



**COUNCIL MEETING**

**ATTACHMENTS UNDER SEPARATE COVER**

**7.00 PM, TUESDAY 17 SEPTEMBER 2019**

Waverley Council  
PO Box 9  
Bondi Junction NSW 1355  
DX 12006 Bondi Junction  
Tel. 9369 8000  
E-mail: [info@waverley.nsw.gov.au](mailto:info@waverley.nsw.gov.au)

**ATTACHMENTS UNDER SEPARATE COVER**

**CM/7.1/19.09            Draft 2018/19 Financial Statements**

1      Draft 2018/19 Financial Statements .....2



The background of the cover is a photograph of a coastal swimming pool at sunset. The pool's edge is visible in the foreground, and the water reflects the orange and yellow light of the setting sun. In the background, there are rocky cliffs and a metal fence. A large, white, tilted rectangular box with the word "DRAFT" in bold, white, sans-serif capital letters is superimposed over the middle of the image.

**DRAFT**

# ANNUAL FINANCIAL STATEMENTS

For the financial year ending 30 June 2019

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

# Waverley Council

## GENERAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2019

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*"Connect, create and celebrate our people, places and  
partnerships"*



## Waverley Council

Financial Statements 2019

### General Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
<b>1. Understanding Council's Financial Statements</b>	<b>3</b>
<b>2. Statement by Councillors &amp; Management</b>	<b>4</b>
<b>3. Primary Financial Statements:</b>	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
<b>4. Notes to the Financial Statements</b>	<b>10</b>
<b>5. Independent Auditor's Reports:</b>	
On the Financial Statements (Sect 417 [2])	68
On the Financial Statements (Sect 417 [3])	69

#### Overview

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

55 Spring Street  
Bondi Junction NSW 2022

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

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

A description of the nature of Council's operations and its principal activities are provided in Note 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.waverley.nsw.gov.au](http://www.waverley.nsw.gov.au).



## Waverley Council

Financial Statements 2019

### General Purpose Financial Statements

for the year ended 30 June 2019

### Understanding Council's Financial Statements

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#### Introduction

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

#### What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2019.

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

#### About the Councillor/Management Statement

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

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

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

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

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

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

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

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

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

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

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

#### Who uses the Financial Statements?

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

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

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

## Waverley Council

Financial Statements 2019

### General Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 17 September 2019.

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John Wakefield  
Mayor  
17 September 2019

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[Councillor]  
Councillor  
17 September 2019

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Ross McLeod  
General Manager  
17 September 2019

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Darren Smith  
Responsible Accounting Officer  
17 September 2019

## Waverley Council

Financial Statements 2019

## Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 <sup>1</sup>
<b>Income from continuing operations</b>				
<u>Revenue:</u>				
61,026	Rates and annual charges	3a	61,429	59,366
35,560	User charges and fees	3b	36,444	35,575
4,067	Interest and investment revenue	3c	5,266	4,583
20,293	Other revenues	3d	19,517	18,361
8,030	Grants and contributions provided for operating purposes	3e, 3f	8,378	7,758
15,645	Grants and contributions provided for capital purposes	3e, 3f	9,411	10,371
<u>Other income:</u>				
–	Fair value increment on investment properties	10	592	8,099
144,621	<b>Total income from continuing operations</b>		<b>141,037</b>	<b>144,113</b>
<b>Expenses from continuing operations</b>				
65,753	Employee benefits and on-costs	4a	64,349	55,865
101	Borrowing costs	4b	90	120
20,084	Materials and contracts	4c	22,667	22,387
22,729	Depreciation and amortisation	4d	20,363	19,902
26,190	Other expenses	4e	23,337	24,984
(439)	Net losses from the disposal of assets	5	2,731	3,742
134,418	<b>Total expenses from continuing operations</b>		<b>133,537</b>	<b>127,000</b>
10,203	<b>Operating result from continuing operations</b>		<b>7,500</b>	<b>17,113</b>
10,203	<b>Net operating result for the year</b>		<b>7,500</b>	<b>17,113</b>
10,203	Net operating result attributable to council		7,500	17,113
(5,442)	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(1,911)</b>	<b>6,742</b>

<sup>(1)</sup> The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

## Waverley Council

Financial Statements 2019

## Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	2019	2018 <sup>1</sup>
<b>Net operating result for the year (as per Income Statement)</b>	<b>7,500</b>	<b>17,113</b>
<b>Total comprehensive income for the year</b>	<b>7,500</b>	<b>17,113</b>
Total comprehensive income attributable to Council	7,500	17,113

<sup>(1)</sup> The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

## Waverley Council

Financial Statements 2019

## Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalent assets	6(a)	14,141	18,213
Investments	6(b)	141,288	136,070
Receivables	7	7,464	6,467
Other	8	202	817
<b>Total current assets</b>		<b>163,095</b>	<b>161,567</b>
<b>Non-current assets</b>			
Investments	6(b)	24,000	17,500
Receivables	7	1,844	2,117
Infrastructure, property, plant and equipment	9(a)	936,082	940,031
Investment property	10a	158,474	154,795
<b>Total non-current assets</b>		<b>1,120,400</b>	<b>1,114,443</b>
<b>TOTAL ASSETS</b>		<b>1,283,495</b>	<b>1,276,010</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	11	20,697	20,854
Income received in advance	11	996	1,419
Borrowings	11	423	412
Provisions	12	15,322	14,555
<b>Total current liabilities</b>		<b>37,438</b>	<b>37,240</b>
<b>Non-current liabilities</b>			
Borrowings	11	2,923	3,346
Provisions	12	724	514
<b>Total non-current liabilities</b>		<b>3,647</b>	<b>3,860</b>
<b>TOTAL LIABILITIES</b>		<b>41,085</b>	<b>41,100</b>
<b>Net assets</b>		<b>1,242,410</b>	<b>1,234,910</b>
<b>EQUITY</b>			
Accumulated surplus	13a	711,018	703,518
Revaluation reserves	13a	531,392	531,392
<b>Council equity interest</b>		<b>1,242,410</b>	<b>1,234,910</b>
<b>Total equity</b>		<b>1,242,410</b>	<b>1,234,910</b>

<sup>(1)</sup> The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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



## Waverley Council

Financial Statements 2019

## Statement of Changes in Equity

for the year ended 30 June 2019

	2019			2018 <sup>1</sup>		
	Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
\$ '000						
Opening balance	703,518	531,392	1,234,910	686,405	531,392	1,217,797
Net operating result for the year	7,500	–	7,500	17,113	–	17,113
<b>Total comprehensive income</b>	<b>7,500</b>	<b>–</b>	<b>7,500</b>	<b>17,113</b>	<b>–</b>	<b>17,113</b>
<b>Equity – balance at end of the reporting period</b>	<b>711,018</b>	<b>531,392</b>	<b>1,242,410</b>	<b>703,518</b>	<b>531,392</b>	<b>1,234,910</b>

<sup>(1)</sup> The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

## Waverley Council

Financial Statements 2019

## Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
<b>Cash flows from operating activities</b>				
<u>Receipts</u>				
60,943	Rates and annual charges		61,620	59,445
37,306	User charges and fees		35,752	37,952
3,975	Investment and interest revenue received		4,619	4,431
23,495	Grants and contributions		17,513	18,188
–	Bonds, deposits and retention amounts received		163	306
18,585	Other		19,583	23,238
<u>Payments</u>				
(61,842)	Employee benefits and on-costs		(64,337)	(58,460)
(27,740)	Materials and contracts		(23,036)	(26,608)
(123)	Borrowing costs		(101)	(122)
–	Bonds, deposits and retention amounts refunded		(51)	(126)
(21,765)	Other		(24,333)	(23,367)
32,834	<b>Net cash provided (or used in) operating activities</b>	14b	27,392	34,877
<b>Cash flows from investing activities</b>				
<u>Receipts</u>				
2,243	Sale of investment securities		125,500	126,538
439	Sale of infrastructure, property, plant and equipment		992	845
<u>Payments</u>				
(2,778)	Purchase of investment securities		(137,007)	(136,676)
–	Purchase of investment property		(3,087)	(751)
(32,664)	Purchase of infrastructure, property, plant and equipment		(17,450)	(20,310)
(32,760)	<b>Net cash provided (or used in) investing activities</b>		(31,052)	(30,354)
<b>Cash flows from financing activities</b>				
<u>Payments</u>				
(412)	Repayment of borrowings and advances		(412)	(815)
(412)	<b>Net cash flow provided (used in) financing activities</b>		(412)	(815)
(338)	<b>Net increase/(decrease) in cash and cash equivalents</b>		(4,072)	3,708
20,493	Plus: cash and cash equivalents – beginning of year	14a	18,213	14,505
20,155	<b>Cash and cash equivalents – end of the year</b>	14a	14,141	18,213
Additional Information:				
–	plus: Investments on hand – end of year	6(b)	165,288	153,570
20,155	<b>Total cash, cash equivalents and investments</b>		179,429	171,783

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

## Waverley Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

### Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Basis of preparation	11
2(a)	Council functions/activities – financial information	13
2(b)	Council functions/activities – component descriptions	14
3	Income from continuing operations	16
4	Expenses from continuing operations	22
5	Gains or losses from the disposal, replacement and de-recognition of assets	26
6(a)	Cash and cash equivalent assets	26
6(b)	Investments	27
6(c)	Restricted cash, cash equivalents and investments – details	29
7	Receivables	30
8	Inventories and other assets	32
9(a)	Infrastructure, property, plant and equipment	33
9(b)	Externally restricted infrastructure, property, plant and equipment	36
10	Investment property	36
11	Payables and borrowings	38
12	Provisions	40
13	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	42
14	Statement of cash flows – additional information	43
15	Interests in other entities	44
16	Commitments	45
17	Contingencies and other assets/liabilities not recognised	46
18	Financial risk management	49
19	Material budget variations	53
20	Fair Value Measurement	54
21	Related Party Transactions	61
22	Events occurring after the reporting date	62
23	Statement of developer contributions	62
24(a)	Statement of performance measures – consolidated results	63
	<b>Additional Council Disclosures (unaudited)</b>	
24(b)	Statement of performance measures – consolidated results (graphs)	64
25	Financial review	66
26	Council information and contact details	67

## Waverley Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 17 September 2019. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not-for-profit entity.

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

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

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

and are clearly marked.

##### (a) New and amended standards adopted by Council

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

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 13.

##### (b) Historical cost convention

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

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

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

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

##### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of investment properties – refer Note 10
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 9
- (iii) estimated tip remediation provisions – refer Note 12
- (iv) employee benefit provisions – refer Note 12.

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

- (i) Impairment of receivables

continued on next page ...

Page 11 of 69

## Waverley Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

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

Council has made a significant judgement about the impairment of a number of its receivables – refer 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 property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

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

- General purpose operations

##### (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 property received by the council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies.

