



WOLLONGONG CITY COUNCIL

FINANCIAL REPORT

YEAR ENDED 30 JUNE 2020

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EXECUTIVE SUMMARY

As General Manager of Wollongong City Council, I present the Annual Financial Statements for 2019-2020. These statements continue to reflect Council's transformation in recent years to an organisation which is financially stable having the capacity to manage short, medium and longer term challenges.

The Income Statement shows a net operating surplus of \$35.5 million compared to a surplus of \$52.1 million in 2018-2019. The net operating result before capital grants and contributions was a deficit of \$11.9 million. While this result compares to a deficit of \$7.5 million in 2018-2019, the result was impacted by COVID-19 as well as a number of significant one-off adjustments. We are confident that our underlying financial performance is on track and remains sustainable.

Council's Balance Sheet shows the vast extent of assets managed by Council for the community. The total value of Council's assets at 30 June 2020 was \$2.87 billion. During 2019-2020, Council completed capital works of \$89.8 million including the construction and acquisition of \$31.2 million of new assets and \$58.6 million for the renewal of existing assets. The program included projects such as the continuation of West Dapto Access Works including the extension of Fowlers Road to Fairwater Drive, additional sections of the Grand Pacific Walk, Bellambi Rock Pool Refurbishment, and various upgrades to community centres, amenities and buildings at Council parks, gardens and sports fields across the Local Government Area.

Council maintains a strong position in cash and investments, with holdings of \$157.5 million at 30 June 2020 [\$154.8 million in 2018-2019]. \$138 million of Council's cash [\$139 million in 2018-2019] is restricted in its use to specific purposes by external bodies, legislation and Council resolution.

Council's unrestricted current ratio decreased from 2.70:1 in 2018-2019 to 2.36:1 in 2019-2020. This ratio, which measures Council's liquidity and ability to satisfy short-term obligations, is above the Local Government Benchmark of >1.5:1. Council's strategy is to better utilise cash and target a lean unrestricted cash ratio. The measure is expected to remain above the benchmark until payments are required.

Rates and Annual Charges outstanding increased from 5.09% in 2018-2019 to 6.74% in 2019-2020. Council's assistance package in response to COVID-19 includes an option for ratepayers to defer the 4th instalment for 2019-2020 without penalty. This has resulted in an increased level of outstanding payments.

Council continues to have relatively low levels of borrowing and did not undertake any additional borrowings in 2019-2020. This contrasts to recent years where borrowings under attractive and/or subsidised terms for specific works have been sought. Low debt levels remain a financial strength of Council and adds flexibility in making financial decisions for the future. The 2019-2020 debt service ratio increased slightly to 3.41% compared to 3.28% in 2018-2019. This change is the result of decreased income from continuing operations rather than a shift in borrowing levels. This ratio is within Council's financial strategy to operate within a ratio of <4%.

My thanks to all staff and external auditors who worked on the preparation of these statements.



Greg Doyle
General Manager
Wollongong City Council



Financial Commentary 2019-2020

2019-2020 FINANCIAL OVERVIEW

This report provides an overview of Council's 2019-2020 Financial Statements. The Financial Statements are prepared by Council to provide information in relation to Council's financial performance and position. The Statements are prepared in accordance with Australian Accounting Standards, the NSW Local Government Act 1993 and the NSW Local Government Code of Accounting Practice and Financial Reporting (Update N° 28). The Statements are independently audited by the Audit Office of NSW, reviewed by the Audit, Risk and Improvement Committee, reported to Council, placed on public exhibition and lodged with the Office of Local Government. The Financial Statements are made up of five key financial reports; Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows.

The 2019-2020 Financial Statements shows a positive Net Operating Result of \$35.5M. This result includes grants and contributions for capital purposes which increases the asset base of Council however is not considered to truly reflect the underlying operating performance of the organisation.

The Net Operating Result before Grants and Contributions for Capital Purposes was a deficit of \$11.9M which is below Council's targeted position of a small surplus result. This included an impact from COVID-19 primarily related to revenue in the order of \$3.1M. The 2019-2020 result has been impacted by a number of significant adjustments related to reclassification of prior year capital works-in-progress (WIP) to operational expense, loss on disposal of assets (assets renewed that had remaining book value, not sold) and revaluation of investment properties partly offset by the revaluation of the asset remediation provision. In addition, the Financial Assistance Grant was paid 52% in advance that is consistent with the prior year and has not had a significant impact year on year. These variations do not change the underlying capacity of the organisation over a period of time, and while there are also some positive one off items reported, Council considers our underlying financial performance to be on track to meet financial strategies and targets in the short, medium and long term.

2019-2020 HIGHLIGHTS

\$2.87B

Total Assets

LY \$2.79B

3.41%

Debt Service Ratio

LY 3.28%

\$31.2M

Capital Works - New

LY \$64.0M

\$58.6M

Capital Works - Renew

LY \$51.8M

\$35.5M Surplus

Net Operating Result

LY \$52.1M Surplus

\$11.9M Deficit

Net Operating Result Before Capital
Grants & Contributions

LY \$7.5M Deficit

\$21.3M

Contributed Assets Recognised

LY \$7.4M

2.36:1

Unrestricted Current Ratio

LY 2.70:1

\$157.5M

Cash Assets & Investments

LY \$154.8M

6.74%

Rates, Annual Charges, Interest &
Extra Charges Outstanding

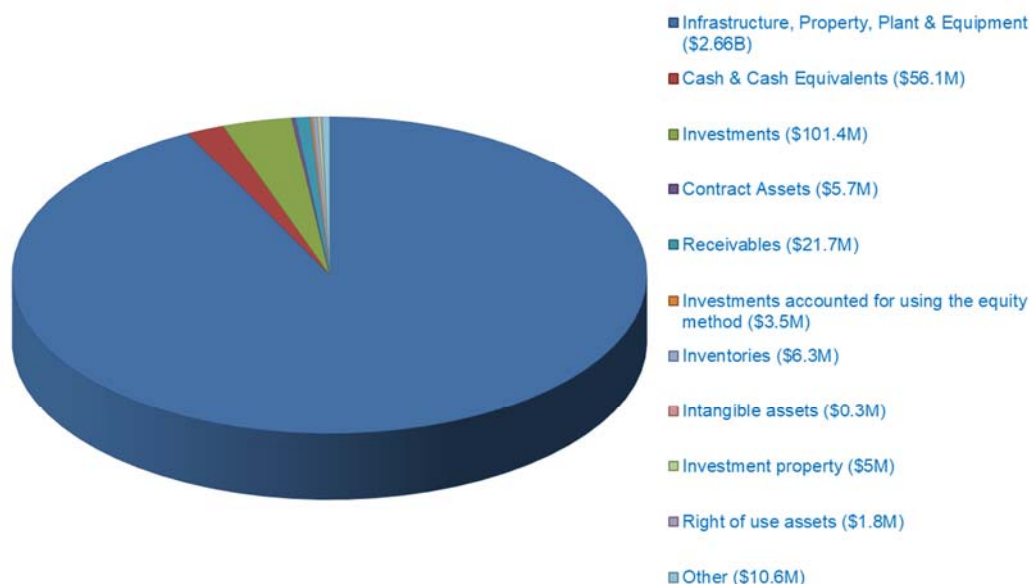
LY 5.09%

*LY = Last Year

ASSETS

Council is the custodian of community assets with a total value of \$2.87B at 30 June 2020. The composition of assets at balance date is shown as follows:

TOTAL ASSET COMPOSITION 2019-2020



Infrastructure, Property, Plant & Equipment (IPPE)

With a carrying value of \$2.66B IPPE is Council's most significant asset group representing 93% of total asset value. This asset group include roads, drains, footpaths, community facilities, recreational facilities, parks and gardens.

During 2019-2020, Council achieved its target and delivered a capital works program of \$89.8M including the construction and purchase of \$31.2M of new assets and renewal of existing assets of \$58.6M. In addition, \$21.2M of assets were contributed to Council during 2019-2020. After accounting for annual depreciation expense, the overall value of IPPE increased by \$145.7M during 2019-2020. This is mainly the result of revaluations to community & crown land. Further financial details of IPPE are shown at Note 11.

Cash and Investments

Council maintained robust levels of cash and investments, with holdings of \$157M at 30 June 2020. Cash and investment positions over recent years are as follows:

	YTD Actual 30 June 2017	YTD Actual 30 June 2018	YTD Actual 30 June 2019	YTD Actual 30 June 2020
TOTAL CASH & INVESTMENTS	167.577	157.768	154.822	157.474
Less Restrictions:				
External	75.788	74.192	77.657	75.470
Internal	57.379	68.129	61.203	62.675
AVAILABLE CASH	34.410	15.447	15.962	19.329
Adjusted for :				
Current payables	(41.617)	(30.010)	(35.020)	(35.163)
Receivables	34.211	37.702	48.499	36.707
AVAILABLE FUNDS	27.004	23.139	29.441	20.873

While Council's cash and investment position is robust, a significant portion of these funds are subject to restriction. Council's true cash position is more accurately depicted by considering available funds which are uncommitted and not subject to restriction. External restrictions are funds held by Council that must be spent for a specific purpose and cannot be used by Council for general operations. Internal restrictions are funds that Council has determined will be used for a specific future purpose.

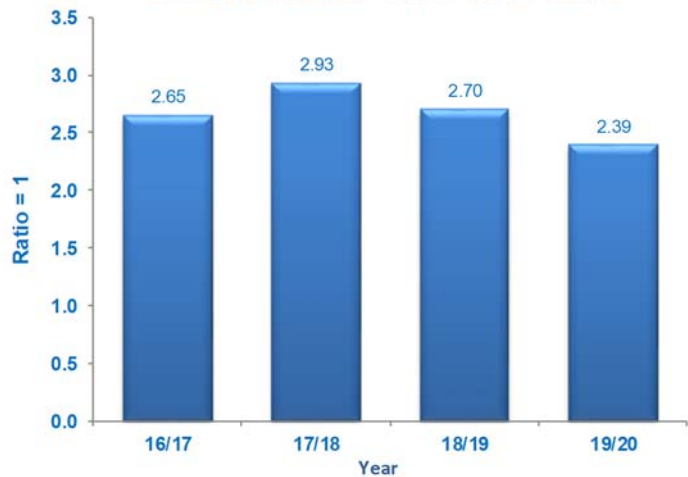
At 30 June 2020, Council achieved an available funds position of \$20.9M, which is significantly higher than the Financial Strategy target range of 3.5% to 5.5% of operational revenue (pre-capital). The result at balance date was uplifted by the early receipt of the first two instalments of the Financial Assistance Grant for 2020-2021 totalling \$9.9M.

