase in this ratio over the last three years as both unrestricted current assets have increased and unrestricted current liabilities have reduced.

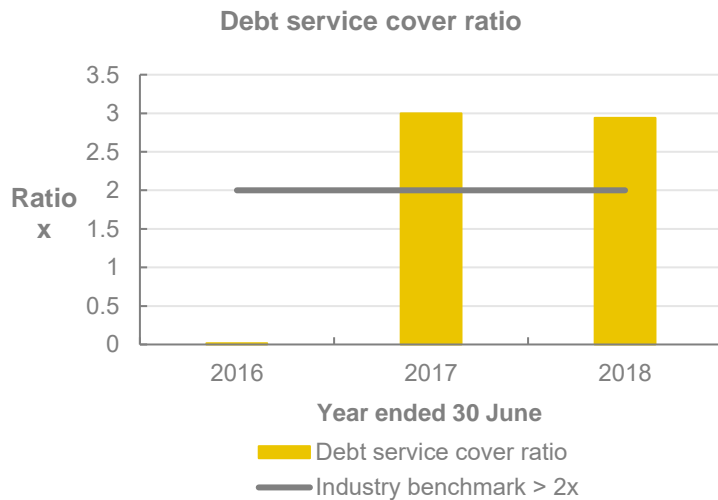
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

- Council has exceeded the benchmark of two for the last two years.
- The debt service cover ratio of 2.9 times exceeded the industry benchmark inline with its improvement in the adjusted operating result.

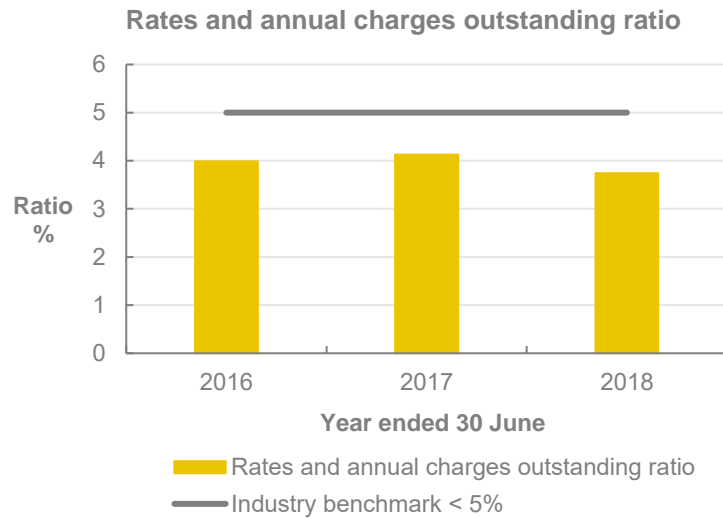
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

- Council's outstanding rates and charges ratio of 3.7 per cent was within the industry benchmark.
- Management attribute the improvement in this ratio to their recovery efforts since a resolution to the merger proposal.

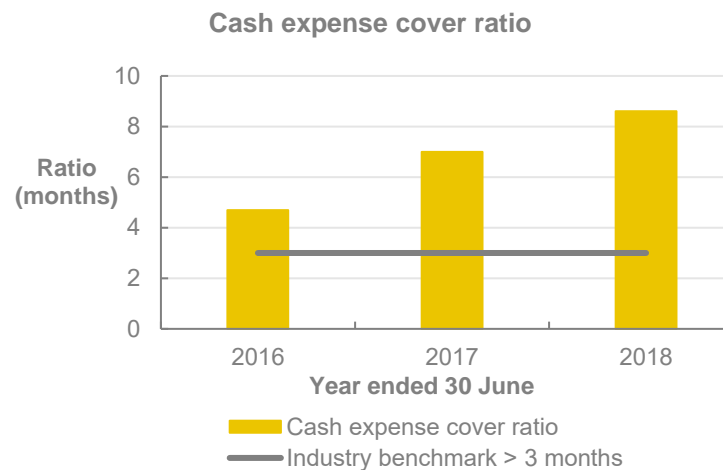
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

- Council's cash expense cover ratio of 8.6 months has well exceeded the industry benchmark.
- 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 OLG is greater than three months.