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

The following Trust monies and properties are held by Council but not considered to be under the control of Council and therefore are excluded from these financial statements:

- Staff Charitable Funds

A separate statement of monies held in the Trust Fund is available for inspection at the council office by any person free of charge

#### Goods and Services Tax (GST)

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

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

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

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

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

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

As at the date of authorisation of these financial statements, Council does not consider that any of those standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

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



## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

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

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note 2(b).										
\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Functions or activities</b>										
Asset Management Services	15,534	17,589	28,948	26,958	(13,414)	(9,369)	4,537	1,479	321,188	321,934
Beach Services, Maintenance & Safety	438	655	6,304	5,574	(5,866)	(4,919)	2	4	278	286
Cemetery Services	1,489	1,256	1,551	1,270	(62)	(14)	47	49	49,849	49,697
Child Care Services	7,760	7,398	8,748	7,551	(988)	(153)	3,854	3,049	6,355	6,573
Community Services	552	665	1,898	1,883	(1,346)	(1,218)	228	384	161,027	160,953
Corporate Support Services	53,487	52,032	10,773	11,990	42,714	40,042	1,717	1,937	71,028	69,660
Cultural Services	727	573	4,307	4,043	(3,580)	(3,470)	–	1	–	–
Customer Services & Communication	19	1	1,016	1,281	(997)	(1,280)	–	–	–	–
Development, Building & Health Services	11,147	13,612	11,543	9,943	(396)	3,669	–	176	18,995	15,658
Emergency Management Services	42	38	243	214	(201)	(176)	–	–	986	1,029
Environmental Services	606	619	1,979	2,175	(1,373)	(1,556)	298	367	584	731
Governance, Integrated Planning & Community Engagement	3	8	4,317	4,850	(4,314)	(4,842)	–	5	–	–
Library Services	242	281	3,967	3,618	(3,725)	(3,337)	175	226	39,597	39,891
Parking Services	25,458	26,140	10,606	9,972	14,852	16,168	–	–	13,811	13,338
Parks Services & Maintenance	109	112	7,656	7,757	(7,547)	(7,645)	–	–	173,300	172,331
Place Management	586	630	641	689	(55)	(59)	–	–	–	–
Recreation Services	–	18	775	428	(775)	(410)	–	13	262	277
Regulatory Services	366	1,006	1,452	1,276	(1,086)	(270)	–	–	–	–
Social & Affordable Housing	1,009	984	1,843	1,838	(834)	(854)	–	–	50,494	51,307
Traffic & Transport Services	–	–	20	10	(20)	(10)	–	–	42,426	42,078
Urban Open Space Maintenance & Accessibility	626	537	4,472	4,188	(3,846)	(3,651)	–	–	318,469	318,264
Waste Services	20,837	19,959	20,478	19,492	359	467	–	95	14,810	12,004
Other	–	–	–	–	–	–	–	–	36	(1)
<b>Total functions and activities</b>	<b>141,037</b>	<b>144,113</b>	<b>133,537</b>	<b>127,000</b>	<b>7,500</b>	<b>17,113</b>	<b>10,858</b>	<b>7,785</b>	<b>1,283,495</b>	<b>1,276,010</b>

## Waverley Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

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

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

##### Asset Management Services

This service includes planning for renewal of assets, financial management and project delivery of works on vital infrastructure. The Service contributes to every aspect of Council's operations, to our ability to deliver our services cost effectively and to the community's social, environmental and economic well being.

##### Beach Services, Maintenance & Safety

This service includes beach safety, beach maintenance and cleaning and also supports voluntary surf lifesaving clubs.

##### Cemetery Services

This service currently includes interment of ashes and remains at two sites, Waverley and South Head. Waverley Cemetery is a fully operational Cemetery with sales in excess of \$1million per annum.

##### Child Care Services

Providing quality, affordable long day care and family day care for children aged 0-5 as well as parenting programs and counselling for families.

##### Community Services

Council provides a range of community services within Waverley in addition to supporting a broad range of community organisations. Our services and support for other groups and agencies ensure that the community has access to relevant, accessible and affordable facilities, spaces, programs and activities.

##### Corporate Support Services

This service includes a range of professional support services for financial planning and management, workforce planning, organisational development and performance management, business systems improvement, risk management and insurance, procurement, telecommunications and IT and special projects to support the Executive in customer service and organisational review.

##### Cultural Services

This area is responsible for ensuring that customer service is provided in a professional, friendly and timely way, and that our community is informed about Council's plans, initiatives, services and activities. Provide additional information about the objectives of each function or activity...

##### Development, Building & Health Services

This service involves preparing new Local Environmental Plans, Development Control Plans and Planning Strategies relating to future land use planning and heritage conservation.

It also assesses and determines development applications in accordance with the EP&A Act and provides Council with a digital mapping service.

##### Emergency Management Services

Waverley and Woollahra have a joint relationship in funding and supporting the local SES unit and it is a requirement under the NSW State Emergency Act.

##### Environmental Services

This is a growing service area covering all aspects of the aquatic, biological and air environments. Its subservices are specifically geared to meet the requirements of our Environmental Action Plan 2 (EAP2) adopted in February 2010. EAP2 is a key element of Waverley's resourcing strategy for Waverley Together 2.

continued on next page ...

Page 14 of 69

## Waverley Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

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

##### Governance, Integrated Planning & Community Engagement

This service is designed to ensure we can engage with our community in an open and responsive way, discussing and making decisions with them about their future on the basis of sound and balanced judgement and policies. It also ensures that we can be properly held to account for planning decisions and for the efficiency and effectiveness of the services we deliver.

##### Library Services

The Library offers information, recreation and entertainment as well as opportunities for people to train, learn or simply interact with neighbours and friends. The Library is a major education and community capacity building resource.

##### Parking Services

This service provides substantial community safety and amenity by ensuring that our very limited supply of public parking opportunities (limited relative to demand) is shared fairly by all. This service is more effectively delivered if its implemented in close conjunction with Environmental Services and Traffic and Transport Services.

##### Parks Services & Maintenance

This service maintains and cares for Council's 99 parks. The park and reserves are divided into a number of categories including regional parks, coastal reserves, small parks, pocket parks, linkages and remnant vegetation.

##### Place Management

Bondi Beach and Bondi Junction are important places for Waverley residents and for the wider Sydney community. They contain a world famous beach and one of Sydney's most vibrant retail precincts and play a significant role in delivering recreational and commercial experiences to the region. A Place Management approach has been adopted to allow Council to give special focus to these areas, as well as ensuring that our smaller retail villages continue thrive.

An ongoing challenge for the Place Managers is to find the right balance between the needs of visitors, residents and the business sector.

##### Recreation Services

This includes all aspects of sport and active leisure, from broad LGA-wide planning, through to the detailed design and construction of specific facilities. A newly emerging area is sports facilities management, programming and maintenance.

##### Regulatory Services

In the summer season there is an increased demand for this service due to the large influx of visitors. Core areas of focus are:

- Monitoring building sites to ensure adequate pollution control is in place
- Ensuring companion animals are effectively and responsibly managed and cared for in accordance with the Companion Animals Act and Regulation
- Providing education material and information to the public investigating reports of abandoned vehicles and removing them in accordance with Impounding Act
- The quantitative volume of noise, time, place and the frequency of the noise

##### Social & Affordable Housing

This service includes creating and managing secure housing for local people on very low incomes in addition to providing medium term accommodation at subsidised rents to those on low-to-middle income levels.

##### Traffic & Transport Services

This service helps ensure that traffic flows as smoothly, efficiently and safely in Waverley as is possible, given the very small amount of road space we have to share, relative to the very high demand of the residents and visitors who use it.

The service also functions to help provide as many alternatives as possible to private car use including planning and design of pedestrian and cycling routes, and negotiation with the community and other levels of government for improved traffic and parking distribution systems such as residential preferred parking schemes.

continued on next page ...

Page 15 of 69



## Waverley Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

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

##### Urban Open Space Maintenance & Accessibility

This service maintains the roads, footpaths, drains, trees and grass along the 123.46 km of local and regional roads within Waverley Council.

##### Waste Services

This service provides waste and recycling collection services to 28,500 residential properties as well as a commercial collection to businesses within Waverley Council.

#### Note 3. Income from continuing operations

\$ '000	2019	2018
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	32,297	31,558
Business	11,889	11,728
Less: pensioner rebates (mandatory)	(294)	(311)
Less: pensioner rebates (Council policy)	(92)	(95)
<b>Rates levied to ratepayers</b>	<b>43,800</b>	<b>42,880</b>
Pensioner rate subsidies received	163	167
<b>Total ordinary rates</b>	<b>43,963</b>	<b>43,047</b>
<b>Annual charges</b>		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	17,314	16,166
Section 611 charges	57	58
<b>Annual charges levied</b>	<b>17,371</b>	<b>16,224</b>
Pensioner subsidies received:		
– Domestic waste management	95	95
<b>Total annual charges</b>	<b>17,466</b>	<b>16,319</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>61,429</b>	<b>59,366</b>

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

##### Accounting policy for rates and charges

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

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

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

continued on next page ...

Page 16 of 69

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
<b>(b) User charges and fees</b>		
<b>Specific user charges</b>		
(per s.502 - specific 'actual use' charges)		
Waste management services (non-domestic)	3,127	3,407
<b>Total specific user charges</b>	<b>3,127</b>	<b>3,407</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Planning and building regulation	2,763	2,717
Section 10.7 certificates (EP&A Act)	181	216
Section 603 certificates	101	115
Hoarding/crane permits	2,524	1,326
<b>Total fees and charges – statutory/regulatory</b>	<b>5,569</b>	<b>4,374</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Cemeteries	1,383	1,189
Child care	3,880	4,304
Leaseback fees – Council vehicles	139	135
Park rents	301	513
Restoration charges	406	181
Admission and service fees	401	337
Bus shelter fees	1,392	1,411
Car parking fees	5,331	5,815
Car parking meter income	10,759	11,222
Road opening permits	620	186
Temporary truck zone permit	1,795	1,595
Other	1,341	906
<b>Total fees and charges – other</b>	<b>27,748</b>	<b>27,794</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>36,444</b>	<b>35,575</b>

**Accounting policy for user charges and fees**

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

**(c) Interest and investment revenue (including losses)**

<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	128	130
– Cash and investments	4,927	4,281
<b>Fair value adjustments</b>		
– Movements in investments at fair value through profit and loss	211	172
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>5,266</b>	<b>4,583</b>

**Interest revenue is attributable to:****Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	128	130
General Council cash and investments	4,818	4,308

continued on next page ...

Page 17 of 69

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	104	52
Domestic waste management operations	158	79
<b>Restricted investments/funds – internal:</b>		
Internally restricted assets	58	14
<b>Total interest and investment revenue</b>	<b>5,266</b>	<b>4,583</b>

**Accounting policy for interest and investment revenue**

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

\$ '000	Notes	2019	2018
<b>(d) Other revenues</b>			
Rental income – investment property	10	2,673	2,377
Rental income – other council properties		5,495	5,304
Ex gratia rates		23	23
Fines		316	158
Fines – parking		8,890	8,921
Legal fees recovery – rates and charges (extra charges)		10	6
Legal fees recovery – other		344	194
Insurance claims recoveries		346	200
Recycling income (non-domestic)		135	193
Sale of abandoned vehicles		1	1
Sales – general		92	99
Other		1,192	885
<b>TOTAL OTHER REVENUE</b>		<b>19,517</b>	<b>18,361</b>

**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.

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

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

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.

continued on next page ...

Page 18 of 69

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	748	749	–	–
Financial assistance – local roads component	213	207	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance – general component	772	775	–	–
Financial assistance – local roads component	225	224	–	–
<b>Other</b>				
Other grants	56	220	–	–
<b>Total general purpose</b>	<b>2,014</b>	<b>2,175</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Child care	3,855	3,049	–	–
Community care	364	459	–	–
Employment and training programs	2	4	–	–
Environmental programs	226	285	–	–
Library	–	91	–	–
Library – per capita	175	136	–	–
Street lighting	189	185	–	–
Transport (roads to recovery)	194	402	–	–
Transport (other roads and bridges funding)	–	32	3,839	953
Other	–	14	–	–
<b>Total specific purpose</b>	<b>5,005</b>	<b>4,657</b>	<b>3,839</b>	<b>953</b>
<b>Total grants</b>	<b>7,019</b>	<b>6,832</b>	<b>3,839</b>	<b>953</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	6,410	5,869	–	–
– State funding	609	963	3,839	953
	<b>7,019</b>	<b>6,832</b>	<b>3,839</b>	<b>953</b>

continued on next page ...

Page 19 of 69

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(f) Contributions</b>					
<b>Developer contributions:</b> <b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.4 – contributions using planning agreements		–	–	2,668	6,507
S 7.12 – fixed development consent levies		–	–	2,904	2,865
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>5,572</b>	<b>9,372</b>
<b>Total developer contributions</b>	23	<b>–</b>	<b>–</b>	<b>5,572</b>	<b>9,372</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Community services		582	234	–	–
Other councils – joint works/services		681	625	–	–
Recreation and culture		74	63	–	46
Roads and bridges		17	–	–	–
Other		5	4	–	–
<b>Total other contributions – cash</b>		<b>1,359</b>	<b>926</b>	<b>–</b>	<b>46</b>
<b>Total other contributions</b>		<b>1,359</b>	<b>926</b>	<b>–</b>	<b>46</b>
<b>Total contributions</b>		<b>1,359</b>	<b>926</b>	<b>5,572</b>	<b>9,418</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>8,378</b>	<b>7,758</b>	<b>9,411</b>	<b>10,371</b>

**Accounting policy for grants and contributions**

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

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

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*.

While Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and, accordingly, would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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.