Measures: Cash/Liquidity Position or Council's ability to satisfy obligations in the short term from its unrestricted activities.

Strategy: Council's strategy is to maximise the use of available funds for asset renewal by targeting a lean Unrestricted Current Ratio.

Performance: Council's performance is above the Local Government Benchmark of >1.5:1 and is consistent with prior years.

Unrestricted Current Ratio

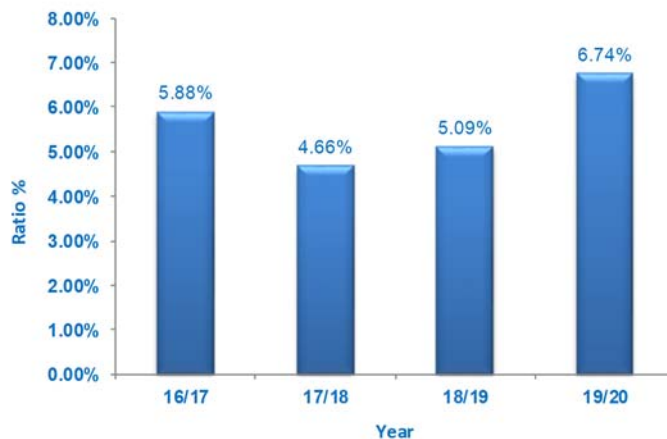


Receivables

Receivables are the amount of money that is owed to Council or funds that Council has paid in advance. At 30 June 2020, receivables totalled \$21.7M, a decrease of \$15.0M compared to the 2018-2019 reporting period. The fluctuation is related to the implementation of new revenue accounting standards

that require the recognition of contract assets in place of receivables for grants and contracts with customers. Full details of receivables are provided in Note 8.

Rates, Annual Charges, Interest & Extra Charges Outstanding



Measures: The impact of uncollected rates and other charges on liquidity and the adequacy of recovery efforts.

Target: Industry standard of <5%.

Performance: In response to COVID-19, Council developed an assistance package that includes an option for ratepayers to defer the 4th instalment for 2019-2020 without penalty. This has resulted in an increased level of outstanding payments.

Contract Assets

AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of not-for-profit entities were effective for the first time for the year ended 30 June 2020. There were \$5.7M in contract assets relating to capital works on grant funded projects completed before the funding has been received recognised for 2019-2020.

LIABILITIES

At 30 June 2020, Council's Total Liabilities were \$154.58M. The composition of Council's Total Liabilities is shown below.

Provisions: Account for 65.2% of Council's Liabilities with the most significant provisions relating to Employee Leave Entitlements [\$59.1M], Waste Depot Remediation Provision [\$33.4M], Workers' Compensation Provision [\$7.7M] and Self-Insurance [\$0.7M].

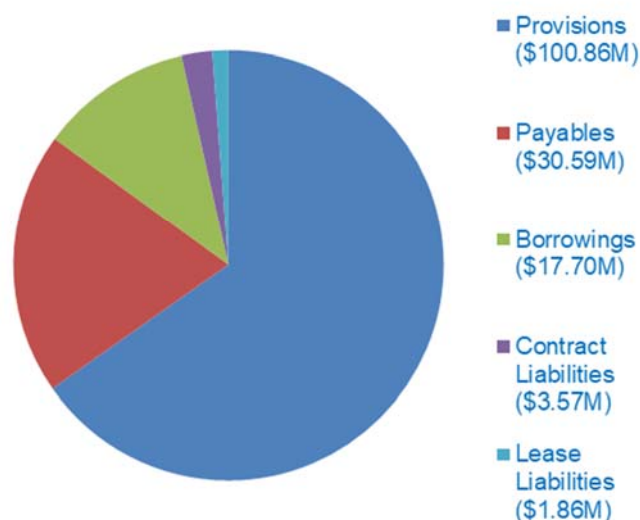
Payables: Account for 19.8% of Council's Liabilities. The most significant payables being goods and services received and capital expenditure incurred but not yet paid for, and accrued expenditure.

Borrowings: Account for 11.4% of Council's Liabilities and relate to the subsidised Local Infrastructure Renewal Scheme Programs (1, 2 and 3) secured over the previous five financial years.

Contract Liabilities: Account for 2.3% of Council's liabilities. Contract liabilities represent unexpended grants and contributions and fees received in advance of the service being delivered.

Lease Liabilities: Account for 1.2% of Council's liabilities. Lease liabilities are recognised for land and buildings that Council leases from other organisations. Further details of Leases are provided in Note 15.

**Composition of Council's Liabilities
2019-20**



Provisions

Provisions decreased during 2019-2020 by \$4.4M. The decrease is mainly attributable to a reduction in the asset remediation provision (\$9.57M) partially offset by increases in employee leave entitlements (\$4.64M) and the workers' compensation provision (\$0.53M).

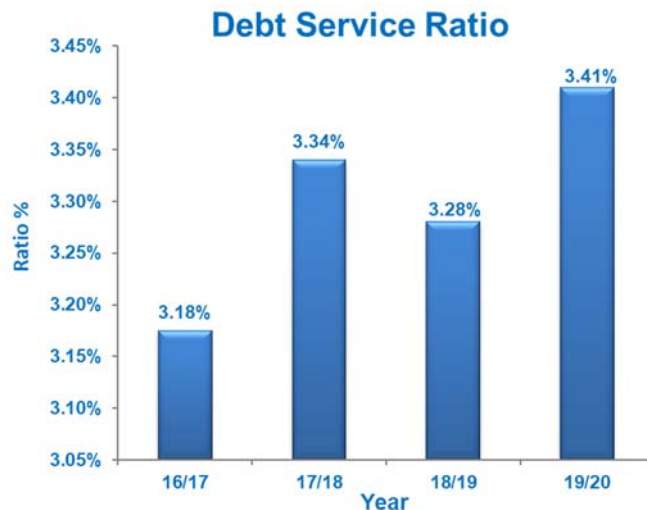
Each financial year the provision for the remediation of Council's waste facility is calculated based on the forecast costs to rehabilitate the site. During 2019-2020, a reduction in the forecast rehabilitation costs caused a significant reduction in the provision.

The movement in the employee leave entitlements are the result of external economic conditions through the application of discount rates to reflect the value of the provision as at 30 June 2020.

Borrowings

Council continues to remain a relatively low debt user. In 2019-2020 Council did not undertake additional borrowings, all activity related to the repayment of previously secured loans.

In prior years, Council took advantage of borrowing opportunities enabling it to accelerate specific capital programs. The loan facilities which Council has in place include subsidised loans under the Local Government Infrastructure Renewal Scheme (LIRS). Funds were secured under LIRS rounds 1, 2 and 3. The projects funded under round 1 (Citywide Footpaths and Shared Path Renewal and Missing Links Construction Program) and round 2 (Upgrade Berkeley and Corimal Community Centres and Thirroul Pavilion and Kiosk) are complete. The project funded by the round 3 applications, (the West Dapto Access Project to construct Fowlers Road to Fairwater Drive) is still active. Repayment of LIRS loans will continue in accordance with the various payment schedules until 2025.



Measures: The proportion of revenues that is required to meet Council's annual loan repayments.

Target: Council's Financial Strategy allows for a ratio of up to 4%.

Performance: A low level of debt is reflected in Council's Debt Service Ratio of 3.41%. This is exceptionally low in comparison to the Local Government benchmark ratio of <10% and is within Council's own Strategy.

The Debt Service Ratio increased slightly in the 2019-2020 reporting period. This is due to a decrease in Council's income from continuing operations.

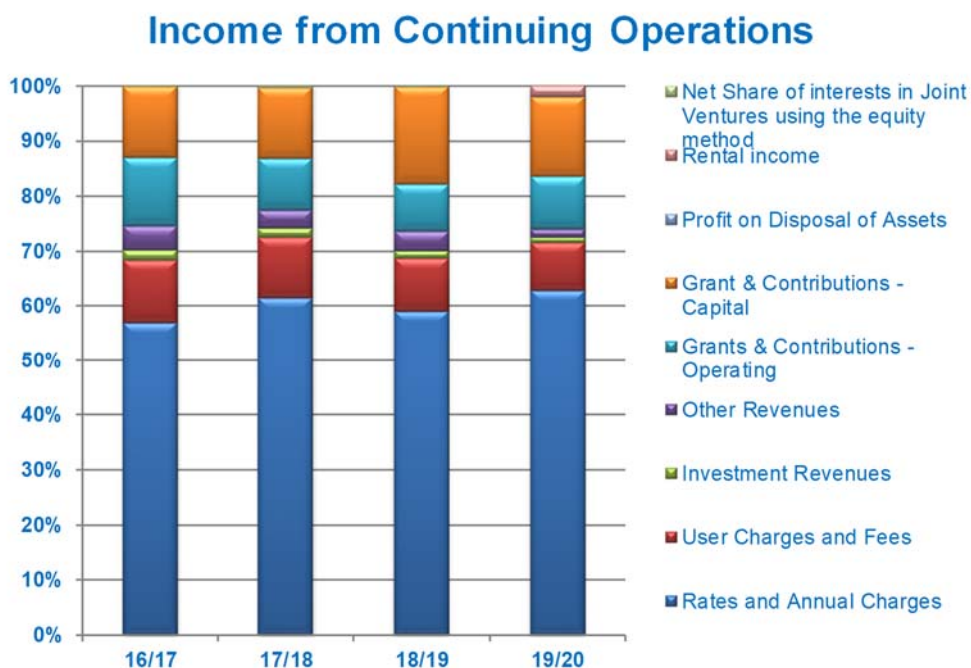
Operational Performance - Income & Expenses

Council achieved a Net Operating Surplus from Continuing Operations of \$35.5M in 2019-2020 in comparison to a surplus of \$52.1M in 2018-2019. This result includes capital grants and contributions that vary significantly from period to period. Council's underlying measure of long term operational performance, the Operational Result before Capital Grants and Contributions, is a deficit of \$11.9M, compared to a deficit of \$7.5M in 2018-2019.