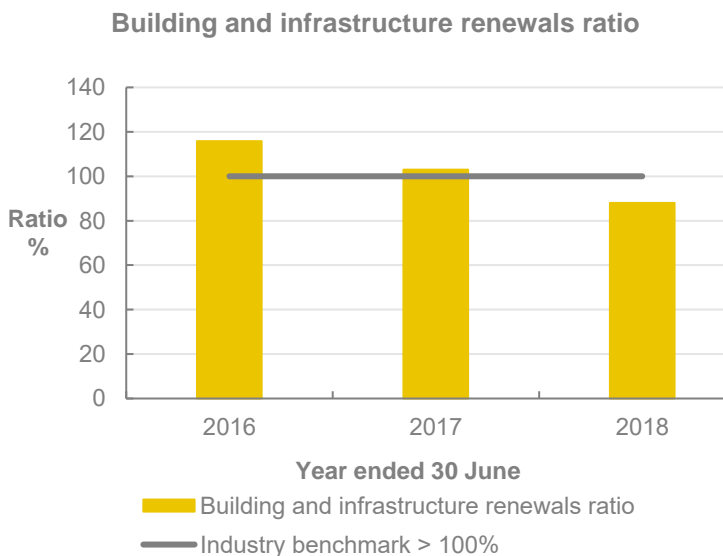


Building and infrastructure renewals ratio (unaudited)

- Council's building and infrastructure renewals ratio of 88 per cent was below the industry benchmark.
- Council's building and infrastructure renewals ratio has declined over the past three years which demonstrates continued lower investment in the renewal of existing infrastructure.

The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from council's Special Schedule 7 which has not been audited.



OTHER MATTERS

New accounting standards implemented

AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

Effective for annual reporting periods beginning on or after 1 January 2017.

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 13.

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 reports. The Council's:

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



Weini Liao
Director, Financial Audit Services

cc: Mr Gary James, General Manager
Mr John Gordon, Chair of the Audit and Assurance Committee
Mr Tim Hurst, Chief Executive of the Office of Local Government

Woollahra Municipal Council

SPECIAL SCHEDULES
for the year ended 30 June 2018

*"...a great place to live, work and visit where
places and spaces are safe, clean and well
maintained."*



Woollahra Municipal Council

Special Schedules

for the year ended 30 June 2018

Contents		Page
Special Schedules ¹		
Special Schedule 1	Net Cost of Services	2
Special Schedule 2	Permissible income for general rates	4
Special Schedule 2	Independent Auditors Report	5
Special Schedule 3	Water Supply Operations – incl. Income Statement	n/a
Special Schedule 4	Water Supply – Statement of Financial Position	n/a
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	n/a
Special Schedule 6	Sewerage Service – Statement of Financial Position	n/a
Notes to Special Schedules 3 and 5		n/a
Special Schedule 7	Report on Infrastructure Assets	8

¹ Special Schedules are not audited (with the exception of Special Schedule 2).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Woollahra Municipal Council

Special Schedule 1 – Net Cost of Services for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	3,607	14	–	(3,593)
Administration	17,625	1,839	104	(15,682)
Public order and safety				
Fire service levy, fire protection, emergency services	2,582	–	–	(2,582)
Beach control	–	–	–	–
Enforcement of local government regulations	3,066	8,687	–	5,621
Animal control	130	36	–	(94)
Other	–	–	–	–
Total public order and safety	5,778	8,723	–	2,945
Health	458	95	–	(363)
Environment				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	1,032	437	–	(595)
Solid waste management	11,341	15,984	–	4,643
Street cleaning	2,571	88	–	(2,483)
Drainage	1,533	488	113	(932)
Stormwater management	–	–	–	–
Total environment	16,477	16,997	113	633
Community services and education				
Administration and education	3,556	1,279	–	(2,277)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	–	–	–	–
Total community services and education	3,556	1,279	–	(2,277)
Housing and community amenities				
Public cemeteries	–	–	–	–
Public conveniences	–	–	–	–
Street lighting	1,293	375	–	(918)
Town planning	5,756	2,139	2,908	(709)
Other community amenities	–	–	–	–
Total housing and community amenities	7,049	2,514	2,908	(1,627)
Water supplies	–	–	–	–
Sewerage services	–	–	–	–