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	1,804	1,681
<b>Add:</b> operating grants recognised in the current period but not yet spent	2,204	1,179
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(278)	(1,056)
<b>Unexpended and held as restricted assets (operating grants)</b>	<b>3,730</b>	<b>1,804</b>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	86	–
<b>Add:</b> capital grants recognised in the current period but not yet spent	–	86
<b>Unexpended and held as restricted assets (capital grants)</b>	<b>86</b>	<b>86</b>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	15,658	10,821
<b>Add:</b> contributions recognised in the current period but not yet spent	5,638	9,043
<b>Add:</b> contributions received for the provision of goods and services in a future period	(2,301)	(4,206)
<b>Unexpended and held as restricted assets (contributions)</b>	<b>18,995</b>	<b>15,658</b>



## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations

\$ '000	2019	2018
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	51,501	45,985
Travel expenses	199	202
Employee leave entitlements (ELE)	5,117	2,843
Superannuation	5,458	5,004
Workers' compensation insurance	2,447	1,894
Fringe benefit tax (FBT)	157	128
Training costs (other than salaries and wages)	293	368
Other	219	273
<b>Total employee costs</b>	<b>65,391</b>	<b>56,697</b>
Less: capitalised costs	(1,042)	(832)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>64,349</b>	<b>55,865</b>
Number of 'full-time equivalent' employees (FTE) at year end	605	583

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

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

*Retirement benefit obligations*

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

*Superannuation plans*

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

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

**(b) Borrowing costs****(i) Interest bearing liability costs**

Interest on loans	90	120
<b>Total interest bearing liability costs expensed</b>	<b>90</b>	<b>120</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>90</b>	<b>120</b>

**Accounting policy for borrowing costs**

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

continued on next page ...

Page 22 of 69

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
<b>(c) Materials and contracts</b>		
Raw materials and consumables	7,595	6,627
Contractor and consultancy costs	6,101	7,250
Contractor and consultancy costs (temporary staff)	3,375	3,635
Auditors remuneration <sup>2</sup>	76	78
Infringement notice contract costs (SEINS)	1,233	1,212
<b>Legal expenses:</b>		
– Legal expenses: planning and development	1,021	710
– Legal expenses: other	909	477
<b>Operating leases:</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	1,778	1,848
Other (fuel and gas)	579	550
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>22,667</b>	<b>22,387</b>

**Accounting policy for 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 charged to the income statement on a straight-line basis over the period of the lease.

**1. Operating lease payments are attributable to:**

Buildings	736	741
Computers	994	982
Motor vehicles	48	125
	<b>1,778</b>	<b>1,848</b>

**2. Auditor remuneration**

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

**Non NSW Auditor-General audit firms****(i) Audit and other assurance services**

Audit and review of financial statements	76	78
<b>Remuneration for audit and other assurance services</b>	<b>76</b>	<b>78</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>76</b>	<b>78</b>
<b>Total Auditor remuneration</b>	<b>76</b>	<b>78</b>

continued on next page ...

Page 23 of 69



## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
<b>(d) Depreciation, amortisation and impairment of intangible assets and IPP&amp;E</b>		
<b>Depreciation and amortisation</b>		
Plant and equipment	2,308	2,165
Office equipment	354	339
<b>Infrastructure:</b>		
– Buildings – non-specialised	3,007	2,796
– Buildings – specialised	3,803	3,943
– Other structures	740	791
– Roads	5,050	4,965
– Footpaths	1,457	1,413
– Stormwater drainage	1,162	1,152
– Other open space/recreational assets	2,209	2,077
<b>Other assets:</b>		
– Library books	222	214
– Other	51	47
<b>Total depreciation and amortisation costs</b>	<b>20,363</b>	<b>19,902</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</b>	<b>20,363</b>	<b>19,902</b>

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets.

Depreciation is capitalised where in-house assets have contributed to new assets.

**Impairment of non-financial assets**

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

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

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

continued on next page ...

Page 24 of 69

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
<b>(e) Other expenses</b>		
Abandonment of fines by office of state debt recovery	956	1,984
Advertising	407	408
Bank charges	870	849
Car park levy	136	120
Cleaning	1,630	1,551
Computer software charges	1,586	1,821
Contributions/levies to other levels of government	17	339
– Department of planning levy	495	490
– Emergency services levy (includes FRNSW, SES, and RFS levies)	98	116
– NSW fire brigade levy	1,494	1,596
Councillor expenses – mayoral fee	43	40
Councillor expenses – councillors' fees	237	226
Councillors' expenses (incl. mayor) – other (excluding fees above)	106	160
Donations, contributions and assistance to other organisations (Section 356)	765	706
Electricity and heating	727	582
Family day care subsidy	858	762
Insurance	1,601	1,324
Land tax – crown land	677	521
Office expenses (including computer expenses)	52	348
Postage	201	178
Printing and stationery	617	669
Street lighting	1,043	951
Subscriptions and publications	388	358
Telephone and communications	190	206
Valuation fees	102	90
Waste disposal charges	6,770	7,284
Water rates and charges	366	336
Other	905	969
<b>TOTAL OTHER EXPENSES</b>	<b>23,337</b>	<b>24,984</b>

**Accounting policy for other expenses**

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

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
<b>Plant and equipment</b>	9(a)		
Proceeds from disposal – plant and equipment		992	845
Less: carrying amount of plant and equipment assets sold/written off		(712)	(336)
<b>Net gain/(loss) on disposal</b>		<b>280</b>	<b>509</b>
<b>Infrastructure</b>	9(a)		
Less: carrying amount of infrastructure assets sold/written off		(3,011)	(4,289)
<b>Net gain/(loss) on disposal</b>		<b>(3,011)</b>	<b>(4,289)</b>
<b>Investments</b>	6(b)		
Proceeds from disposal/redemptions/maturities – investments		125,500	126,538
Less: carrying amount of investments sold/redeemed/matured		(125,500)	(126,500)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>38</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(2,731)</b>	<b>(3,742)</b>

**Accounting policy for disposal of assets**

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

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

## Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	2,728	8,881
Cash-equivalent assets		
– Deposits at call	2,139	2,650
– Managed funds	9,274	6,682
<b>Total cash and cash equivalents</b>	<b>14,141</b>	<b>18,213</b>

**Accounting policy for cash and cash equivalents**

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

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Investments</b>				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	38,288	–	36,570	–
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	103,000	24,000	99,500	17,500
<b>Total Investments</b>	<b>141,288</b>	<b>24,000</b>	<b>136,070</b>	<b>17,500</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>155,429</b>	<b>24,000</b>	<b>154,283</b>	<b>17,500</b>
<b>Financial assets at fair value through the profit and loss</b>				
NCD's, FRN's (with maturities > 3 months)	38,288	–	36,570	–
<b>Total</b>	<b>38,288</b>	<b>–</b>	<b>36,570</b>	<b>–</b>
<b>Financial assets at amortised cost / held to maturity (2018)</b>				
Long term deposits	103,000	24,000	99,500	17,500
<b>Total</b>	<b>103,000</b>	<b>24,000</b>	<b>99,500</b>	<b>17,500</b>

## Accounting policy for investments

## Accounting policy under AASB 9 – applicable from 1 July 2018

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

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

## Financial assets

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

## Classification

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

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

## Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

continued on next page ...

Page 27 of 69

## Waverley Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 6(b). Investments (continued)

##### **Fair value through other comprehensive income – equity instruments**

Council has a number of strategic investments in entities over which they do not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in Other Comprehensive Income Statement.

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

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

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

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

#### **Accounting policy under AASB 139 – applicable for 2018 comparatives only**

##### **Classification**

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

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

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

##### **(b) Held to maturity investments**

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

##### **Recognition and de-recognition**

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

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

##### **Impairment of financial assets**

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



## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Total cash, cash equivalents and investments</b>	<b>155,429</b>	<b>24,000</b>	<b>154,283</b>	<b>17,500</b>
<b>attributable to:</b>				
External restrictions	5,755	24,000	5,180	17,500
Internal restrictions	141,958	–	140,107	–
Unrestricted	7,716	–	8,996	–
	<b>155,429</b>	<b>24,000</b>	<b>154,283</b>	<b>17,500</b>

\$ '000	2019	2018
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## Details of restrictions

## External restrictions – other

Developer contributions – general	19,058	15,617
Specific purpose unexpended grants	3,816	1,890
Domestic waste management	6,881	5,173

## External restrictions – other

	<b>29,755</b>	<b>22,680</b>
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## Total external restrictions

	<b>29,755</b>	<b>22,680</b>
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## Internal restrictions

Plant and vehicle replacement	4,044	5,499
Infrastructure replacement	13,739	10,750
Employees leave entitlement	5,153	4,832
Carry over works	8,223	5,871
Deposits, retentions and bonds	12,771	11,779
Affordable housing	1,772	1,764
Cemetery funds	1,564	1,892
Election	215	123
Future capital works	15,577	15,411
IT equipment and upgrade	2,703	2,732
Insurance claims	–	200
Investment strategy	64,809	67,614
Looking good	53	53
Parking meters	4,179	3,429
Parking – off-street	549	654
Social housing	728	758
Street tree (sewer) aerial building	–	252
Unexpended loans	51	51
Other	5,828	6,443

## Total internal restrictions

	<b>141,958</b>	<b>140,107</b>
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## TOTAL RESTRICTIONS

	<b>171,713</b>	<b>162,787</b>
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## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Purpose</b>				
Rates and annual charges	932	539	1,100	562
Interest and extra charges	146	185	112	148
User charges and fees	2,027	–	1,811	–
Accrued revenues				
– Interest on investments	1,807	–	1,442	–
– Other income accruals	369	–	190	–
Government grants and subsidies	919	–	643	–
Parking fines	1,353	2,503	1,311	2,790
<b>Total</b>	<b>7,553</b>	<b>3,227</b>	<b>6,609</b>	<b>3,500</b>
<b>Less: provision of impairment</b>				
User charges and fees	(89)	–	(142)	–
Parking fines	–	(1,383)	–	(1,383)
<b>Total provision for impairment – receivables</b>	<b>(89)</b>	<b>(1,383)</b>	<b>(142)</b>	<b>(1,383)</b>
<b>TOTAL NET RECEIVABLES</b>	<b>7,464</b>	<b>1,844</b>	<b>6,467</b>	<b>2,117</b>
<b>Externally restricted receivables</b>				
Domestic waste management	971	247	931	223
<b>Total external restrictions</b>	<b>971</b>	<b>247</b>	<b>931</b>	<b>223</b>
<b>Unrestricted receivables</b>	<b>6,493</b>	<b>1,597</b>	<b>5,536</b>	<b>1,894</b>
<b>TOTAL NET RECEIVABLES</b>	<b>7,464</b>	<b>1,844</b>	<b>6,467</b>	<b>2,117</b>

\$ '000	2019	2018
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	1,525	2,027
– amounts already provided for and written off this year	(24)	(51)
– amounts provided for but recovered during the year	(29)	(451)
<b>Balance at the end of the period</b>	<b>1,472</b>	<b>1,525</b>

## Accounting policy for receivables

## Recognition and measurement

Receivables 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.

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

## Accounting policy under AASB 9 applicable from 1 July 2018

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

continued on next page ...

Page 30 of 69

## Waverley Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 7. Receivables (continued)

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over one year past due, whichever occurs first.

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

#### **Accounting policy under AASB 139 – applicable for 2018 comparatives only**

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

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

Rates and annual charges outstanding are secured against the property.



## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Other assets</b>				
Prepayments	202	–	817	–
<b>TOTAL OTHER ASSETS</b>	<b>202</b>	<b>–</b>	<b>817</b>	<b>–</b>

**Accounting policy for inventories and other assets****Raw materials and stores, work in progress and finished goods**

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

**Inventory held for distribution**

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

**Land held for resale/capitalisation of borrowing costs**

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9(a). Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2018			Asset movements during the reporting period						as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>(1)</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	18,228	—	18,228	6,864	—	(1,002)	—	(13,026)	(1,526)	9,538	—	9,538
Plant and equipment	19,634	(10,851)	8,783	—	5,191	(712)	(2,308)	—	(76)	21,917	(11,039)	10,878
Office equipment	10,646	(9,221)	1,425	71	147	—	(354)	13	—	10,878	(9,576)	1,302
<b>Land:</b>												
– Crown land	180,398	—	180,398	—	—	—	—	—	—	—	—	—
– Operational land	78,811	—	78,811	—	—	—	—	—	—	78,811	—	78,811
– Community land	95,029	—	95,029	—	—	—	—	—	—	275,427	—	275,427
<b>Infrastructure:</b>												
– Buildings – non-specialised	123,521	(40,940)	82,581	992	—	(54)	(3,007)	135	(181)	124,558	(44,092)	80,466
– Buildings – specialised	120,704	(64,025)	56,679	1,048	—	(55)	(3,803)	2,681	181	124,062	(67,331)	56,731
– Other structures	26,117	(10,564)	15,553	295	185	(92)	(740)	936	77	27,335	(11,121)	16,214
– Roads	348,545	(141,350)	207,195	2,685	137	(1,229)	(5,050)	1,959	—	351,119	(145,422)	205,697
– Footpaths	50,151	(14,342)	35,809	1,446	797	(938)	(1,457)	807	—	51,894	(15,430)	36,464
– Stormwater drainage	136,585	(46,575)	90,010	201	472	(323)	(1,162)	1,784	—	138,517	(47,535)	90,982
– Other open space/recreational assets	103,118	(37,564)	65,554	895	953	(314)	(2,209)	4,414	—	108,838	(39,545)	69,293
<b>Other assets:</b>												
– Library books	3,553	(2,344)	1,209	—	228	—	(222)	—	—	3,781	(2,566)	1,215
– Other	4,020	(1,253)	2,767	57	—	(7)	(51)	298	—	4,368	(1,304)	3,064
<b>Total infrastructure, property, plant and equipment</b>	<b>1,319,060</b>	<b>(379,029)</b>	<b>940,031</b>	<b>14,554</b>	<b>8,110</b>	<b>(4,726)</b>	<b>(20,363)</b>	<b>1</b>	<b>(1,525)</b>	<b>1,331,043</b>	<b>(394,961)</b>	<b>936,082</b>

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

continued on next page ...

Page 33 of 69

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9(a). Infrastructure, property, plant and equipment (continued)

\$ '000	as at 30/6/2017			Asset movements during the reporting period					as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>(1)</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	11,394	–	11,394	10,778	–	(1,230)	–	(2,714)	18,228	–	18,228
Plant and equipment	20,313	(11,743)	8,570	212	2,503	(337)	(2,165)	–	19,634	(10,851)	8,783
Office equipment	10,506	(8,882)	1,624	–	140	–	(339)	–	10,646	(9,221)	1,425
<b>Land:</b>											
– Operational land	78,473	–	78,473	300	–	–	–	38	78,811	–	78,811
– Community land	275,427	–	275,427	–	–	–	–	–	95,029	–	95,029
– Crown land	–	–	–	–	–	–	–	–	180,398	–	180,398
<b>Infrastructure:</b>											
– Buildings – non-specialised	123,310	(38,144)	85,166	211	–	–	(2,796)	–	123,521	(40,940)	82,581
– Buildings – specialised	119,966	(60,082)	59,884	584	154	–	(3,943)	–	120,704	(64,025)	56,679
– Other structures	25,402	(9,815)	15,587	139	168	(37)	(791)	487	26,117	(10,564)	15,553
– Roads	348,254	(137,629)	210,625	2,115	89	(1,738)	(4,965)	1,069	348,545	(141,350)	207,195
– Footpaths	49,425	(13,288)	36,137	1,882	19	(927)	(1,413)	111	50,151	(14,342)	35,809
– Stormwater drainage	136,514	(45,444)	91,070	134	–	(42)	(1,152)	–	136,585	(46,575)	90,010
– Other open space/recreational assets	102,160	(35,738)	66,422	288	227	(315)	(2,077)	1,009	103,118	(37,564)	65,554
<b>Other assets:</b>											
– Library books	3,347	(2,130)	1,217	–	206	–	(214)	–	3,553	(2,344)	1,209
– Other	4,020	(1,206)	2,814	–	–	–	(47)	–	4,020	(1,253)	2,767
<b>Total infrastructure, property, plant and equipment</b>	<b>1,308,511</b>	<b>(364,101)</b>	<b>944,410</b>	<b>16,643</b>	<b>3,506</b>	<b>(4,626)</b>	<b>(19,902)</b>	<b>–</b>	<b>1,319,060</b>	<b>(379,029)</b>	<b>940,031</b>

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

continued on next page ...

Page 34 of 69

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9(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 comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred. When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

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

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
<b>Other Assets</b>		<b>Stormwater assets</b>	
Library Books	5 to 10	Drains	80 to 100
Other	5 to 100	Culverts	50 to 80
		Flood control structures	80 to 100
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Road pavements	60		
Kerb, gutter and footpaths	40		

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

**Land under roads**

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

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

**Crown reserves**

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

continued on next page ...

Page 35 of 69

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9(a). Infrastructure, property, plant and equipment (continued)

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.

## Rural Fire Service assets

N/A

## Note 9(b). Externally restricted infrastructure, property, plant and equipment

\$ '000	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Domestic waste management</b>						
Plant and equipment	13,665	6,485	7,180	10,883	6,142	4,741
<b>Total DWM</b>	<b>13,665</b>	<b>6,485</b>	<b>7,180</b>	<b>10,883</b>	<b>6,142</b>	<b>4,741</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>13,665</b>	<b>6,485</b>	<b>7,180</b>	<b>10,883</b>	<b>6,142</b>	<b>4,741</b>

## Note 10. Investment property

\$ '000	2019	2018
<b>(a) Investment property at fair value</b>		
<b>Investment property on hand</b>	<b>158,474</b>	<b>154,795</b>
<b>Reconciliation of annual movement:</b>		
<b>Opening balance</b>	154,795	145,945
– Capitalised expenditure – this year	46	751
– Net gain/(loss) from fair value adjustments	592	8,099
– Transfers from/(to) owner occupied (Note 9)	1,527	–
– Other movements	1,514	–
<b>CLOSING BALANCE – INVESTMENT PROPERTY</b>	<b>158,474</b>	<b>154,795</b>

## (b) Valuation basis

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

The 2018/19 revaluations were based on independent assessments made by:  
Scott Fullarton Valuations Pty Ltd, FAPI, Certified Practising Valuer, Registration No. VAL2144.

## (c) Contractual obligations at reporting date

Refer to Note 16 for disclosures relating to any capital and service obligations that have been contracted.

continued on next page ...

Page 36 of 69

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Investment property (continued)

\$ '000	2019	2018
<b>(d) Leasing arrangements – Council as lessor</b>		
The investment properties are leased to tenants under long-term operating leases with rentals payable monthly.		
Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:		
Within 1 year	2,267	2,566
Later than 1 year but less than 5 years	2,848	4,620
Later than 5 years	–	8
<b>Total minimum lease payments receivable</b>	<b>5,115</b>	<b>7,194</b>

**(e) Investment property income and expenditure – summary**

<b>Rental income from investment property:</b>		
– Minimum lease payments	(1,125)	(1,603)
– Other income	3,798	3,980
<b>Direct operating expenses on investment property:</b>		
– that generated rental income	(2,266)	(2,025)
– that did not generate rental income	(413)	(539)
<b>Net revenue contribution from investment property</b>	<b>(6)</b>	<b>(187)</b>
plus:		
<b>Fair value movement for year</b>	<b>592</b>	<b>8,099</b>
<b>Total income attributable to investment property</b>	<b>586</b>	<b>7,912</b>

**Accounting policy for investment property**

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

Properties that are under construction for future use as investment properties are regarded as investment property. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.



## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	3,541	–	3,910	–
Goods and services – capital expenditure	2,687	–	–	–
Accrued expenses:				
– Borrowings	14	–	25	–
– Salaries and wages	–	–	965	–
– Other expenditure accruals	1,521	–	3,812	–
Security bonds, deposits and retentions	1,314	–	1,202	–
ATO – net GST payable	4	–	–	–
Builders deposits	11,457	–	10,578	–
Other	159	–	362	–
<b>Total payables</b>	<b>20,697</b>	<b>–</b>	<b>20,854</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	996	–	1,419	–
<b>Total income received in advance</b>	<b>996</b>	<b>–</b>	<b>1,419</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	423	2,923	412	3,346
<b>Total borrowings</b>	<b>423</b>	<b>2,923</b>	<b>412</b>	<b>3,346</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>22,116</b>	<b>2,923</b>	<b>22,685</b>	<b>3,346</b>

<sup>(1)</sup> 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 18.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Domestic waste management	391	–	1,229	246
Payables and borrowings relating to externally restricted assets	391	–	1,229	246
<b>Total payables and borrowings relating to restricted assets</b>	<b>391</b>	<b>–</b>	<b>1,229</b>	<b>246</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>21,725</b>	<b>2,923</b>	<b>21,456</b>	<b>3,100</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>22,116</b>	<b>2,923</b>	<b>22,685</b>	<b>3,346</b>

continued on next page ...

Page 38 of 69

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Payables and borrowings (continued)

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

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

Payables – security bonds, deposits and retentions	11,005	10,699
<b>Total payables and borrowings</b>	<b>11,005</b>	<b>10,699</b>

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

	as at 30/6/2018					as at 30/6/2019
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	3,758	(412)	–	–	–	3,346
<b>TOTAL</b>	<b>3,758</b>	<b>(412)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,346</b>

	as at 30/6/2017					as at 30/6/2018
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	4,573	(815)	–	–	–	3,758
<b>TOTAL</b>	<b>4,573</b>	<b>(815)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,758</b>

\$ '000	2019	2018
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**(d) Financing arrangements****(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities <sup>1</sup>	250	250
Credit cards/purchase cards	30	30
<b>Total financing arrangements</b>	<b>280</b>	<b>280</b>

**Undrawn facilities as at balance date:**

– Bank overdraft facilities	250	250
– Credit cards/purchase cards	30	30
<b>Total undrawn financing arrangements</b>	<b>280</b>	<b>280</b>

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

**Accounting policy for payables and borrowings**

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

The financial liabilities of the Council comprise trade payables, bank and other loans and finance lease liabilities.

continued on next page ...

Page 39 of 69

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Payables and borrowings (continued)

**Payables**

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

**Borrowings**

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

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

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

**Finance leases**

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased assets or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

## Note 12. Provisions

	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>\$ '000</b>				
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	5,451	–	5,215	–
Sick leave	1,669	–	1,571	–
Long service leave	7,509	724	7,124	514
Gratuities	485	–	445	–
Time off in lieu	208	–	200	–
<b>Sub-total – aggregate employee benefits</b>	<b>15,322</b>	<b>724</b>	<b>14,555</b>	<b>514</b>
<b>TOTAL PROVISIONS</b>	<b>15,322</b>	<b>724</b>	<b>14,555</b>	<b>514</b>

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
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**(a) 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	10,730	10,000
	<b>10,730</b>	<b>10,000</b>

continued on next page ...

Page 40 of 69

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Provisions (continued)

## (b) Description of and movements in provisions

\$ '000	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	Other employee benefits	
<b>2019</b>					
At beginning of year	5,215	1,571	7,638	645	15,069
Additional provisions	3,323	98	1,520	176	5,117
Amounts used (payments)	(3,087)	–	(924)	(128)	(4,139)
Other	–	–	(1)	–	(1)
<b>Total ELE provisions at end of period</b>	<b>5,451</b>	<b>1,669</b>	<b>8,233</b>	<b>693</b>	<b>16,046</b>
<b>2018</b>					
At beginning of year	5,881	1,967	8,742	692	17,282
Additional provisions	2,604	–	143	96	2,843
Amounts used (payments)	(3,270)	(396)	(1,247)	(143)	(5,056)
<b>Total ELE provisions at end of period</b>	<b>5,215</b>	<b>1,571</b>	<b>7,638</b>	<b>645</b>	<b>15,069</b>

## Accounting policy for provisions

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

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

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

## Employee benefits

## Short-term obligations

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

## Other long-term employee benefit obligations

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

## On-costs

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

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

continued on next page ...

Page 41 of 69



## Waverley Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 12. Provisions (continued)

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.

#### Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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

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

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

###### **Fair value through other comprehensive income reserve (FVOCI)**

Changes in the fair value of financial assets are taken through the fair value through other comprehensive income revaluation reserve. The accumulated changes in fair value are transferred to profit or loss when the financial asset is derecognised or impaired.

###### **Available for sale investments revaluation reserve (2018 only)**

Changes in fair value are taken to the available-for-sale investments revaluation reserve, amounts are recognised in profit and loss when the associated assets are sold or impaired.

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

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

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

- AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.
- AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

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

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

###### **Classification of financial assets**

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

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

###### **Measurement of equity instruments**

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement

continued on next page ...