Income

Council's Income from Continuing Operations for 2019-2020 was \$327.5M compared to a prior year result of \$338.5M. This decrease is mainly the result of a reduction in Capital Grants & Contributions during 2019-2020 as a higher level of Capital Grants was received for transport infrastructure associated with the West Dapto Urban Release Area in 2018-2019.

The composition of Council's revenue remained reasonably consistent compared to previous years as depicted in the table below. Exceptions include Rental Income, which has been recategorised from User Fees & Charges and Other Revenues as a result of the new revenue accounting standards effective from 1 July 2019, and Grants and Contributions Capital which decreased in its portion of total income from continuing operations [from 18% to 14%]. It is noted that Council does not control the flow of asset dedications by developers and contributions vary from year to year.

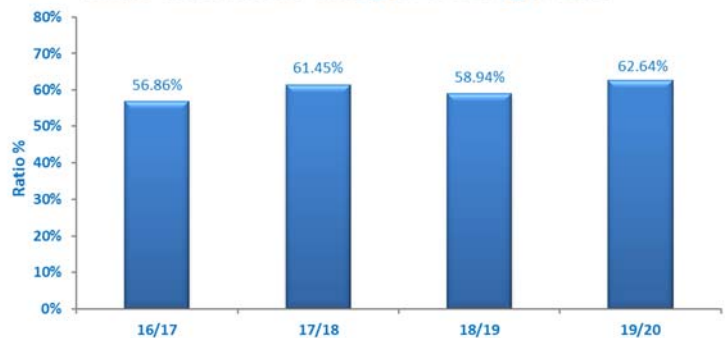


Income from Rates and Annual Charges, Council's largest revenue stream, totalled \$205.1M in 2019-2020, an increase of \$5.6M on the prior year. The increase is due to indexation and rates growth.

Measures: The degree of Council's dependence upon revenue from rates and annual charges and the security of Council's income.

Performance: This ratio indicates an increased level of dependence on rates and annual charges revenue compared to last year.

Rates and Annual Charges Coverage Ratio

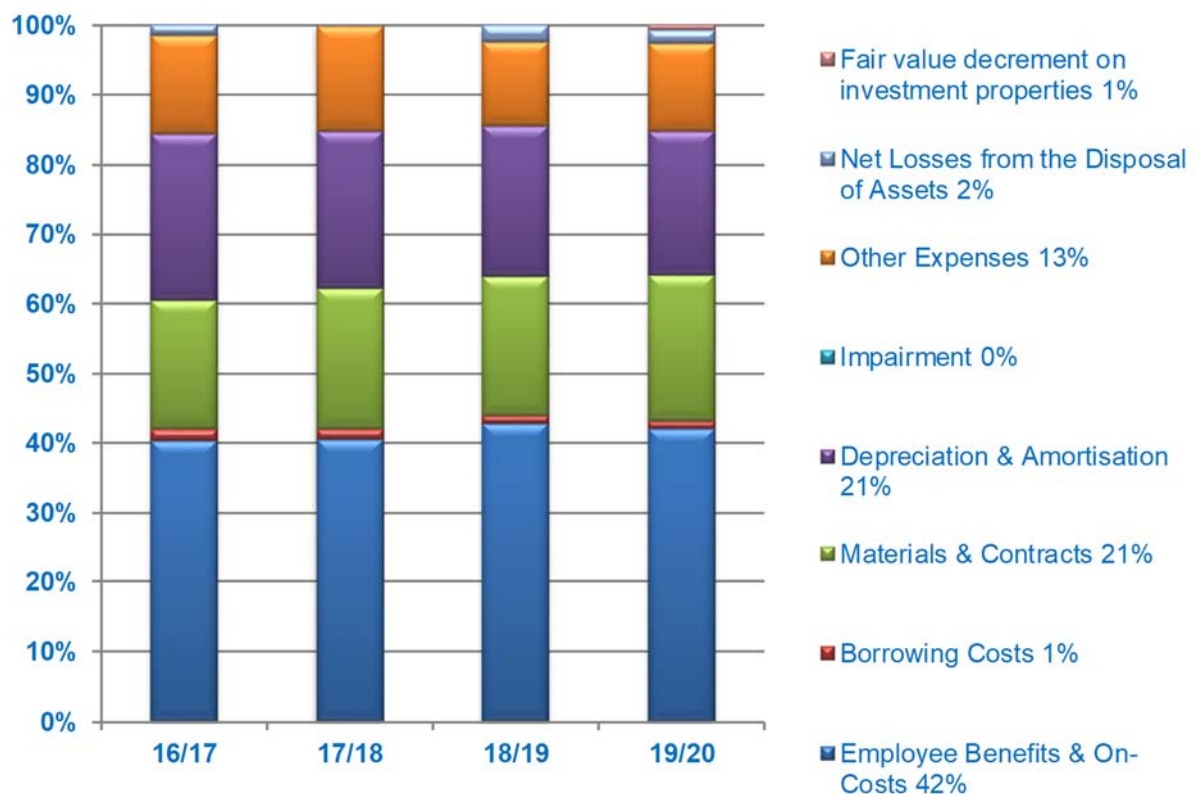


Expenses

Expenses from Continuing Operations for 2019-2020 totalled \$291.9M, an increase on prior year expenditure of \$5.5M. This increase can be predominately explained by prior period works in progress being transferred to other expenses (\$8.0M), and the revaluation of the investment property (\$2.0M). This has been partly offset by a reduction in other expenses (\$5.6M) to offset a revaluation of the asset remediation provision.

In terms of composition, the proportion of each expenditure category against total expenses from continuing operations has remained consistent compared to prior years with the exception of the fair value decrement on investment properties. Material budget variations from the 2019-2020 year for income and expenditure items are detailed in Note 24 of the statements.

Expenses from Continuing Operations



Wollongong City Council

Historical Financial Data

Income Statement

	Notes	Actual 2016/17 \$'000	Actual 2017/18 \$'000	Actual 2018/19 \$'000	Actual 2019/20 \$'000
Income from Continuing Operations					
Revenue:					
Rates & Annual Charges	3a	184,530	193,429	199,524	205,118
User Charges & Fees	3b	37,491	34,805	32,793	28,695
Interest and Investment Revenue	3c	5,909	5,162	5,069	3,360
Other Revenues	3d	14,418	10,551	12,125	4,794
Grants & Contributions provided for Operating Purposes	3e,f	39,639	29,384	28,856	30,727
Grants & Contributions provided for Capital Purposes	3e,f	42,022	40,637	59,656	47,472
Other Income:					
Fair Value Increment on Investment Property	11	-	5	220	-
Rental income		-	-	-	6,735
Net share of interests in joint ventures using the equity method	17	525	803	291	555
Total Income from Continuing Operations		324,534	314,776	338,534	327,456
Expenses from Continuing Operations					
Employee Benefits & On-Costs					
Employee Benefits & On-Costs	4a	103,139	107,843	122,445	122,912
Borrowing Costs	4b	4,071	3,819	3,337	3,052
Materials & Contracts	4c	47,032	53,709	57,432	60,934
Depreciation & Amortisation	4d	61,271	60,067	61,781	60,845
Other Expenses	4e	35,594	40,211	34,571	36,497
Net Losses from the Disposal of Assets	5	3,960	361	6,856	5,686
Fair value decrement on investment properties		-	-	-	1,998
Loss from interests in Joint Ventures & Associates	19	-	-	-	-
Total Expenses from Continuing Operations		255,067	266,010	286,422	291,924
Operating Result from Continuing Operations		69,467	48,766	52,112	35,532
NET OPERATING RESULT FOR THE YEAR		69,467	48,766	52,112	35,532
Less:					
Grants & Contributions provided for Capital Purposes	3e,f	42,022	40,637	59,656	47,472
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		27,445	8,129	(7,544)	(11,940)

This Statement is to be read in conjunction with the Notes in the body of the financial statements.

Wollongong City Council

Historical Financial Data

Statement of Financial Position

	Notes	Actual 2016/17 \$'000	Actual 2017/18 \$'000	Actual 2018/19 \$'000	Actual 2019/20 \$'000
ASSETS					
Current assets					
Cash & cash equivalents	6a	23,534	26,491	25,187	56,051
Investments	6b	119,458	109,162	114,579	97,423
Receivables	7	23,531	27,036	36,620	20,466
Inventories	8	298	306	337	381
Contract Assets		-	-	-	5,669
Other	8	10,680	10,666	11,879	10,572
Assets held for sale (previously non-current)	9	6,381	-	-	-
Total current assets		183,882	173,661	188,602	190,562
Non-current assets					
Investments	6b	24,585	22,115	15,056	4,000
Inventories	8	5,791	5,835	5,948	5,972
Infrastructure, property, plant & equipment	10	2,309,628	2,356,306	2,570,098	2,655,487
Investments accounted for using the equity method	17	1,835	2,638	2,929	2,929
Investment property	11	4,775	4,780	5,000	5,000
Intangible assets	12	653	388	440	254
Right of use assets		-	-	-	1,790
Total non-current assets		2,347,267	2,392,062	2,599,471	2,675,432
TOTAL ASSETS		2,531,149	2,565,723	2,788,073	2,865,994
LIABILITIES					
Current liabilities					
Payables	13	38,660	26,754	30,006	29,392
Income received in advance	13	2,957	3,256	5,014	-
Contract Liabilities		-	-	-	3,572
Lease Liabilities		-	-	-	341
Borrowings	13	7,513	7,716	7,934	5,260
Provisions	14	48,853	50,377	58,214	61,084
Total current liabilities		97,983	88,103	101,168	99,649
Non-current liabilities					
Payables	13	-	700	385	-
Lease Liabilities		-	-	-	1,519
Borrowings		32,188	25,039	17,497	12,439
Provisions	14	48,121	44,566	47,054	39,776
Total non-current liabilities		80,309	70,305	64,936	53,734
TOTAL LIABILITIES		178,292	158,408	166,104	153,383
NET ASSETS		\$ 2,352,857	2,407,315	2,621,969	2,712,611
EQUITY					
Retained earnings	15	1,389,905	1,441,990	1,468,848	1,497,753
Revaluation reserves	15	962,952	965,325	1,153,065	1,214,858
	15	-	-	56	-
Council Equity Interest		2,352,857	2,407,315	2,621,969	2,712,611
Minority Equity Interest		-	-	-	-
TOTAL EQUITY		\$ 2,352,857	2,407,315	2,621,969	2,712,611

This Statement is to be read in conjunction with the Notes in the body of the financial statements.