Woollahra Municipal Council

Special Schedule 1 – Net Cost of Services (continued) for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	5,291	583	–	(4,708)
Museums	–	–	–	–
Art galleries	–	–	100	100
Community centres and halls	964	349	–	(615)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	–	–	–	–
Swimming pools	–	–	–	–
Parks and gardens (lakes)	8,160	834	84	(7,242)
Other sport and recreation	306	–	–	(306)
Total recreation and culture	14,721	1,766	184	(12,771)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	1,424	1,139	–	(285)
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	1,424	1,139	–	(285)
Transport and communication				
Urban roads (UR) – local	7,115	4,061	1,037	(2,017)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	1,121	1,757	–	636
Footpaths	1,598	–	–	(1,598)
Aerodromes	–	–	–	–
Other transport and communication	4,165	1,484	–	(2,681)
Total transport and communication	13,999	7,302	1,037	(5,660)
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	7,586	17,237	–	9,651
Total economic affairs	7,586	17,237	–	9,651
Totals – functions	92,280	58,905	4,346	(29,029)
General purpose revenues ⁽¹⁾		37,655		37,655
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	92,280	96,560	4,346	8,626

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

Woollahra Municipal Council

Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	38,327	37,731
Plus or minus adjustments ⁽²⁾	b	(13)	36
Notional general income	c = (a + b)	38,314	37,767
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	881	566
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	39,196	38,333
Plus (or minus) last year's carry forward total	l	17	27
Less valuation objections claimed in the previous year	m	(6)	(1)
Sub-total	n = (l + m)	11	26
Total permissible income	o = k + n	39,206	38,359
Less notional general income yield	p	39,199	38,327
Catch-up or (excess) result	q = o – p	7	32
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	20	6
Less unused catch-up ⁽⁵⁾	s	(7)	(21)
Carry forward to next year	t = q + r – s	20	17

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*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (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 Special Schedule 2 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Woollahra Municipal Council

To the Councillors of Woollahra Municipal Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Woollahra Municipal Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), 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 had 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

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than 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 the Special Schedules excluding Special Schedule 2 (the other Schedules).

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 blue ink, appearing to be 'W. Liao', written in a cursive style.

Weini Liao
Director

30 October 2018
SYDNEY

Woollahra Municipal Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	–	–	1,849	1,625	68,017	109,014	40%	13%	46%	0%	0%
	Sub-total	–	–	1,849	1,625	68,017	109,014	40.3%	12.9%	46.5%	0.3%	0.0%
Roads	Sealed roads	2,165	2,165	3,123	3,533	317,160	463,778	34%	28%	38%	1%	0%
	Bridges	–	–	–	–	1,947	2,570		100%			0%
	Footpaths	261	261	3,078	3,483	38,200	75,039	16%	53%	31%	0%	0%
	Sub-total	2,426	2,426	6,201	7,016	357,307	541,387	31.0%	31.7%	36.4%	0.7%	0.1%
Stormwater drainage	Stormwater drainage	905	905	461	406	41,000	87,289	65%	12%	22%	1%	0%
	Sub-total	905	905	461	406	41,000	87,289	65.3%	12.1%	21.5%	1.0%	0.1%
Open space/recreational	Swimming pools	–	–	40	123	2,450	4,059	100%				0%
	Other parks & open space	3,018	3,018			30,790	42,038	20%	37%	38%	5%	0%
	Sub-total	3,018	3,018	40	123	33,240	46,097	27.0%	33.7%	34.7%	4.6%	0.0%
	TOTAL – ALL ASSETS	6,349	6,349	8,551	9,170	499,564	783,787	35.9%	27.0%	36.1%	0.9%	0.1%

Notes:

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

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	9,091	87.95%	103.05%	115.87%	>= 100%
Depreciation, amortisation and impairment	10,336				
1(a). Building renewals ratio					
Asset renewals (buildings)	531	20.55%	41.40%	119.17%	>= 100%
Depreciation, amortisation and impairment	2,584				
1(b). Infrastructure renewals ratio					
Asset renewals (infrastructure)	8,560	110.42%	121.15%	115.04%	>= 100%
Depreciation, amortisation and impairment	7,752				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	6,349	1.27%	1.38%	1.04%	< 2.00%
Net carrying amount of infrastructure assets	499,564				
3. Asset maintenance ratio					
Actual asset maintenance	9,170	107.24%	99.70%	99.34%	> 100%
Required asset maintenance	8,551				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	6,349	0.81%	0.89%	0.00%	
Gross replacement cost	783,787				

Notes

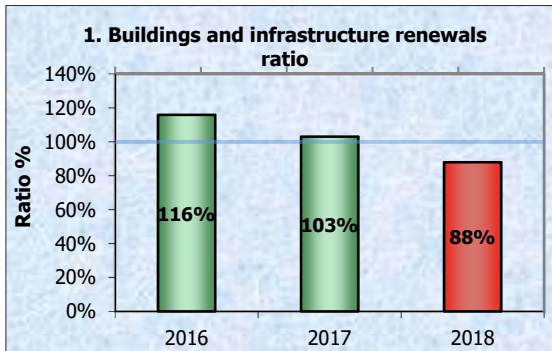
* All asset performance indicators are calculated using the asset classes identified in the previous table.

⁽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.

Woollahra Municipal Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2018



Benchmark: —— Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of asset renewals ratio

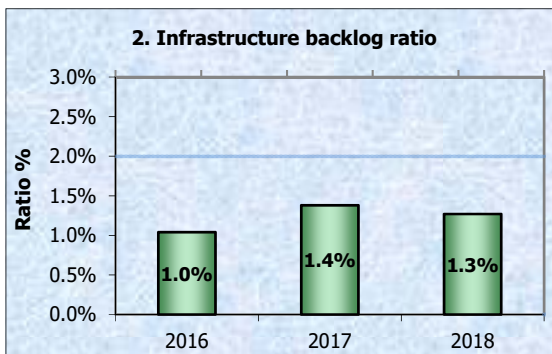
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2017/18 result

2017/18 Ratio 87.95%

While the ratio has dropped below the 100% benchmark for 2018, the three year average is 102% and above benchmark.

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Benchmark: —— Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of infrastructure backlog ratio

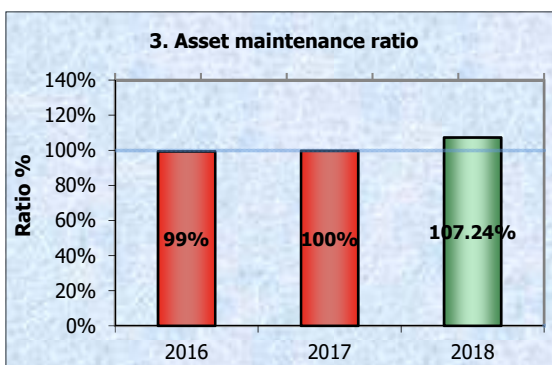
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2017/18 result

2017/18 Ratio 1.27%

The ration remains comfortably below the 2% benchmark.

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Benchmark: —— Minimum $> 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of asset maintenance ratio

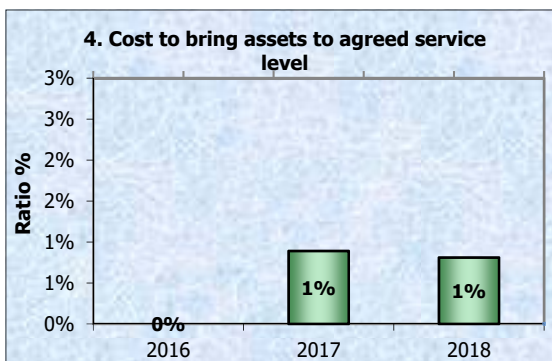
Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2017/18 result

2017/18 Ratio 107.24%

The ratio remains close to, but in 2018 exceeds, the 100% benchmark.

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of agreed service level ratio

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 2017/18 result

2017/18 Ratio 0.81%

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