Page 42 of 69



## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

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

of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

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

**Impairment of financial assets**

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

## Note 14. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6(a)	14,141	18,213
<b>Balance as per the Statement of Cash Flows</b>		<b>14,141</b>	<b>18,213</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		7,500	17,113
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		20,363	19,902
Net losses/(gains) on disposal of assets		2,731	3,742
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(211)	(172)
– investment property		(592)	(8,099)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(671)	1,998
Increase/(decrease) in provision for impairment of receivables		(53)	(502)
Decrease/(increase) in other current assets		615	137
Increase/(decrease) in payables		(369)	(2,186)
Increase/(decrease) in accrued interest payable		(11)	(2)
Increase/(decrease) in other accrued expenses payable		(3,256)	2,803
Increase/(decrease) in other liabilities		369	2,356
Increase/(decrease) in provision for employee benefits		977	(2,213)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>27,392</b>	<b>34,877</b>

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Interests in other entities

## Joint arrangements

## (i) Joint operations

		Interest in ownership		Interest in voting	
	Principal activity	2019	2018	2019	2018
(a) Council is involved in the following joint operations (JO's)					
Name of joint operation:					
Bourke Road Integrated Facility	Council main depot operation	59%	59%	50%	50%

## (b) Council assets employed in the joint operations

	2019	2018
<b>Council's own assets employed in the operations</b>		
<b>Current assets:</b>		
Receivables	130	51
<b>Non-current assets</b>		
Property, plant and equipment	18,256	18,543
<b>Total assets – Council owned</b>	<b>18,386</b>	<b>18,594</b>
<b>Total net assets employed – Council and jointly owned</b>	<b>18,386</b>	<b>18,594</b>

## Accounting policy for joint arrangements

The council has determined that it has only joint operations.

**Joint operations:**

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

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

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

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Commitments

\$ '000	2019	2018
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	2,647	444
Plant and equipment	187	2,962
Infrastructure	6,242	2,129
<b>Total commitments</b>	<b>9,076</b>	<b>5,535</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	9,076	5,535
<b>Total payable</b>	<b>9,076</b>	<b>5,535</b>
<b>Sources for funding of capital commitments:</b>		
Section 7.11 and 64 funds/reserves	5,663	1,137
Unexpended grants	280	5
Externally restricted reserves	85	2,928
Internally restricted reserves	3,048	1,465
<b>Total sources of funding</b>	<b>9,076</b>	<b>5,535</b>

**(b) 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	53	66
Later than one year and not later than 5 years	64	64
<b>Total non-cancellable operating lease commitments</b>	<b>117</b>	<b>130</b>

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

IT equipment - \$117k

Contingent rentals may be payable depending on the condition of items or usage during the lease term, average 4 years.

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

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

**(c) Investment in joint operations – commitments**

For capital commitments and other commitments relating to investments in joint operations, refer to Note 15.

## Waverley Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

### Note 17. Contingencies and other assets/liabilities not recognised

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

#### LIABILITIES NOT RECOGNISED

##### 1. Guarantees

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

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

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

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

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

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

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

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

continued on next page ...

Page 46 of 69

## Waverley Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$880,830.40. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2018.

The amount of additional contributions included in the total employer contribution advised above is \$880,830.40. Council's expected contribution to the plan for the next annual reporting period is \$920,078.44.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$xx as at 30 June 2019.

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

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

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

\* Plus promotional increases

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

#### (ii) Statewide Limited

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

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

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

#### (iii) StateCover Limited

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

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

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

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

continued on next page ...

Page 47 of 69



**Waverley Council**

Financial Statements 2019

**Notes to the Financial Statements**

for the year ended 30 June 2019

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

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**(iv) Other guarantees**

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

**2. Other liabilities****(i) Third party claims**

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

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

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

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

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

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

**ASSETS NOT RECOGNISED****(i) Land under roads**

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

**(ii) Infringement notices/fines**

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

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

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

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

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Financial risk management

## Risk management

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

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

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

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

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	14,141	18,213	14,140	18,212
Receivables	9,308	8,584	9,304	9,900
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	127,000	117,000	127,000	14,600
<b>Fair value through profit and loss</b>				
Investments				
– 'Held for trading'	38,288	36,570	38,288	138,904
<b>Total financial assets</b>	<b>188,737</b>	<b>180,367</b>	<b>188,732</b>	<b>181,616</b>
<b>Financial liabilities</b>				
Payables	20,697	20,854	20,660	20,831
Loans/advances	3,346	3,758	3,346	3,758
<b>Total financial liabilities</b>	<b>24,043</b>	<b>24,612</b>	<b>24,006</b>	<b>24,589</b>

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

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

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

continued on next page ...

Page 49 of 69

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Financial risk management (continued)

- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2019</b>				
Possible impact of a 10% movement in market values	3,829	3,829	(3,829)	(3,829)
Possible impact of a 1% movement in interest rates	1,411	1,411	(1,411)	(1,411)
<b>2018</b>				
Possible impact of a 10% movement in market values	3,657	3,657	(3,657)	(3,657)
Possible impact of a 1% movement in interest rates	1,352	1,352	(1,352)	(1,352)

continued on next page ...

Page 50 of 69

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Financial risk management (continued)

## (b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

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

## Credit risk profile

## Receivables – rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to 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.

	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2019</b>						
Gross carrying amount	–	1,471	–	–	–	1,471
<b>2018</b>						
Gross carrying amount	–	1,662	–	–	–	1,662

## Receivables - non-rates and annual charges

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

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2019</b>						
Gross carrying amount	4,331	390	349	80	4,159	9,309
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	–	–
<b>2018</b>						
Gross carrying amount	4,844	505	130	22	2,946	8,447
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	–	–

continued on next page ...

Page 51 of 69

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Financial risk management (continued)

## (c) Liquidity risk

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

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

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

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

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

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2019</b>							
Trade/other payables	0.00%	1,314	19,379	–	–	20,693	20,697
Loans and advances	0.00%	–	–	–	–	–	3,346
<b>Total financial liabilities</b>		<b>1,314</b>	<b>19,379</b>	<b>–</b>	<b>–</b>	<b>20,693</b>	<b>24,043</b>
<b>2018</b>							
Trade/other payables	0.00%	1,202	19,665	–	–	20,867	20,854
Loans and advances	2.68%	–	412	1,766	1,580	3,758	3,758
<b>Total financial liabilities</b>		<b>1,202</b>	<b>20,077</b>	<b>1,766</b>	<b>1,580</b>	<b>24,625</b>	<b>24,612</b>

## Loan agreement breaches

Detail here any breaches to loan agreements which have occurred during the reporting year.



## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 19/06/2018 and is unaudited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance* -----	
<b>REVENUES</b>				
Rates and annual charges	61,026	61,429	403	1% <b>F</b>
User charges and fees	35,560	36,444	884	2% <b>F</b>
Interest and investment revenue	4,067	5,266	1,199	29% <b>F</b>
Interest earned from cash investments has achieved higher than original anticipated largely attributed to a well-diversified investment strategy and spending on capital expense is lower than anticipated.				
Other revenues	20,293	19,517	(776)	(4)% <b>U</b>
Operating grants and contributions	8,030	8,378	348	4% <b>F</b>
Capital grants and contributions	15,645	9,411	(6,234)	(40)% <b>U</b>
Grants originally anticipated for number of capital projects were lower the actual due to projects timeline deferral.				
Fair value increment on investment property	–	592	592	∞ <b>F</b>
<b>EXPENSES</b>				
Employee benefits and on-costs	65,753	64,349	1,404	2% <b>F</b>
Borrowing costs	101	90	11	11% <b>F</b>
Materials and contracts	20,084	22,667	(2,583)	(13)% <b>U</b>
Depreciation and amortisation	22,729	20,363	2,366	10% <b>F</b>
Other expenses	26,190	23,337	2,853	11% <b>F</b>
Net losses from disposal of assets	(439)	2,731	(3,170)	722% <b>U</b>
The losses from disposal of assets largely contributed to the infrastructure assets such as roads, footpath, kerbs & gutter, etc., to meet the partial write off requirements. These infrastructure assets partially wrote off as resulted from renewal/upgrades works were not in the budget.				
<b>STATEMENT OF CASH FLOWS</b>				
Net cash provided from (used in) operating activities	32,834	27,392	(5,442)	(17)% <b>U</b>
Net cash provided from (used in) investing activities	(32,760)	(31,052)	1,708	(5)% <b>F</b>
Net cash provided from (used in) financing activities	(412)	(412)	–	0% <b>F</b>

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Fair Value Measurement

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

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

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

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

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

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

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

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

		Fair value measurement hierarchy				
2019			Level 1	Level 2	Level 3	
		Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	Total
<b>Recurring fair value measurements</b>	Notes					
<b>Financial assets</b>						
Investments	6(b)					
– 'Held for trading'		30/06/19	–	–	38,288	38,288
<b>Investment property</b>	10					
Investment properties		30/06/19	–	–	158,474	158,474
<b>Total investment property</b>			–	–	<b>158,474</b>	<b>158,474</b>
<b>Infrastructure, property, plant and equipment</b>	9(a)					
Buildings – non-specialised		30/06/17	–	–	80,466	80,466
Buildings special		30/06/17	–	–	56,732	56,732
Community land		30/06/17	–	–	275,427	275,427
Operational land		30/06/17	–	–	78,811	78,811
Footpaths		30/06/16	–	–	36,464	36,464
Roads		30/06/16	–	–	205,697	205,697
Stormwater drainage		30/06/16	–	–	90,981	90,981
Office equipment and furniture		30/06/16	–	–	1,302	1,302
Plant and equipment		30/06/16	–	–	10,878	10,878
Open space and recreation		30/06/16	–	–	69,293	69,293
Library books and resources		30/06/16	–	–	1,215	1,215
Other structures		30/06/16	–	–	16,214	16,214
Other assets		30/06/16	–	–	3,064	3,064
<b>Total infrastructure, property, plant and equipment</b>			–	–	<b>926,544</b>	<b>926,544</b>

continued on next page ...

Page 54 of 69

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Fair Value Measurement (continued)

		Fair value measurement hierarchy				
2018			Level 1	Level 2	Level 3	
Recurring fair value measurements	Notes	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	Total
<b>Financial assets</b>						
Investments	6(b)					
– 'Held for trading'		30/06/18	–	–	36,570	36,570
<b>Investment property</b>	10					
Investment properties		30/06/18	–	–	154,795	154,795
<b>Total investment property</b>			–	–	154,795	154,795
<b>Infrastructure, property, plant and equipment</b>	9(a)					
Buildings – non-specialised		30/06/17	–	–	82,581	82,581
Buildings special		30/06/17	–	–	56,679	56,679
Community land		30/06/17	–	–	275,427	275,427
Operational land		30/06/17	–	–	78,811	78,811
Footpaths		30/06/15	–	–	35,809	35,809
Roads		30/06/15	–	–	207,195	207,195
Stormwater drainage		30/06/15	–	–	90,010	90,010
Office equipment and furniture		30/06/17	–	–	1,425	1,425
Plant and equipment		30/06/17	–	–	8,783	8,783
Open space and recreation		30/06/17	–	–	65,554	65,554
Library books and resources		30/06/17	–	–	1,209	1,209
Other structures		30/06/17	–	–	15,553	15,553
Other assets		30/06/17	–	–	2,767	2,767
<b>Total infrastructure, property, plant and equipment</b>			–	–	921,803	921,803

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

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

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

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

**Financial assets**

At fair value through profit and loss are represented by Floating Rate Notes, Covered Bonds and Term Deposits. Council obtains valuations from its Investment Advisor on a monthly basis and at the end of each accounting period to ensure the financial statements reflect the most up to date valuation. The valuations of Floating Rate Notes are sourced base on mid-market prices. That is, valuations are marked at the mid-point of the bid and ask prices in the secondary market. This price represents a general market value for the asset.

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

**Investment property**

The valuation of Council's investment properties was undertaken at June 2019 by Scott Fullarton Valuations Pty Ltd, FAPI, Certified Practising Valuer, Registration No. VAL2144.

Investment properties such as commercial units, commercial terraces and retail shops have been valued as market value, having regard to the "highest and best use", taking in consideration the criteria of physical possibility, legal permissibility and financial feasibility. Implied within these criteria is the recognition of the contribution of that specific use to community environment or to community development goals, in addition to wealth maximisation to the individual owner.

continued on next page ...