Wollongong City Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020



Wollongong City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



General Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
1. Statement by Councillors & Management	3
2. Primary Financial Statements:	
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
3. Notes to the Financial Statements	9
4. Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	96
On the Financial Statements (Sect 417 [3])	99

Overview

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

41 Burelli Street
Wollongong NSW 2500

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.wollongong.nsw.gov.au.

General Purpose Financial Statements

for the year ended 30 June 2020

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:

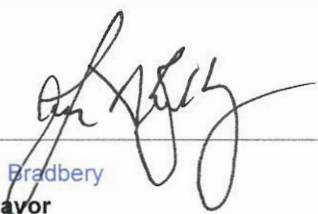
- the Local Government Act 1993 (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board,
- the Local Government Code of Accounting Practice and Financial Reporting.


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.

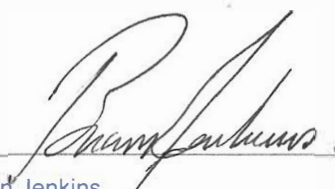
We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 26 October 2020.



Gordon Bradbery
Lord Mayor
26 October 2020

Tania Brown
Deputy Lord Mayor
26 October 2020

Greg Doyle
General Manager
26 October 2020

Brian Jenkins
Responsible Accounting Officer
26 October 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
202,991	Rates and annual charges	3a	205,118	199,524
33,665	User charges and fees	3b	28,695	32,793
10,598	Other revenues	3c	4,794	12,125
20,840	Grants and contributions provided for operating purposes	3d,3e	30,727	28,856
42,927	Grants and contributions provided for capital purposes	3d,3e	47,472	59,656
4,882	Interest and investment income	4	3,360	5,069
–	Fair value increment on investment properties	12	–	220
–	Rental income	15e	6,735	–
–	Net share of interests in joint ventures and associates using the equity method	20	555	291
315,903	Total income from continuing operations		327,456	338,534
Expenses from continuing operations				
117,908	Employee benefits and on-costs	5a	122,912	122,445
2,722	Borrowing costs	5b	3,052	3,337
60,072	Materials and contracts	5c	60,934	57,432
66,276	Depreciation and amortisation	5d	60,845	61,781
35,426	Other expenses	5e	36,497	34,571
–	Net losses from the disposal of assets	6	5,686	6,856
–	Fair value decrement on investment properties	12	1,998	–
282,404	Total expenses from continuing operations		291,924	286,422
33,499	Operating result from continuing operations		35,532	52,112
33,499	Net operating result for the year		35,532	52,112
33,499	Net operating result attributable to council		35,532	52,112
(9,428)	Net operating result for the year before grants and contributions provided for capital purposes		(11,940)	(7,544)

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		35,532	52,112
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	11	57,580	196,818
Total items which will not be reclassified subsequently to the operating result		57,580	196,818
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Gain/(loss) on revaluation of equity instruments at fair value through other comprehensive income		—	(32)
Total items which will be reclassified subsequently to the operating result when specific conditions are met		—	(32)
Total other comprehensive income for the year		57,580	196,786
Total comprehensive income for the year		93,112	248,898
Total comprehensive income attributable to Council		93,112	248,898

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	Restated 2019	Restated 1 July 2018
ASSETS				
Current assets				
Cash and cash equivalents	7(a)	56,051	25,187	26,491
Investments	7(b)	97,423	114,579	109,162
Receivables	8	21,667	36,620	26,926
Inventories	9a	381	337	306
Contract assets	14a	5,669	—	—
Other	9b	10,572	11,879	10,666
Total current assets		191,763	188,602	173,551
Non-current assets				
Investments	7(b)	4,000	15,056	22,203
Inventories	9a	5,972	5,948	5,835
Infrastructure, property, plant and equipment	11	2,655,487	2,570,098	2,322,084
Investment property	12	5,000	5,000	4,780
Intangible Assets	13	254	440	388
Right of use assets	15a	1,790	—	—
Investments accounted for using the equity method	20	3,484	2,929	2,638
Total non-current assets		2,675,987	2,599,471	2,357,928
Total assets		2,867,750	2,788,073	2,531,479
LIABILITIES				
Current liabilities				
Payables	16	30,592	30,006	26,754
Income received in advance	16	—	5,014	3,256
Contract liabilities	14b	3,572	—	—
Lease liabilities	15b	341	—	—
Borrowings	16	5,260	7,934	7,716
Provisions	17	61,084	58,214	50,377
Total current liabilities		100,849	101,168	88,103
Non-current liabilities				
Payables	16	—	385	700
Lease liabilities	15b	1,519	—	—
Borrowings	16	12,439	17,497	25,039
Provisions	17	39,776	47,054	44,566
Total non-current liabilities		53,734	64,936	70,305
Total liabilities		154,583	166,104	158,408
Net assets		2,713,167	2,621,969	2,373,071
EQUITY				
Accumulated surplus	18	1,498,309	1,468,848	1,416,231
Revaluation reserves	18	1,214,858	1,153,065	956,752
Other reserves	18	—	56	88
Council equity interest		2,713,167	2,621,969	2,373,071
Total equity		2,713,167	2,621,969	2,373,071

The comparative years have been restated for prior period errors as disclosed in Note 18. Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20				as at 30/06/19			
		Accumulated surplus	IPP&E revaluation reserve	Investment Revaluation Reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Investment Revaluation Reserve	Total equity
Opening balance		1,468,848	1,153,065	56	2,621,969	1,441,990	965,325	–	2,407,315
Correction of prior period errors	18b	–	–	–	–	(25,649)	(8,573)	–	(34,222)
Adoption of new accounting standards – not retrospective	18c	–	–	–	–	(110)	–	88	(22)
Changes due to AASB 1058 and AASB 15 adoption	18c-ii	(1,914)	–	–	(1,914)	–	–	–	–
Restated opening balance		1,466,934	1,153,065	56	2,620,055	1,416,231	956,752	88	2,373,071
Net operating result for the year		35,532	–	–	35,532	52,112	–	–	52,112
Other comprehensive income									
– Gain (loss) on revaluation of IPP&E	11	–	57,580	–	57,580	–	196,818	–	196,818
– Gain/(loss) on revaluation of equity instruments at fair value through other comprehensive income		–	–	–	–	–	–	(32)	(32)
Other comprehensive income		–	57,580	–	57,580	–	196,818	(32)	196,786
Total comprehensive income		35,532	57,580	–	93,112	52,112	196,818	(32)	248,898
Transfers between equity items		(4,157)	4,213	(56)	–	505	(505)	–	–
Equity – balance at end of the reporting period		1,498,309	1,214,858	–	2,713,167	1,468,848	1,153,065	56	2,621,969

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
204,734	Rates and annual charges		203,414	198,536
33,665	User charges and fees		29,485	35,009
4,882	Investment and interest revenue received		4,130	4,859
57,041	Grants and contributions		68,394	74,808
–	Bonds, deposits and retention amounts received		1,701	3,060
10,130	Other		24,185	25,603
Payments:				
(115,745)	Employee benefits and on-costs		(118,396)	(116,018)
(94,943)	Materials and contracts		(72,791)	(76,382)
(870)	Borrowing costs		(910)	(1,096)
–	Bonds, deposits and retention amounts refunded		(1,405)	(907)
–	Other		(35,081)	(33,844)
98,894	Net cash provided (or used in) operating activities	19b	102,726	113,628
Cash flows from investing activities				
Receipts:				
752	Sale of investment securities		69,835	61,106
1,292	Sale of infrastructure, property, plant and equipment		958	1,920
Payments:				
–	Purchase of investment securities		(41,173)	(59,267)
–	Purchase of investment property		(1,998)	–
(99,795)	Purchase of infrastructure, property, plant and equipment		(91,213)	(110,578)
–	Purchase of real estate assets		(24)	(113)
–	Purchase of intangible assets		–	(285)
(97,751)	Net cash provided (or used in) investing activities		(63,615)	(107,217)
Cash flows from financing activities				
Payments:				
(7,913)	Repayment of borrowings and advances		(7,935)	(7,715)
–	Lease liabilities (principal repayments)		(312)	–
(7,913)	Net cash flow provided (used in) financing activities		(8,247)	(7,715)
(6,770)	Net increase/(decrease) in cash and cash equivalents		30,864	(1,304)
123,788	Plus: cash and cash equivalents – beginning of year	19a	25,187	26,491
117,018	Cash and cash equivalents – end of the year	19a	56,051	25,187
13,002	plus: Investments on hand – end of year	7(b)	101,423	129,635
130,020	Total cash, cash equivalents and investments		157,474	154,822

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Contents of the Notes accompanying the General Purpose Financial Statements

Note	Details	Page
1	Basis of preparation	10
2(a)	Council functions/activities – financial information	13
2(b)	Council functions/activities – component descriptions	14
3	Revenue from continuing operations	15
4	Interest and investment income	24
5	Expenses from continuing operations	25
6	Gain or loss from disposal of assets	31
7(a)	Cash and cash equivalents	32
7(b)	Investments	32
7(c)	Restricted cash, cash equivalents and investments	34
8	Receivables	36
9	Inventories and other assets	38
10	Non-current assets classified as held for sale	39
11	Infrastructure, property, plant and equipment	40
12	Investment properties	43
13	Intangible assets	45
14	Contract assets and liabilities	46
15	Leases	48
16	Payables and borrowings	52
17	Provisions	55
18	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	59
19	Statement of cash flow information	66
20	Interests in other entities	67
21	Commitments	70
22	Contingencies	71
23	Financial risk management	73
24	Material budget variations	76
25	Fair Value Measurement	78
26	Related party disclosures	87
27	Events occurring after the reporting date	89
28	Statement of developer contributions	89
29	Result by fund	92
30(a)	Statement of performance measures – consolidated results	92
Additional Council disclosures (unaudited)		
30(b)	Statement of performance measures – consolidated results (graphs)	93
31	Council information and contact details	95

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 26 October 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

Basis of preparation

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

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 24 – Material budget variations

and are clearly marked.