Page 55 of 69

## Waverley Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 20. Fair Value Measurement (continued)

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

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

Other investment properties such as public car park and shopping centre office space have been valued using Cost approach with Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

#### Infrastructure, property, plant and equipment (IPPE)

##### Operational Land

The asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The last valuation was undertaken at June 2017 and was performed by Scott Fullarton Valuations Pty Ltd, FAPI, Certified Practising Valuer, Registration No. VAL2144.

Operational land has been valued at market value, having regard to the "highest and best use", after identifying all elements that would be taken into account by buyers and sellers in settling the price, including but not limited to:

- The land's description and/or dimensions;
- Planning and other constraints on development; and
- The potential for alternative use.

Sale prices of comparable land parcels in close proximity were adjusted for differences in key attributes such as size and configuration. The most significant inputs into this valuation approach are price per square metre.

Since extensive professional judgements were required to determine the inputs these assets were classified as having been valued using Level 3 valuation input. There has been no change to the valuation process during the reporting period.

##### Community Land

Valuations of all Council's Community Land and Council managed land were based on either the land value provided by the Valuer-General or an average unit rate based on land value for similar properties where the Valuer-General did not provide a land value having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as Level 3. There has been no change to the valuation process during the reporting period.

#### Buildings – Non Specialised and Specialised

Council's buildings are valued utilising the cost approach by Scott Fullarton Valuations Pty Ltd in June 2017.

The approach estimated the replacement cost of each building and componentising of significant parts with different useful lives and taking into account a range of factors. The unit rates could be supported by market evidence (Level 2 inputs), other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value.

As such, these assets have been valued using Level 3 inputs. There has been no change to the valuation process during the reporting period.

##### Roads

The roads asset class includes roads, defined as the trafficable portion of a road, between but not including the kerb and gutter. It also includes "other roads" assets including Bridges, Carparks, Kerb and Gutter and Traffic facilities.

The 'Cost Approach' using Level 3 inputs was used to value the road carriageway and other road infrastructure. Valuations for the road carriageway, comprising surface, pavement and formation were based primarily on unit rates derived from the

continued on next page ...

Page 56 of 69



## Waverley Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 20. Fair Value Measurement (continued)

Councils schedule of rates tender. Other inputs (such as estimates pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is some uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period

##### Footpaths

The 'Cost Approach' using Level 3 inputs was used to value footpaths. Valuation for the footpath was based primarily on unit rates derived from the Councils schedule of rates tender. Other inputs (such as estimates pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there some uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

##### Stormwater Drainage

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit on similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

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

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- Plant and Equipment      Trucks, tractors, ride on mowers, street sweepers, earthmoving equipment, buses and motor vehicles
- Office Equipment        Refrigerators, electronic appliances, flat-screen monitors and computer equipment
- Furniture & Fittings      Chairs, desks and display systems.

The key unobservable inputs to the valuation are the remaining useful life and residual value. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

##### Other Open Space / Recreational Assets

Assets within this class comprise Soft Fall Surfaces, BBQs, Regional Sporting Facilities and Playgrounds. All assets in this class were valued in-house by experienced engineering & asset management staff. While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

##### Library Books and Resources

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

##### Other Structures

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

continued on next page ...

Page 57 of 69



## Waverley Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 20. Fair Value Measurement (continued)

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The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. As such there assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

##### Other Assets

This asset class comprises trees and other miscellaneous assets.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. As such there assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Fair Value Measurement (continued)

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

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

\$ '000	Financial assets	Investment properties	Buildings	Land	Plant & equipment
<b>2018</b>					
Opening balance	27,717	145,945	145,050	353,900	10,194
Purchases (GBV)	8,855	751	948	338	2,854
Disposals (WDV)	—	—	—	—	(336)
Depreciation and impairment	—	—	(6,739)	—	(2,503)
FV gains – other comprehensive income	—	8,099	—	—	—
<b>Closing balance</b>	<b>36,572</b>	<b>154,795</b>	<b>139,259</b>	<b>354,238</b>	<b>10,209</b>
<b>2019</b>					
Opening balance	36,572	154,795	139,259	354,238	10,209
Purchases (GBV)	1,716	3,087	4,857	—	5,423
Disposals (WDV)	—	—	(109)	—	(712)
Depreciation and impairment	—	—	(6,810)	—	(2,739)
FV gains – other comprehensive income	—	592	—	—	—
<b>Closing balance</b>	<b>38,288</b>	<b>158,474</b>	<b>137,197</b>	<b>354,238</b>	<b>12,181</b>

\$ '000	Infrastructure	Other assets	Total
<b>2018</b>			
Opening balance	419,841	4,031	<b>1,106,678</b>
Purchases (GBV)	7,736	206	<b>21,688</b>
Disposals (WDV)	(3,060)	—	<b>(3,396)</b>
Depreciation and impairment	(10,397)	(262)	<b>(19,901)</b>
FV gains – other comprehensive income	—	—	<b>8,099</b>
<b>Closing balance</b>	<b>414,120</b>	<b>3,975</b>	<b>1,113,168</b>
<b>2019</b>			
Opening balance	414,120	3,975	<b>1,113,168</b>
Purchases (GBV)	17,966	582	<b>33,631</b>
Disposals (WDV)	(2,896)	(6)	<b>(3,723)</b>
Depreciation and impairment	(10,540)	(274)	<b>(20,363)</b>
FV gains – other comprehensive income	—	—	<b>592</b>
<b>Closing balance</b>	<b>418,650</b>	<b>4,277</b>	<b>1,123,305</b>

continued on next page ...

Page 59 of 69

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
<b>b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.</b>			
<b>Financial liabilities</b>			
Investments	165,288	Advisor report	* Unit price
<b>Investment properties</b>			
Commercial Office, Retail and Carpark	156,960	Valuer report	* Estimated rental Value (rate per square metre) * Rental Yield
<b>Infrastructure, property, plant and equipment</b>			
Buildings	137,197	Non-Specialised Buildings: Market Value Specialised Buildings: Depreciated replacement cost	* Gross replacement cost * Asset Condition * Remaining useful life
Community Land	275,427	Land values obtained from the NSW Valuer-General	* Price Per square metre
Operational Land	78,811	Market Value	* Price Per square metre
Footpaths	36,464	Unit rates per m2 or length	* Gross replacement cost * Asset Condition * Remaining useful life
Roads	205,697	Unit rates per m2 or length	* Gross replacement cost * Asset Condition * Remaining useful life
Stormwater Drainage	90,981	Unit rates per m2 or length	* Gross replacement cost * Asset Condition * Remaining useful life
Plant & Equipment	10,878	Historical Cost	* Gross replacement cost * Remaining useful life
Office Equipment	1,302	Historical Cost	* Gross replacement cost * Remaining useful life
Open Space & Recreation	69,293	Depreciated replacement cost	* Gross replacement cost * Asset Condition * Remaining useful life
Library Books	1,215	Historical Cost	* Gross replacement cost * Remaining useful life
Other Structures	16,214	Depreciated replacement cost	* Gross replacement cost * Asset Condition * Remaining useful life
Other Assets	3,064	Historical Cost	* Gross replacement cost * Remaining useful life

## (4) Highest and best use

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

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Related Party Transactions

## (a) Key management personnel

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

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

\$ '000	2019	2018
<b>Compensation:</b>		
Short-term benefits	1,482	1,358
Post-employment benefits	145	187
Termination benefits	—	33
<b>Total</b>	<b>1,627</b>	<b>1,578</b>

## (b) Other transactions with KMP and their related parties

\$ '000	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
<b>2018</b>						
Grants & Contributions Provided to Waverley Action for Youth Services	1	79	—		—	—
Subsidised Property Rental from Waverley Action for Youth Services	2	12	—		—	—

1 Council Provides a Community Grants Program to ensure the delivery of a range of services to the local community. A KMP is a member of the management committee of one of its supported Community Organisations - Waverley Action For Youth Services.

2 A KMP is member of the Waverley Action For Youth Services (WAYS) management committee. WAYS rents two properties for its operation from Council and Council provides rental subsidies of \$60k annually to WAYS for the two property leases. WAYS paid the Council at \$12k of rent and utility expenses in 2018/19.

## Waverley Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 22. Events occurring after the reporting date

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

#### Note 23. Statement of developer contributions

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

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

#### Summary of contributions and levies

\$ '000	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
<b>S7.12 levies – under a plan</b>	2,411	3,900	–	104	(1,504)	–	4,911	–
<b>Total S7.11 and S7.12 revenue under plans</b>	2,411	3,900	–	104	(1,504)	–	4,911	–
S7.4 planning agreements	13,206	1,738	–	–	(797)	–	14,147	–
<b>Total contributions</b>	<b>15,617</b>	<b>5,638</b>	<b>–</b>	<b>104</b>	<b>(2,301)</b>	<b>–</b>	<b>19,058</b>	<b>–</b>

#### S7.12 Levies – under a plan

##### S7.12 LEVIES – UNDER A PLAN

Roads	2,411	3,900	–	104	(1,504)	–	4,911	–
<b>Total</b>	<b>2,411</b>	<b>3,900</b>	<b>–</b>	<b>104</b>	<b>(1,504)</b>	<b>–</b>	<b>4,911</b>	<b>–</b>



## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Amounts 2019	Indicator 2019	2018	Prior periods		Benchmark
				2017	2016	
<b>1. Operating performance ratio</b>						
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	17	0.01%	1.76%	2.37%	3.20%	>0.00%
Total continuing operating revenue excluding capital grants and contributions	130,823					
<b>2. Own source operating revenue ratio</b>						
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	122,187	87.13%	86.46%	86.48%	89.39%	>60.00%
Total continuing operating revenue <sup>1</sup>	140,234					
<b>3. Unrestricted current ratio</b>						
Current assets less all external restrictions	156,369	10.21x	10.15x	12.43x	11.84x	>1.5x
Current liabilities less specific purpose liabilities	15,312					
<b>4. Debt service cover ratio</b>						
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	20,470	40.78x	23.78x	20.27x	24.74x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	502					
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>						
Rates, annual and extra charges outstanding	1,802	2.85%	3.13%	3.78%	2.92%	<5.00%
Rates, annual and extra charges collectible	63,231					
<b>6. Cash expense cover ratio</b>						
Current year's cash and cash equivalents plus all term deposits	141,141	15.09	14.82	14.5	12.6	>3
Monthly payments from cash flow of operating and financing activities	9,356	mths	mths	mths	mths	mths

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

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

## Waverley Council

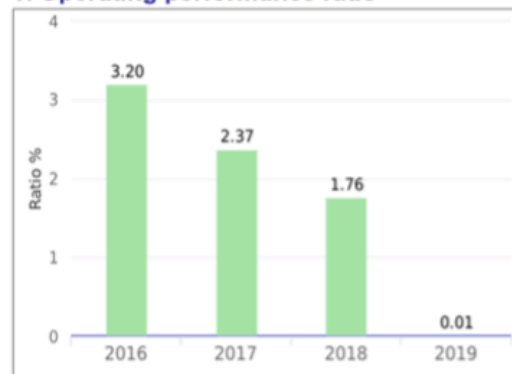
Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

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

## 1. Operating performance ratio



Benchmark: — &gt; 0.00%

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

## Purpose of operating performance ratio

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

## Commentary on 2018/19 result

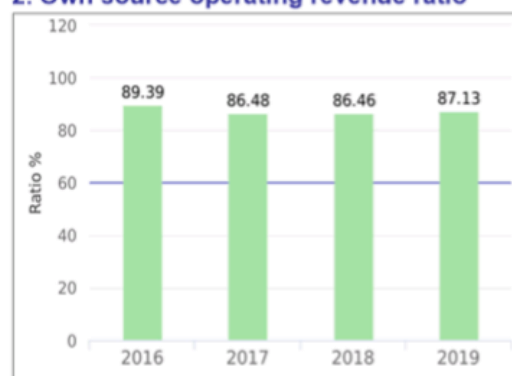
2018/19 ratio 0.01%

The ratio meets with the industry benchmark of greater than 0%

Ratio achieves benchmark

Ratio is outside benchmark

## 2. Own source operating revenue ratio



Benchmark: — &gt; 60.00%

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

## Purpose of own source operating revenue ratio

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

## Commentary on 2018/19 result

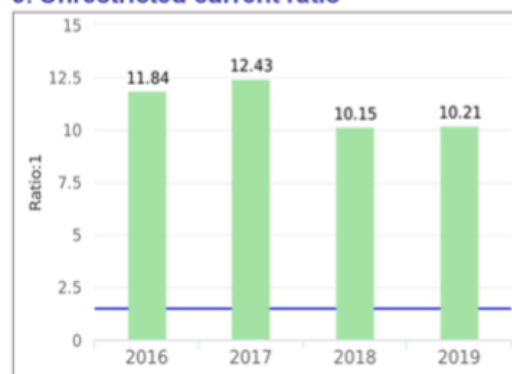
2018/19 ratio 87.13%

The ratio compares well with the industry benchmark of greater than 60.00%, it shows Waverley Council is less reliant on external funding sources to carry out its activities.