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

- (i) estimated fair values of investment properties – refer Note 12
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 11
- (iii) estimated tip remediation provisions – refer Note 17
- (iv) employee benefit provisions – refer Note 17.

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Monies and other assets received by Council

(a) The Consolidated Fund

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

(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:

- WCC Trust Account (deposits from sale of land/properties due to unpaid rates)
- Lord Mayor's Relief Fund
- Art Gallery (bequeaths/donations)
- Environment Foundation Gift Trust

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.

Volunteer services

Council is supported by a range of volunteers for services including surf lifesaving, bush care, community transport and library programs. Volunteer services are required to be recognised in the financial statements if they can be measured reliably, are material, and would be purchased if not provided by the volunteers. In most instances Council would not purchase the service if it was not provided by volunteers.

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 by the Australian Accounting Standards Board that are not mandatory for the 30 June 2020 reporting period. The following standards are effective for the reporting period ending 30 June 2021:

- AASB 1059 *Service Concession Arrangements: Grantors*
- AASB 2018-5 *Amendments to Australian Accounting Standards - Deferral of AASB 1059*
- AASB 2019-2 *Amendments to Australian Accounting Standards - Implementation of AASB 1059*

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

As at the date of authorisation of these financial statements Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2019:

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

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 18.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Planning and engagement	20,375	27,520	26,651	28,058	(6,276)	(538)	179	273	307,367	258,471
Environment	47,273	49,350	60,192	61,691	(12,919)	(12,341)	1,697	2,941	552,506	470,695
Transport services/infrastructure	13,001	29,491	54,593	50,189	(41,592)	(20,698)	10,179	26,623	959,827	476,782
Community services/facilities	8,226	8,155	34,179	33,661	(25,953)	(25,506)	4,803	4,732	23,509	37,374
Recreation and open space	11,951	13,954	52,905	47,796	(40,954)	(33,842)	188	367	137,192	79,719
Regulatory services and safety	7,749	8,241	20,599	19,284	(12,850)	(11,043)	830	476	5,685	1,527
Governance and internal services	197,581	194,427	42,805	45,743	154,776	148,684	17,702	16,983	881,664	1,463,505
Contributed Assets	21,300	7,396	–	–	21,300	7,396	–	–	–	–
Total functions and activities	327,456	338,534	291,924	286,422	35,532	52,112	35,578	52,395	2,867,750	2,788,073

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Planning and engagement

Infrastructure Planning and Support, City Centre Management, Land Use Planning, Public Relations, Economic Development, Strategy and Planning

Environment

Waste Management, Stormwater Services, Natural Area Management, Environmental Planning and Programs

Transport services/infrastructure

Transport Services and Infrastructure works

Community services/facilities

Libraries, Cultural Services, Community Facilities, Age and Disability Services, Memorial Gardens and Cemeteries, Community Programs, Youth Services

Recreation and open space

Parks and Sports fields, Aquatic Services, Tourist Parks, Leisure Centres, Botanic Gardens

Regulatory services and safety

Emergency Management, Development Assessment, Regulatory Control, Public Health

Governance and internal services

Governance and Administration, Human Resources, Financial Services, Customer Service, Property Services, Information Technology, Internal Services

Contributed Assets

Contributed assets relate mainly to the handover of transport and stormwater assets from various subdivisions in the West Dapto area.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	119,693	115,655
Farmland	1058 (1)	316	313
Mining	1058 (1)	938	914
Business	1058 (1)	48,263	46,927
Less: pensioner rebates (mandatory)	1058 (1)	(2,845)	(2,902)
Less: pensioner rebates (Council policy)	1058 (1)	(339)	(377)
Abandonments	1058 (1)	(392)	(42)
Rates levied to ratepayers		165,634	160,488
Pensioner rate subsidies received	1058 (1)	1,578	1,596
Total ordinary rates		167,212	162,084
Special rates			
City centre	1058 (1)	410	403
Mall	1058 (1)	1,137	1,107
Total special rates		1,547	1,510
Annual charges			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1058 (1)	34,954	34,560
Stormwater management services	1058 (1)	1,844	1,831
Less: pensioner rebates (mandatory)	1058 (1)	(766)	(797)
Less: pensioner rebates (Council policy)	1058 (1)	(86)	(97)
Abandonments – annual charges ¹	1058 (1)	(12)	(5)
Pensioner subsidies received:			
– Domestic waste management	1058 (1)	425	438
Total annual charges		36,359	35,930
TOTAL RATES AND ANNUAL CHARGES		205,118	199,524

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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 which is the beginning of the rating period to which they relate.

Prepaid rates are recognised as a financial liability until the beginning of the rating period.

Pensioner rebates (mandatory) relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government area that are subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates (mandatory) and are in substance a rates payment.

2019 accounting policy

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

(1) Abandonments refer to amounts owed to Council that have been written off due to the property being exempted of rates, pensioner interest being waived, voluntary Council rebates, postponed rates and voluntary conservation agreements as per the OLG Rating and Revenue Raising Manual 2007.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Waste management services (non-domestic)	15 (1)	8,186	9,632
Contestable building services	15 (1)	329	386
Inspection services	15 (1)	319	509
Planning and building regulation	15 (1)	2,840	2,790
Registration fees	15 (1)	179	233
Section 10.7 certificates (EP&A Act)	15 (1)	523	517
Section 603 certificates (rating certificate)	15 (1)	294	261
Section 611 charges (occupation of land)	15 (1)	161	192
Additional waste services	15 (1)	131	91
Art gallery	15 (1)	8	11
Car parking	15 (1)	882	852
Crematorium and cemeteries	15 (1)	1,679	1,495
Credit card payment processing fee	15 (1)	128	139
Design review meeting application fees	15 (1)	134	113
Golf course	15 (1)	532	567
Health inspections	15 (1)	291	293
Hire charges (2019 only)		–	601
Leaseback fees – Council vehicles (2019 only)		–	679
Library	15 (1)	38	44
Marketing	15 (1)	29	39
Outdoor dining	15 (1)	75	92
Parking meters	15 (1)	1,134	1,172
Pre-lodgement meeting fees	15 (1)	96	113
Recreation	15 (1)	3,499	4,152
Road opening permits	15 (1)	297	363
Stallholder fees	15 (1)	64	119
Tree management requests	15 (1)	91	85
Tourist parks	15 (2)	6,675	7,135
Other	15	81	118
TOTAL USER CHARGES AND FEES		28,695	32,793

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for user charges and fees

Revenue arising from user charges and fees is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence.

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(c) Other revenues			
Diesel rebate	1058 (1)	162	197
Fines	1058 (1)	539	645
Fines – parking	1058 (1)	1,967	2,426
Insurance claims recoveries	1058 (1)	108	325
Legal fees recovery – rates and charges (extra charges)	1058 (1)	268	180
Legal settlements	1058 (1)	65	25
Outgoings reimbursements	1058 (1)	119	129
Reimbursements	1058 (1)	272	295
Rental income – investment property (2019 only)		–	389
Rental income – other council properties (2019 only)		–	4,676
Sales – general	15 (1)	943	2,183
Sponsorship and promotional income	1058 (1)	12	50
Other	1058 (1)	339	605
TOTAL OTHER REVENUE		4,794	12,125

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for other revenue

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

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

2019 accounting policy:

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance	1058 (1)	19,236	18,596	—	—
Total general purpose		19,236	18,596	—	—
Specific purpose (tied)					
Arts and culture	1058 (1)	—	79	—	—
Buildings	1058 (1)	22	—	—	—
Community development and support	1058 (1)	277	286	—	—
Economic development	1058 (1)	12	—	—	—
Emergency services	1058 (1)	727	418	—	—
Environmental management and enhancement	1058 (1)	107	2	—	—
Environmental programs	1058 (1)	99	58	—	—
Floodplain and stormwater management	1058	140	173	90	1,072
HACC community transport	1058 (1)	2,700	2,629	—	—
Heritage and cultural	1058	10	19	(15)	—
Information technology	1058	7	—	87	—
Library	1058 (1)	596	450	—	—
LIRS subsidy	1058 (1)	724	835	—	—
Local bus route subsidy	1058 (1)	99	79	—	—
Natural area management	1058 (1)	305	197	—	—
Parks, gardens and sportsfields	1058	151	—	159	545
People and learning	1058 (1)	46	74	—	—
Recreation and culture	1058	115	—	38	36
Regulatory control	1058 (1)	4	—	—	—
Social support programs ¹	1058 (1)	1,227	1,223	—	—
Strategic city planning	1058 (1)	57	95	—	—
Street lighting	1058 (1)	714	700	—	—
Transport (other roads and bridges funding)	1058 (2)	—	99	5,501	21,691
Transport (roads to recovery)	1058 (2)	—	—	1,219	1,433
Voluntary purchase scheme	1058 (2)	—	—	889	1,390
Waste performance improvement	1058 (1)	235	216	—	—
Total specific purpose		8,374	7,632	7,968	26,167
Total grants		27,610	26,228	7,968	26,167
Grant revenue is attributable to:					
– Commonwealth funding		23,093	18,679	1,064	8,266
– State funding		4,517	7,549	6,050	17,901
– Other funding		—	—	854	—
		27,610	26,228	7,968	26,167