Ratio achieves benchmark

Ratio is outside benchmark

## 3. Unrestricted current ratio



Benchmark: — &gt; 1.5x

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

## Purpose of unrestricted current ratio

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

## Commentary on 2018/19 result

2018/19 ratio 10.21x

Council's liquidity remains strong with sufficient liquid assets on hand to meeting short term obligations as they fall due. It is well above the 1.5x industry benchmark.

Ratio achieves benchmark

Ratio is outside benchmark

continued on next page ...

Page 64 of 69

## Waverley Council

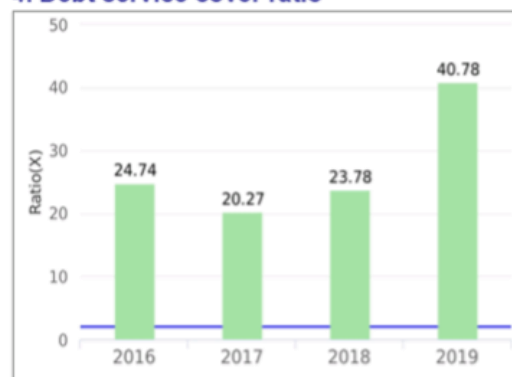
Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

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

## 4. Debt service cover ratio



## Purpose of debt service cover ratio

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

## Commentary on 2018/19 result

2018/19 ratio 40.78x

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

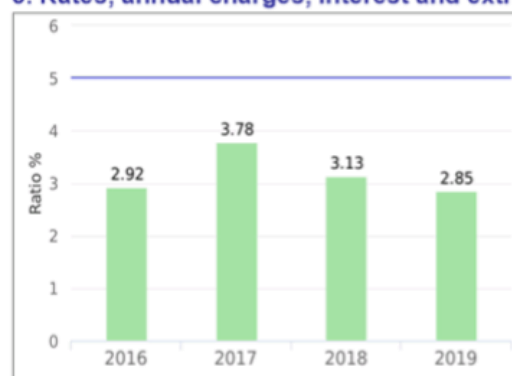
Benchmark: — > 2x

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

Ratio achieves benchmark

Ratio is outside benchmark

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



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

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

## Commentary on 2018/19 result

2018/19 ratio 2.85%

This ratio shows that Waverley Council's rates debt control within the industry benchmark of less than 5.00%.

Benchmark: — < 5.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

## 6. Cash expense cover ratio



## Purpose of cash expense cover ratio

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

## Commentary on 2018/19 result

2018/19 ratio 15.09 mths

This ratio compares favourably with the industry benchmark of greater than 3.00%.

Benchmark: — > 3mths

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

Ratio achieves benchmark

Ratio is outside benchmark

## Waverley Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 25. Financial review

\$ '000	2019	2018	2017	2016	2015
<b>Key financial figures of Council over the past 5 years</b>					
<b>Inflows:</b>					
Rates and annual charges revenue	61,429	59,366	57,375	55,992	54,467
User charges revenue	36,444	35,575	34,230	35,414	32,705
Interest and investment revenue (losses)	5,266	4,583	4,481	4,366	2,890
Grants income – operating and capital	10,858	7,785	9,468	8,176	8,409
Total income from continuing operations	141,037	144,113	138,106	138,013	180,021
Sale proceeds from I,PP&E	992	845	5,729	11,796	83,149
New loan borrowings and advances	–	–	2,200	2,252	–
<b>Outflows:</b>					
Employee benefits and on-cost expenses	64,349	55,865	58,268	55,794	56,269
Borrowing costs	90	120	142	95	153
Materials and contracts expenses	22,667	22,387	22,975	22,254	24,884
Total expenses from continuing operations	133,537	127,000	126,933	120,226	119,934
Total cash purchases of I,PP&E	17,450	20,310	24,268	29,570	21,553
Total loan repayments (incl. finance leases)	412	815	960	836	1,118
Operating surplus/(deficit) (excl. capital income)	(1,911)	6,742	2,510	12,621	53,142
<b>Financial position figures</b>					
Current assets	163,095	161,567	153,157	151,436	124,974
Current liabilities	37,438	37,240	36,741	34,480	33,306
Net current assets	125,657	124,327	116,416	116,956	91,668
Available working capital (Unrestricted net current assets)	4,566	4,882	6,811	5,769	11,296
Cash and investments – unrestricted	7,716	8,996	6,970	4,736	1,016
Cash and investments – internal restrictions	141,958	140,107	132,690	121,526	112,376
Cash and investments – total	179,429	171,783	157,727	141,174	130,171
Total borrowings outstanding (Loans, advances and finance leases)	3,346	3,758	4,573	3,333	1,917
Total value of I,PP&E (excl. land and earthworks)	976,805	1,145,220	954,611	933,932	889,023
Total accumulated depreciation	394,961	379,029	364,101	354,416	340,292
Indicative remaining useful life (as a % of GBV)	60%	67%	62%	62%	62%

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

## Waverley Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 26. Council information and contact details

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**Principal place of business:**

Customer Service Centre, 55 Spring Street Bondi Junction

**Contact details**

PO Box 9  
Bondi Junction  
NSW 1355

**Opening hours:**

8:30am - 5:00pm

Monday to Friday

Thursday extended hours from 8.30am- 7.00pm

**Telephone:** 02 9083 8000**Internet:** [www.waverley.nsw.gov.au](http://www.waverley.nsw.gov.au)**Email:** [info@waverley.nsw.gov.au](mailto:info@waverley.nsw.gov.au)**Officers****Ross McLeod**

General Manager

**Darren Smith**

Responsible Accounting Officer

**Public Officer**

Jane Worthy

**Auditors**

The Audit Office of New South Wales  
Level 19, Darling Park Tower 2  
201 Sussex Street  
Sydney NSW 2000

**Elected members**

John Wakefield

Mayor

**Councillors**

Cr Angela Burrill

Cr Dominic Wy Kanak

Cr Elaine Keenan

Cr George Copeland

Cr Leon Glotsman

Cr Marjorie O'Neill

Cr Paula Masselos

Cr Sally Betts

Cr Steve Lewis

Cr Tony Kay

Cr Will Nemesh

**Other information****ABN:** 12 502 583 608



**Waverley Council**

Financial Statements 2019

**General Purpose Financial Statements**  
for the year ended 30 June 2019

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**Independent Auditor's Report**

Please upift Council's Audit Report PDF (opinion) for inclusion in the GPFS report (via the Home screen).

**Waverley Council**

Financial Statements 2019

**General Purpose Financial Statements**  
for the year ended 30 June 2019

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**Independent Auditor's Report**

Please upift Council's Audit Report PDF (commentary) for inclusion in the GPFS report (via the Home screen).

# Waverley Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2019

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*"Connect, create and celebrate our people, places and  
partnerships"*



## Waverley Council

Special Purpose Financial Statements 2019

### Special Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
<b>Statement by Councillors &amp; Management</b>	<b>3</b>
<b>Special Purpose Financial Statements</b>	
Income Statement – Property	4
Income Statement – Commercial waste	5
Income Statement – Cemetery	6
Statement of Financial Position – Property	7
Statement of Financial Position – Commercial waste	8
Statement of Financial Position – Cemetery	9
<b>Significant Accounting Policies</b>	<b>10</b>
<b>Auditor's Report on Special Purpose Financial Statements</b>	<b>13</b>

#### Background

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

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

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

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

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

## Waverley Council

Special Purpose Financial Statements 2019

### Special Purpose Financial Statements

for the year ended 30 June 2019

---

#### Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records,
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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 17 September 2019.

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John Wakefield  
Mayor  
17 September 2019

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[Councillor]  
Councillor  
17 September 2019

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Ross McLeod  
General Manager  
17 September 2019

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Darren Smith  
Responsible Accounting Officer  
17 September 2019



## Waverley Council

Special Purpose Financial Statements 2019

## Income Statement – Property

for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
User charges	3,478	4,012
Other income	2,993	10,480
<b>Total income from continuing operations</b>	<b>6,471</b>	<b>14,492</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	603	528
Materials and contracts	792	959
Depreciation, amortisation and impairment	76	76
Other expenses	1,287	1,066
<b>Total expenses from continuing operations</b>	<b>2,758</b>	<b>2,629</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>3,713</b>	<b>11,863</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>3,713</b>	<b>11,863</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>3,713</b>	<b>11,863</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(1,021)	(3,262)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>2,692</b>	<b>8,601</b>
<b>Plus accumulated surplus</b>	<b>154,808</b>	<b>145,788</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	1,021	3,262
<b>Less:</b>		
– Dividend paid	(56)	(2,843)
<b>Closing accumulated surplus</b>	<b>158,465</b>	<b>154,808</b>

## Waverley Council

Special Purpose Financial Statements 2019

## Income Statement – Commercial waste

for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
User charges	3,499	3,798
<b>Total income from continuing operations</b>	<b>3,499</b>	<b>3,798</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	219	184
Materials and contracts	51	54
Depreciation, amortisation and impairment	9	14
Other expenses	2,757	2,816
<b>Total expenses from continuing operations</b>	<b>3,036</b>	<b>3,068</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>463</b>	<b>730</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>463</b>	<b>730</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>463</b>	<b>730</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(127)	(201)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>336</b>	<b>529</b>
<b>Plus accumulated surplus</b>	<b>158</b>	<b>93</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	127	201
<b>Less:</b>		
– Dividend paid	(597)	(665)
<b>Closing accumulated surplus</b>	<b>24</b>	<b>158</b>

## Waverley Council

Special Purpose Financial Statements 2019

## Income Statement – Cemetery

for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
User charges	1,383	1,189
Interest	59	14
Grants and contributions provided for non-capital purposes	17	49
Other income	–	3
<b>Total income from continuing operations</b>	<b>1,459</b>	<b>1,255</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	819	657
Materials and contracts	279	311
Depreciation, amortisation and impairment	43	42
Other expenses	332	59
<b>Total expenses from continuing operations</b>	<b>1,473</b>	<b>1,069</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(14)</b>	<b>186</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(14)</b>	<b>186</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(14)</b>	<b>186</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(51)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(14)</b>	<b>135</b>
<b>Plus accumulated surplus</b>	<b>16,070</b>	<b>17,084</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	–	51
<b>Add:</b>		
– Subsidy paid/contribution to operations	724	–
<b>Less:</b>		
– Dividend paid	–	(1,200)
<b>Closing accumulated surplus</b>	<b>16,780</b>	<b>16,070</b>
<b>Return on capital %</b>	<b>0.0%</b>	<b>0.4%</b>
<b>Subsidy from Council</b>	<b>651</b>	<b>1,063</b>

## Waverley Council

Special Purpose Financial Statements 2019

## Statement of Financial Position – Property

for the year ended 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	233	244
<b>Total current assets</b>	<b>233</b>	<b>244</b>
<b>Non-current assets</b>		
Investment property	158,474	154,795
<b>Total non-current assets</b>	<b>158,474</b>	<b>154,795</b>
<b>TOTAL ASSETS</b>	<b>158,707</b>	<b>155,039</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	90	92
Provisions	75	62
<b>Total current liabilities</b>	<b>165</b>	<b>154</b>
<b>TOTAL LIABILITIES</b>	<b>165</b>	<b>154</b>
<b>NET ASSETS</b>	<b>158,542</b>	<b>154,885</b>
<b>EQUITY</b>		
Accumulated surplus	158,465	154,808
Revaluation reserves	77	77
<b>TOTAL EQUITY</b>	<b>158,542</b>	<b>154,885</b>

## Waverley Council

Special Purpose Financial Statements 2019

## Statement of Financial Position – Commercial waste

for the year ended 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	194	241
<b>Total current assets</b>	<b>194</b>	<b>241</b>
<b>TOTAL ASSETS</b>	<b>194</b>	<b>241</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	92	–
Provisions	78	83
<b>Total current liabilities</b>	<b>170</b>	<b>83</b>
<b>TOTAL LIABILITIES</b>	<b>170</b>	<b>83</b>
<b>NET ASSETS</b>	<b>24</b>	<b>158</b>
<b>EQUITY</b>		
Accumulated surplus	24	158
<b>TOTAL EQUITY</b>	<b>24</b>	<b>158</b>



## Waverley Council

Special Purpose Financial Statements 2019

## Statement of Financial Position – Cemetery

for the year ended 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,564	1,892
<b>Total current assets</b>	<b>1,564</b>	<b>1,892</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	48,283	47,501
<b>Total non-current assets</b>	<b>48,283</b>	<b>47,501</b>
<b>TOTAL ASSETS</b>	<b>49,847</b>	<b>49,393</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	14	64
Provisions	111	78
<b>Total current liabilities</b>	<b>125</b>	<b>142</b>
<b>TOTAL LIABILITIES</b>	<b>125</b>	<b>142</b>
<b>NET ASSETS</b>	<b>49,722</b>	<b>49,251</b>
<b>EQUITY</b>		
Accumulated surplus	16,780	16,070
Revaluation reserves	32,942	33,181
<b>TOTAL EQUITY</b>	<b>49,722</b>	<b>49,251</b>

## Waverley Council

Special Purpose Financial Statements 2019

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

#### Note 1. Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

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

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

The *Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

#### Declared business activities

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

##### Category 1

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

##### a. Waverley Council Property Services

Comprising the whole of the operations and assets of the property services, commercial properties controlled by Waverley Council.