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

(1) The description on this item has been updated from Wollongong multi service outlet to more accurately reflect the purpose of this funding.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services	1058 (1)	–	–	–	13,305	17,848
S 7.12 – fixed development consent levies	1058 (1)	–	–	–	4,806	5,805
Total cash contributions		–	–	–	18,111	23,653
Non-cash contributions						
Planning agreements	1058 (1)	–	–	–	1,272	–
Total non-cash contributions		–	–	–	1,272	–
Total developer contributions	28	–	–	–	19,383	23,653
Other contributions:						
Cash contributions						
Buildings	1058 (2)	–	–	–	32	1,003
Community development and support	1058 (1)	76	89	–	–	–
Community services and facilities	1058 (1)	418	561	–	–	–
Floodplain and stormwater management	1058 (1)	(70)	299	–	–	–
Heritage/cultural		–	–	–	–	5
Parks, gardens and sportsfields	1058	10	17	–	205	1,306
People and learning	1058 (1)	160	74	–	–	–
Pollution minimisation	1058 (1)	288	118	–	–	–
RMS contributions (regional roads, block grant)	1058 (1)	1,600	1,431	–	–	–
Roads and bridges	1058 (1)	36	39	–	–	125
Total cash contributions		2,518	2,628	237	237	2,439
Non-cash contributions						
Bushfire services	1058 (1)	–	–	–	122	748
Dedications – subdivisions (other than by s7.11)	1058 (1)	–	–	–	19,566	6,403
Wollongong City Gallery collection	1058 (1)	–	–	–	196	246
Volunteer Services ¹	1058 (2)	599	–	–	–	–
Total non-cash contributions		599	–	–	19,884	7,397
Total other contributions		3,117	2,628	20,121	20,121	9,836
Total contributions		3,117	2,628	39,504	39,504	33,489
TOTAL GRANTS AND CONTRIBUTIONS		30,727	28,856	47,472	47,472	59,656

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Accounting policy for grants and contributions

Accounting policy from 1 July 2019

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue are recognised when control of each performance obligations is satisfied.

The performance obligations are varied based on the agreement. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Grant income

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Councils considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received

Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

For acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by the Council.

Contributions

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Accounting policy prior to 1 July 2019

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and revenue is recognised at this time 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.

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

(1) In prior financial years, Council has not recognised the support provided through volunteers as they would not be purchased. During 2019-2020, events relating to the COVID-19 pandemic have required Council to reassess some of the support provided to them by volunteers.

\$ '000	2020	2019
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(f) Unspent grants and contributions – external restrictions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.

Operating grants

Unexpended at the close of the previous reporting period	3,294	2,637
Reclassification between capital and operating grants	(508)	–
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	1,232
Add: operating grants received for the provision of goods and services in a future period	864	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(575)
Less: operating grants received in a previous reporting period now spent and recognised as income	(528)	–
Unexpended and held as externally restricted assets (operating grants)	3,122	3,294

Capital grants

Unexpended at the close of the previous reporting period	60	78
Reclassification between capital and operating grants	508	–
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	8
Add: capital grants received for the provision of goods and services in a future period	173	–
Less: capital grants recognised in a previous reporting period now spent (2019 only)	–	(26)
Less: capital grants received in a previous reporting period now spent and recognised as income	(295)	–
Unexpended and held as externally restricted assets (capital grants)	446	60

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
Contributions		
Unexpended at the close of the previous reporting period	36,814	18,990
Add: contributions recognised as income in the current period but not yet spent	–	18,180
Add: contributions received for the provision of goods and services in a future period	8,844	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate (2019 only)	–	–
Less: contributions recognised in a previous reporting period now spent	(10,209)	(356)
Unexpended and held as externally restricted assets (contributions)	35,449	36,814

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	379	606
– Cash and investments	3,122	4,227
Dividend income relating to investments held at fair value through other comprehensive income	139	95
Fair value adjustments		
– Movements in investments at fair value through profit and loss	(280)	141
Finance income on the net investment in the lease	–	–
Total Interest and investment income	3,360	5,069

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Employee leave entitlements (ELE) ¹	17,540	20,101
Salaries and wages ²	104,019	99,408
Superannuation	12,186	11,869
Change in workers compensation provision	534	2,209
Workers compensation – self insurance	1,876	1,791
Fringe benefit tax (FBT)	175	145
Payroll tax	25	33
Training costs (other than salaries and wages)	586	859
Protective clothing	426	349
Labour hire	273	475
Other	247	364
Total employee costs	137,887	137,603
Less: capitalised costs	(14,975)	(15,158)
TOTAL EMPLOYEE COSTS EXPENSED	122,912	122,445

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 22 for more information.

- (1) Employee leave entitlements reflect the current value of the future payments which are discounted based on published long term government bond rates. The average discount factor reduced from 2.6% in June 2018 to 1.2% in June 2019 resulting in a larger than anticipated movement in the provision during 2018-2019. This trend has continued into 2019-2020 as the average discount rate reduced to 0.6% in June 2020.
- (2) The salary and wages increase in 2019/20 compared to 2018/19 is due to indexation of salaries in accordance with the enterprise agreement, a number of fixed duration projects that required additional specialised labour resources and a reduction in employee leave takings attributed to COVID-19 impacts. Leave takings are charged to the balance sheet, and a reduction in these will reflect as an increase in current year expenses.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on leases		65	–
Interest on loans		845	1,096
Total interest bearing liability costs		910	1,096
Total interest bearing liability costs expensed		910	1,096
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	17	1,939	1,850
Amortisation of discount on interest free (& favourable) loans to council		203	391
Total other borrowing costs		2,142	2,241
TOTAL BORROWING COSTS EXPENSED		3,052	3,337

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 as incurred.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	27,560	17,208
Contractor and consultancy costs	67,922	94,996
– Waste Contractor	18,407	17,546
– Road Works Contractor	2,699	3,468
– Building Contractor	2,129	2,360
– Parks Contractor	2,315	2,065
– Cleaning Contractor	1,154	960
– Security Contractor	1,085	1,120
– Software Maintenance and Support Contractor	2,953	4,229
– Internal audit	76	144
Auditors remuneration ¹	190	162
Legal expenses:		
– Planning and development	112	–
– Other	831	866
Operating leases expense (2019 only):		
– Minimum lease payments	–	327
Total materials and contracts	127,433	145,451
Less: capitalised costs	(66,499)	(88,019)
TOTAL MATERIALS AND CONTRACTS	60,934	57,432

Accounting policy for materials and contracts

Expenses are recorded on an accruals basis as the council receives the goods or services.

Operating leases (2019 only)

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. Auditor remuneration

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

Auditors of the Council - NSW Auditor-General:**(i) Audit and other assurance services**

Audit and review of financial statements	150	154
Remuneration for audit and other assurance services	150	154
Total Auditor-General remuneration	150	154

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

Other audit and assurance services	40	8
Remuneration for audit and other assurance services	40	8
Total remuneration of non NSW Auditor-General audit firms	40	8
Total Auditor remuneration	190	162

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		4,586	4,334
Office equipment		1,057	988
Furniture and fittings		298	269
Infrastructure:	11		
– Bridges		1,951	1,941
– Buildings – non-specialised ¹		3,757	5,186
– Buildings – specialised ¹		5,507	6,535
– Footpaths		4,172	4,021
– Other open space/recreational assets		3,690	3,668
– Other structures		584	582
– Roads		20,289	20,460
– Stormwater drainage		10,562	10,246
– Swimming pools		499	475
Right of use assets	15	382	–
Other assets:			
– Library books		1,164	1,162
– Other		2,043	1,541
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	17,11	118	141
Intangible assets	13	186	232
Total gross depreciation and amortisation costs		60,845	61,781
Total depreciation and amortisation costs		60,845	61,781
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS		60,845	61,781

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 11 for IPPE assets, Note 13 for intangible assets and Note 15 for right-of-use 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

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.

(1) The buildings asset classes were revalued as at 30 June 2019, causing a reduction in the depreciation expense resulting from the extension of the asset useful lives.

\$ '000	2020	2019
(e) Other expenses		
Advertising	279	286
Bad and doubtful debts	471	138
Bank charges	646	612
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	336	287
– NSW fire brigade levy	3,053	2,769
– NSW rural fire service levy	603	480
– Waste and environment levy	10,983	11,890
Councillor expenses – mayoral fee	100	97
Councillor expenses – councillors' fees	406	401
Councillors' expenses (incl. mayor) – other (excluding fees above)	54	128
Donations, contributions and assistance to other organisations (Section 356)		
– City Centre management	20	27
– Illawarra Institute of Sport	37	35
– Illawarra Joint Project Organisation	55	61
– Illawarra Performing Arts Centre	718	999
– Illawarra Regional Information Service	88	88
– Illawarra Surf Life Saving	56	55
– Neighbourhood youth program	–	115
– Sponsorship fund	61	53
– Tourism	1,436	1,410
– Wollongong Shuttle Service	350	350
– Other	861	690
Insurance	2,885	2,737
Light, electricity and heating	2,253	1,987
Membership fees	167	213
Prior year works in progress 'write offs' ¹	8,048	–
Postage	527	446
Provision for asset remediation ²	(5,558)	–
Provision for self insurance claims	(4)	(26)
Rental agreements	4	57
Royalty payments	315	343
Sewerage charges	264	185
Street lighting	3,345	3,500
Telephone and communications	856	627
Valuation fees	408	447
Volunteer reimbursements	232	280
Water rates	1,225	735
Other	1,107	2,689
Total other expenses	36,687	35,191
Less: capitalised costs	(190)	(620)
TOTAL OTHER EXPENSES	36,497	34,571

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

Accounting policy for other expenses

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

- (1) During 2019-2020, capital expenditure previously included in Works in Progress was transferred to operating expenses. This includes capital works to deliver assets not under the control of Council such as traffic facilities and street lighting.
- (2) Each financial year a provision for the remediation of Council's waste facility is calculated based on the forecast costs to rehabilitate the site. The movements in the provision are generally recognised against the value of the corresponding tip asset (refer to Note 11). During 2019-2020, a reduction in the forecast rehabilitation costs caused a reduction in the provision beyond the carrying value of the asset. The balance of this adjustment and all future adjustments to the provision will be recognised through other expenses.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Proceeds from disposal – property		12	30
Less: carrying amount of property assets sold/written off		(26)	(10)
Net gain/(loss) on disposal		(14)	20
Plant and equipment			
	11		
Proceeds from disposal – plant and equipment		946	1,890
Less: carrying amount of plant and equipment assets sold/written off		(1,029)	(870)
Net gain/(loss) on disposal		(83)	1,020
Infrastructure			
	11		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off ¹		(6,319)	(7,895)
Net gain/(loss) on disposal		(6,319)	(7,895)
Investments			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments ²		69,835	61,106
Less: carrying amount of investments sold/redeemed/matured		(69,105)	(61,106)
Net gain/(loss) on disposal		730	–
Intangible assets			
	13		
Proceeds from disposal – intangible assets		–	–
Less: carrying amount of intangible assets sold/written off		–	(1)
Net gain/(loss) on disposal		–	(1)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(5,686)	(6,856)

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.

(1) The increased expense is the result of replacing and disposing of asset that have not been fully depreciated and have a book value at the time of disposal. During 2019-2020, the disposal of the Whytes Gully MRF Warehouse and replacement of stormwater assets has had a significant impact on the losses recognised.

(2) During 2019-2020, Council sold their shares in Southern Phones resulting in a gain on the disposal of investments.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents ¹		
Cash on hand and at bank	2,005	1,968
Cash-equivalent assets		
– Deposits at call	13,932	10,218
– Managed funds	40,114	10,001
– Short-term deposits	–	3,000
Total cash and cash equivalents	56,051	25,187

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.

(1) In response to the COVID-19 pandemic to ensure Council had adequate funds to meet cash flow requirements, Council did not enter into any new investments in the last quarter of the financial year. This has resulted in a higher level of cash and cash equivalents in comparison to prior financial years.

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Designated at fair value on initial recognition'	46,393	–	47,549	–
b. 'Financial assets at amortised cost'	51,030	4,000	67,030	15,000
d. 'Financial assets at fair value through other comprehensive income' ¹	–	–	–	56
Total Investments	97,423	4,000	114,579	15,056
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	153,474	4,000	139,766	15,056
Financial assets at fair value through the profit and loss				
Managed funds	2,307	–	2,304	–
NCD's, FRN's (with maturities > 3 months)	42,464	–	43,582	–
Mortgage backed securities	1,622	–	1,663	–
Total	46,393	–	47,549	–
Financial assets at amortised cost				
Long term deposits	51,030	4,000	67,030	15,000
Total	51,030	4,000	67,030	15,000
Financial assets at fair value through other comprehensive income				
Unlisted equity securities	–	–	–	56
Total	–	–	–	56

(1) This investment was sold during 2019-2020.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

Accounting policy for investments

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

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

Financial assets

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

Classification

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

- amortised cost
- fair value through profit 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, term deposits 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.

Fair value through other comprehensive income – equity instruments

Council had strategic investment in an entity over which they did not have significant influence nor control. Council made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they were not held for trading purposes.

These investments were carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). This investment was sold during the 2019-2020 financial year. On disposal the balance in the financial asset reserve was transferred to accumulated surplus and not reclassified to profit and loss.

Other net gains and losses excluding dividends and profit on sale are recognised in OCI.

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 in the Statement of Financial Position.

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	153,474	4,000	139,766	15,056
attributable to:				
External restrictions	71,470	4,000	62,601	15,056
Internal restrictions	62,675	–	61,203	–
Unrestricted	19,329	–	15,962	–
	153,474	4,000	139,766	15,056

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)	399	–
RMS contributions	350	–
Private contributions	339	–
External restrictions – included in liabilities	1,088	–

External restrictions – other

Developer contributions – general ^A	35,099	36,768
RMS contributions ^B	–	46
Specific purpose unexpended grants (recognised as revenue) – general fund ^C	3,169	3,354
Stormwater management ^D	1,860	1,668
Unexpended loan ^E	2,686	3,470
Private contributions	5,828	5,761
Special rates levy – Wollongong mall	214	135
Domestic waste management ^D	14,216	13,763
Special rates levy – city centre	49	40
Local infrastructure renewal scheme round 3 ^F	274	1,867
West Dapto home deposit assistance program	10,987	10,785
External restrictions – other	74,382	77,657

Total external restrictions

	75,470	77,657
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Internal restrictions

Car parking strategy	2,195	1,629
Darcy Wentworth Park	171	171
Maccabe Park development	1,440	1,290
Sports Priority Program	938	644
Waste Disposal Facility	561	(638)
West Dapto Development	6,067	5,076
Strategic Projects	42,900	44,015
Property Investment Fund	7,889	8,416
Southern Phone natural areas	173	267
Lake Illawarra Estuary Management Fund	341	333
Total internal restrictions	62,675	61,203

TOTAL RESTRICTIONS

	138,145	138,860
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(A) Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans.

Notes to the Financial Statements

for the year ended 30 June 2020

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

- (B) RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- (C) Grants which are not yet expended for the purposes for which the grants were obtained.
- (D) Domestic Waste Management and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.
- (E) State Government interest free loan to be administered on infrastructure as part of the West Dapto development.
- (F) State Government subsidised loans to be administered on infrastructure projects over the Local Government Area.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	13,104	–	9,023	–
Interest and extra charges	1,477	–	1,543	–
User charges and fees	3,656	–	5,942	–
Accrued revenues				
– Interest on investments	447	–	871	–
– Other income accruals	1,162	–	1,744	–
Government grants and subsidies (2019 only)	–	–	16,517	–
Net GST receivable	2,652	–	1,457	–
Total	22,498	–	37,097	–
Less: provision of impairment				
User charges and fees ¹	(831)	–	(477)	–
Total provision for impairment – receivables	(831)	–	(477)	–
TOTAL NET RECEIVABLES	21,667	–	36,620	–

(1) Council has adopted a policy in line with the National Code of Conduct for leasing arrangements during COVID-19. The provision has been increased to allow for potential rental waivers as a result of this policy position.

Restrictions applicable to receivables

There are no restrictions applicable to the above assets.

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Amount restated through opening retained earnings on adoption of AASB 9	–	110
Balance at the beginning of the year (calculated in accordance with AASB 139)	477	229
+ new provisions recognised during the year	489	170
– amounts already provided for and written off this year	(117)	–
– previous impairment losses reversed	(18)	(32)
Balance at the end of the year	831	477

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

Impairment

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, 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.

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 Council to actions such as realising security (if any is held)

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.

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1.

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

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.

None of the receivables that have been written off are subject to enforcement activity.

Where 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.

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	–	5,972	–	5,948
Stores and materials	381	–	337	–
Total inventories at cost	381	5,972	337	5,948
TOTAL INVENTORIES	381	5,972	337	5,948

(b) Other assets

Prepayments	10,572	–	11,879	–
TOTAL OTHER ASSETS	10,572	–	11,879	–

(i) Other disclosures

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Details for real estate development				
Residential	–	5,972	–	5,948
Total real estate for resale	–	5,972	–	5,948
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	–	5,948	–	5,835
Development costs	–	24	–	113
Total costs	–	5,972	–	5,948
Total real estate for resale	–	5,972	–	5,948
Movements:				
Real estate assets at beginning of the year	–	5,948	–	5,835
– Purchases and other costs	–	24	–	113
Total real estate for resale	–	5,972	–	5,948

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets (continued)

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.

Note 10. Non-current assets classified as held for sale

Council did not classify any non-current assets as held for sale during the 2019/20 financial year.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Infrastructure, property, plant and equipment

\$ '000	as at 30/06/19			Asset movements during the reporting period										as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Other movements - Transfer to Expense	Other movements - Waste Remediation Reassessment	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	119,950	—	119,950	51,948	29,146	—	—	(138,979)	—	(8,048)	—	—	—	54,017	—	54,017
Plant and equipment	42,040	(19,349)	22,691	4,327	—	(1,029)	(4,586)	—	—	—	—	—	—	42,203	(20,800)	21,403
Office equipment	8,118	(4,742)	3,376	934	—	—	(1,057)	29	—	—	—	—	—	7,497	(4,215)	3,282
Furniture and fittings	2,904	(807)	2,097	132	—	—	(298)	—	—	—	—	—	—	3,035	(1,104)	1,931
Land:																
– Operational land	249,843	—	249,843	—	4	(26)	—	—	—	—	—	—	—	249,821	—	249,821
– Community land	229,910	(760)	229,150	—	1,923	—	—	5	—	—	—	—	63,189	295,027	(760)	294,267
– Crown land	108,721	—	108,721	—	—	—	—	—	—	—	—	(5,664)	—	103,057	—	103,057
– Land under roads (post 30/6/08)	5,684	—	5,684	—	—	—	—	286	—	—	—	—	—	5,970	—	5,970
Infrastructure:																
– Buildings – non-specialised	213,464	(73,592)	139,872	—	—	(1,402)	(3,757)	5,575	(5,051)	—	—	—	—	210,898	(75,661)	135,237
– Buildings – specialised	326,555	(163,263)	163,292	—	—	(503)	(5,507)	3,497	5,019	—	—	—	—	332,125	(166,327)	165,798
– Other structures	13,971	(6,489)	7,482	—	—	(37)	(584)	2,324	61	—	—	—	—	16,204	(6,958)	9,246
– Roads	1,426,090	(856,091)	569,999	—	9,657	(2,022)	(20,289)	52,913	—	—	—	—	—	1,479,575	(869,317)	610,258
– Bridges	152,318	(53,579)	98,739	—	—	(18)	(1,951)	22,052	—	—	—	—	—	174,322	(55,500)	118,822
– Footpaths	291,660	(144,470)	147,190	—	3,343	(633)	(4,172)	12,507	—	—	—	—	—	305,485	(147,250)	158,235
– Stormwater drainage	947,790	(422,151)	525,639	—	7,838	(1,364)	(10,562)	8,542	—	—	—	—	55	961,129	(430,981)	530,148
– Swimming pools	29,738	(23,407)	6,331	—	—	(104)	(499)	3,635	—	—	—	—	—	32,093	(22,730)	9,363
– Other open space/recreational assets	158,109	(47,686)	110,423	137	—	(236)	(3,690)	7,714	(528)	—	—	—	—	163,782	(49,962)	113,820
Other assets:																
– Heritage collections	15,121	—	15,121	—	294	—	—	—	—	—	—	—	—	15,415	—	15,415
– Library books	8,162	(3,666)	4,496	1,230	—	—	(1,164)	—	—	—	—	—	—	8,159	(3,597)	4,562
– Other	49,066	(14,589)	34,477	—	—	—	(2,043)	17,902	499	—	—	—	—	67,702	(16,867)	50,835
Reinstatement, rehabilitation and restoration assets (refer Note 17):																
– Tip assets	14,817	(9,292)	5,525	—	—	—	(118)	—	—	—	(5,407)	—	—	9,410	(9,410)	—
Investment Property (refer to Note 12):																
Investment Property	—	—	—	—	—	—	—	1,998	—	—	—	—	—	—	—	—
Total Infrastructure, property, plant and equipment	4,414,031	(1,843,933)	2,570,098	58,708	52,205	(7,374)	(60,277)	—	—	(8,048)	(5,407)	(5,664)	63,244	4,536,926	(1,881,439)	2,655,487