##### b. Waverley Council Trade Waste Services

Comprising the whole of the operations and assets of the commercial waste services which service the area of Waverley. This service collects and disposes of waste collected from commercial premises.

##### Category 2

(where gross operating turnover is less than \$2 million)

##### a. Waverley & South Head Cemeteries

Comprising the whole of the operations and assets of both the Waverley & South Head Cemeteries.

This business operates from offices located at Waverley Cemetery dealing with maintenance, sales and burials.

continued on next page ...

Page 10 of 13

## Waverley Council

Special Purpose Financial Statements 2019

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

#### Note 1. Significant Accounting Policies (continued)

##### Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand dollars.

##### (i) Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

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

##### Notional rate applied (%)

Corporate income tax rate – 27.5%

Land tax – the first \$629,000 of combined land values attracts 0%. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,846,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$750,000.

##### Income tax

An income tax equivalent has been applied on the profits of the business activities.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

Income tax is only applied where a gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

##### Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

##### Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

continued on next page ...

Page 11 of 13

## Waverley Council

Special Purpose Financial Statements 2019

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

#### Note 1. Significant Accounting Policies (continued)

##### (ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

##### (iii) Return on investments (rate of return)

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

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return is calculated as follows:

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**Operating result before capital income + interest expense**

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

##### (iv) Dividends

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

**Waverley Council**

Special Purpose Financial Statements 2019

**Special Purpose Financial Statements**  
for the year ended 30 June 2019

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Please upift Council's Audit Report PDF (opinion) for inclusion in the SPFS report (via the Home screen).



# Waverley Council

SPECIAL SCHEDULES  
for the year ended 30 June 2019

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*"Connect, create and celebrate our people, places and  
partnerships"*



Waverley Council

Special Schedules 2019

Special Schedules  
for the year ended 30 June 2019

Contents	Page
<b>Special Schedules</b>	
Permissible income for general rates	3
Report on Infrastructure Assets	4

## Waverley Council

Special Schedules 2019

## Permissible income for general rates

for the year ended 30 June 2019

\$ '000		Calculation 2019/20	Calculation 2018/19
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	44,833	43,975
Plus or minus adjustments <sup>2</sup>	b	26	(66)
<b>Notional general income</b>	<b>c = a + b</b>	<b>44,859</b>	<b>43,909</b>
<b>Permissible income calculation</b>			
Rate peg percentage	e	2.70%	2.30%
Plus rate peg amount	i = c x e	1,211	1,010
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>46,070</b>	<b>44,919</b>
Plus (or minus) last year's carry forward total	l	3	–
Less valuation objections claimed in the previous year	m	–	(83)
<b>Sub-total</b>	<b>n = (l + m)</b>	<b>3</b>	<b>(83)</b>
<b>Total permissible income</b>	<b>o = k + n</b>	<b>46,073</b>	<b>44,836</b>
Less notional general income yield	p	46,073	44,833
<b>Catch-up or (excess) result</b>	<b>q = o – p</b>	<b>–</b>	<b>3</b>
<b>Carry forward to next year <sup>6</sup></b>	<b>t = q + r – s</b>	<b>–</b>	<b>3</b>

## Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

## Waverley Council

Special Schedules 2019

## Report on Infrastructure Assets

as at 30 June 2019

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	2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Council Offices/ Administration Centres	187	187	666	759	12,194	24,585	0.0%	28.0%	69.0%	3.0%	0.0%
	Council Works Depot	—	—	749	687	8,954	10,984	99.0%	0.0%	0.0%	1.0%	0.0%
	Council Public Halls	625	625	186	191	24,958	69,439	26.0%	0.0%	71.0%	3.0%	0.0%
	Libraries	—	—	598	567	22,891	36,841	0.0%	100.0%	0.0%	0.0%	0.0%
	Cultural Facilities	82	82	1,346	1,359	13,303	21,183	83.0%	0.0%	16.0%	1.0%	0.0%
	Other Buildings	393	393	1,316	1,542	50,148	78,887	11.0%	65.0%	22.0%	2.0%	0.0%
	Specialised Buildings	13	13	472	558	4,749	6,790	83.0%	7.0%	10.0%	0.0%	0.0%
	Sub-total	1,300	1,300	5,333	5,663	137,197	248,709	24.5%	38.4%	35.3%	1.9%	0.0%
Other structures	Other structures	443	443	292	337	16,214	27,335	60.0%	22.0%	12.0%	6.0%	0.0%
	Sub-total	443	443	292	337	16,214	27,335	60.0%	22.0%	12.0%	6.0%	0.0%
Roads	Sealed roads	466	466	1,829	1,888	56,721	82,428	41.0%	51.0%	6.0%	2.0%	0.0%
	Footpaths	83	83	2,603	2,908	35,714	51,139	56.0%	30.0%	13.0%	1.0%	0.0%
	Other road assets	62	62	2,914	2,718	16,465	27,977	49.0%	41.0%	9.0%	1.0%	0.0%
	Sealed roads structure	—	—	—	—	67,502	144,667	0.0%	0.0%	100.0%	0.0%	0.0%
	Kerb and Gutter	833	833	101	79	65,759	96,802	50.0%	34.0%	13.0%	3.0%	0.0%
	Sub-total	1,444	1,444	7,447	7,593	242,161	403,013	30.9%	25.3%	42.5%	1.3%	0.0%
Stormwater drainage	Stormwater drainage	150	150	399	455	18,079	25,747	29.0%	68.0%	3.0%	0.0%	0.0%
	Other	—	—	—	—	72,903	112,769	14.0%	70.0%	16.0%	0.0%	0.0%
	Sub-total	150	150	399	455	90,982	138,516	16.8%	69.6%	13.6%	0.0%	0.0%
Open space / recreational assets	Swimming pools	2,261	2,261	6,172	6,053	69,293	108,838	41.0%	37.0%	20.0%	2.0%	0.0%
	Sub-total	2,261	2,261	6,172	6,053	69,293	108,838	41.0%	37.0%	20.0%	2.0%	0.0%
TOTAL - ALL ASSETS		5,598	5,598	19,643	20,101	555,847	926,411	29.1%	36.7%	32.7%	1.5%	0.0%

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

## Infrastructure asset condition assessment 'key'

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

continued on next page ...

Page 4 of 6

## Waverley Council

Special Schedules 2019

## Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	2018	Prior periods		Benchmark
				2017	2016	
<b>Infrastructure asset performance indicators (consolidated) *</b>						
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>						
Asset renewals <sup>2</sup>	14,390					
Depreciation, amortisation and impairment	17,428	82.57%	94.13%	77.08%	127.22%	>=100.00%
<b>Infrastructure backlog ratio <sup>1</sup></b>						
Estimated cost to bring assets to a satisfactory standard	5,598					
Net carrying amount of infrastructure assets	555,847	1.01%	1.05%	1.10%	1.39%	<2.00%
<b>Asset maintenance ratio</b>						
Actual asset maintenance	20,101					
Required asset maintenance	19,643	102.33%	94.25%	98.24%	104.40%	>100.00%
<b>Cost to bring assets to agreed service level</b>						
Estimated cost to bring assets to an agreed service level set by Council	5,598					
Gross replacement cost	926,411	0.60%	0.64%	0.69%	0.87%	

(\*) All asset performance indicators are calculated using 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.

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Page 5 of 6

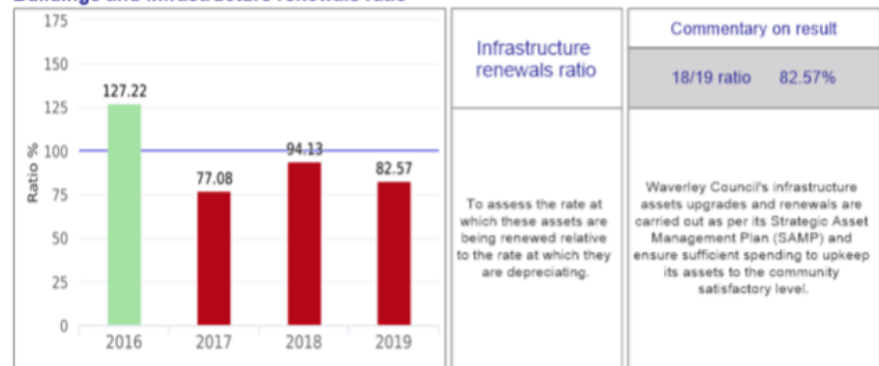


## Waverley Council

Special Schedules 2019

# Report on Infrastructure Assets (continued)

as at 30 June 2019

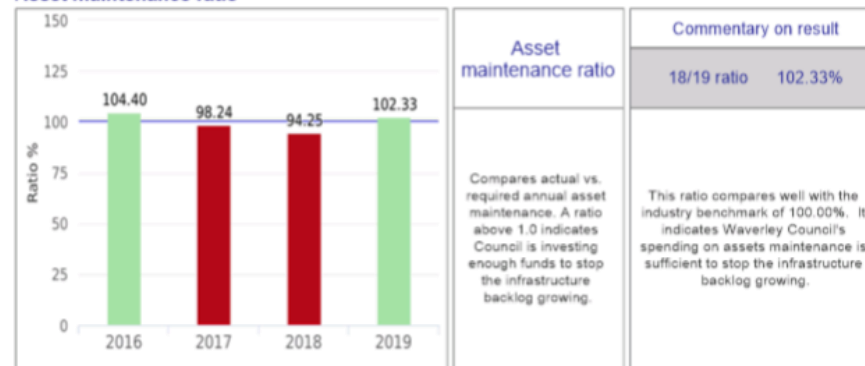
Buildings and infrastructure renewals ratio <sup>1</sup>Benchmark: —  $\geq 100.00\%$ 

Ratio achieves benchmark

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

Ratio is outside benchmark

## Asset maintenance ratio

Benchmark: —  $> 100.00\%$ 

Ratio achieves benchmark

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

Ratio is outside benchmark

Infrastructure backlog ratio <sup>1</sup>Benchmark: —  $< 2.00\%$ 

Ratio achieves benchmark

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

Ratio is outside benchmark

## Cost to bring assets to agreed service level



(1) Excludes Work In Progress (WIP)



WAVERLEY  
COUNCIL

55 Spring St, Bondi Junction, NSW 2022  
PO Box 9 Bondi Junction NSW 1355

[info@waverley.nsw.gov.au](mailto:info@waverley.nsw.gov.au)  
[waverley.nsw.gov.au](http://waverley.nsw.gov.au)

Telephone enquiries  
General business **9083 8000**  
General fax **9387 1820**  
TTY/voice calls for hearing/speech impaired **133 677**  
After hours emergencies **9083 8000**