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Infrastructure, property, plant and equipment (continued)

	as at 30/06/18			Asset movements during the reporting period											as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Restatement of Net Carrying Amount at 1/7/2018	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Waste Remediation reassessment	Transfer to expense	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000																	
Capital work in progress	99,074	–	99,074	–	35,231	38,340	–	–	(51,044)	–	(1,651)	–	–	–	119,950	–	119,950
Plant and equipment	43,048	(20,698)	22,350	(278)	5,822	–	(869)	(4,334)	–	–	–	–	–	–	42,040	(19,349)	22,691
Office equipment	7,500	(3,755)	3,745	–	619	–	–	(988)	–	–	–	–	–	–	8,118	(4,742)	3,376
Furniture and fittings	2,404	(537)	1,867	–	499	–	–	(269)	–	–	–	–	–	–	2,904	(807)	2,097
Land:																	
– Operational land	170,106	–	170,106	(7,214)	–	2,467	(10)	–	–	(159)	–	–	–	84,653	249,843	–	249,843
– Community land	230,990	(760)	230,230	(4,726)	–	3,564	–	–	–	82	–	–	–	–	229,910	(760)	229,150
– Crown land	108,721	–	108,721	–	–	–	–	–	–	–	–	–	–	–	108,721	–	108,721
– Land under roads (post 30/6/08)	30,165	–	30,165	(26,182)	–	150	–	–	–	77	–	–	–	1,474	5,684	–	5,684
Infrastructure:																	
– Buildings – non-specialised	203,416	(123,640)	79,776	(174)	39	5	(212)	(5,186)	2,958	–	–	–	–	62,666	213,464	(73,592)	139,872
– Buildings – specialised	319,580	(202,440)	117,140	(101)	1,095	147	(1,580)	(6,535)	8,316	(149)	–	–	–	44,959	326,555	(163,263)	163,292
– Other structures	15,544	(8,935)	6,609	–	69	99	–	(582)	149	(9)	–	–	–	1,147	13,971	(6,489)	7,482
– Roads	1,401,805	(849,463)	552,342	215	9,021	12,707	(4,549)	(20,460)	19,810	913	–	–	–	–	1,426,090	(856,091)	569,999
– Bridges	150,163	(51,637)	98,526	–	933	1,314	(355)	(1,941)	262	–	–	–	–	–	152,318	(53,579)	98,739
– Footpaths	279,783	(143,942)	135,841	(368)	1,593	661	(572)	(4,021)	15,022	(966)	–	–	–	–	291,660	(144,470)	147,190
– Stormwater drainage	931,671	(407,815)	523,856	4,617	2,776	3,119	(518)	(10,246)	1,989	46	–	–	–	–	947,790	(422,151)	525,639
– Swimming pools	30,218	(22,933)	7,285	–	–	–	–	(475)	–	(479)	–	–	–	–	29,738	(23,407)	6,331
– Other open space/recreational assets	157,008	(45,553)	111,455	(11)	286	810	(110)	(3,668)	1,033	644	–	–	(16)	–	158,109	(47,686)	110,423
Other assets:																	
– Heritage collections	12,842	–	12,842	–	–	344	–	–	–	–	–	–	–	1,935	15,121	–	15,121
– Library books	8,158	(3,707)	4,451	–	1,207	–	–	(1,162)	–	–	–	–	–	–	8,162	(3,666)	4,496
– Other	47,249	(13,048)	34,201	–	47	265	–	(1,541)	1,505	–	–	–	–	–	49,066	(14,589)	34,477
Reinstatement, rehabilitation and restoration assets (refer Note 17):																	
– Tip assets	14,875	(9,151)	5,724	–	–	–	–	(141)	–	–	–	(58)	–	–	14,817	(9,292)	5,525
Investment Property (refer to Note 12):																	
Investment Property (refer to Note 12):																	
Total Infrastructure, property, plant and equipment	4,264,320	(1,908,014)	2,356,306	(34,222)	59,237	63,992	(8,775)	(61,549)	–	–	(1,651)	(58)	(16)	196,834	4,414,031	(1,843,933)	2,570,098

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. 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 at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	3 to 25	Playground equipment	10 to 15
Office furniture	5 to 34	Benches, seats etc.	10 to 20
Computer equipment	2 to 10		
Vehicles	3 to 20	Buildings	
Heavy plant/road making equipment	8 to 10	Buildings: masonry	50 to 196
Other plant and equipment	2 to 34	Buildings: other	2 to 50
Stormwater assets			
Drains	30 to 130		
Culverts	30 to 130		
Flood control structures	30 to 130		
Transportation assets		Other infrastructure assets	
Roads: seal	8 to 95	Bulk earthworks	Infinite
Roads: base	15 to 145	Swimming pools	40 to 100
Roads: sub-base	15 to 145	Other open space/recreational assets	3 to 115
Bridge: concrete	80	Other infrastructure	10 to 100
Bridge: other	20 to 80		
Kerb, gutter and footpaths	20 to 104		

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

Land under roads

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Infrastructure, property, plant and equipment (continued)

Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed".

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

Note 12. Investment properties

\$ '000	2020	2019
Owned investment property		
Investment property on hand at fair value	5,000	5,000
Total owned investment property	5,000	5,000

(a) Reconciliation – owned investment property

Reconciliation of annual movement:

Opening balance	5,000	4,780
– Capitalised expenditure	1,998	–
– Net gain/(loss) from fair value adjustments	(1,998)	220
CLOSING BALANCE – OWNED INVESTMENT PROPERTY	5,000	5,000

(b) Valuation basis (2019 only)

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

The 2019 revaluations were based on independent assessments made by: Brendan Carr Certified Practising Valuer.

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Investment properties (continued)

\$ '000	2020	2019
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(d) Leasing arrangements – Council as lessor (2019 only)

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

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

Within 1 year	–	371
Later than 1 year but less than 5 years	–	720
Total minimum lease payments receivable	–	1,091

Leases for Council's investment property are generally of a 5 year term with an option for a further 5 years. Rent is paid monthly in advance with tenants paying 100% of outgoings. Rent reviews are a mix of C.P.I. and market reviews. There is a requirement on tenants to hold \$20m public liability insurance.

\$ '000	2020	2019
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(e) Investment property income and expenditure – summary (2019 only)

Rental income from investment property:

– Minimum lease payments	–	389
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Direct operating expenses on investment property:

– that generated rental income	–	(140)
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Net revenue contribution from investment property	–	249
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plus:

Fair value movement for year	–	220
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Total income attributable to investment property	–	469
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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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
Software		
Opening values at 1 July		
Gross book value	2,506	2,333
Accumulated amortisation	(2,066)	(1,945)
Net book value – opening balance	440	388
Movements for the year		
– Purchases	–	285
– Amortisation charges	(186)	(232)
– Gross book value written off	–	(113)
– Accumulated amortisation charges written off	–	112
Closing values at 30 June		
Gross book value	2,345	2,506
Accumulated amortisation	(2,091)	(2,066)
Total software – net book value	254	440
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	254	440

Accounting policy for intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Contract assets and liabilities

\$ '000	2020 Current	2020 Non-current
(a) Contract assets		
Other	5,669	—
Total Contract assets	5,669	—

Impairment

Council recognises contract assets when performance obligations relating to a contract with a customer have been met before the funds are received. Any impairment of these assets is assessed annually taking into consideration that contract assets are only recognised when an enforceable contract is in place.

\$ '000	Notes	2020 Current	2020 Non-current
(b) Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	707	—
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	43	—
Unexpended capital contributions (to construct Council controlled assets)	(i)	339	—
Total grants received in advance		1,089	—
User fees and charges received in advance:			
Upfront fees	(iii)	2,483	—
Total user fees and charges received in advance		2,483	—
Total contract liabilities		3,572	—

Notes

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

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

(iii) Fees paid upfront for the delivery of specific Council services are recorded as a contract liability on receipt and recognised as revenue when the performance obligations are met.

\$ '000	2020
(i) Revenue recognised (during the financial year) from opening contract liability balances	
Capital grants (to construct Council controlled assets)	302
Capital contributions (to construct Council controlled assets)	42
Upfront fees	2,598
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	2,942

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Contract assets and liabilities (continued)

Significant changes in contract assets and liabilities

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

Accounting policy for contract assets and liabilities

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Leases

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

(i) Council as a lessee

Council has leases over land and buildings. Information relating to the leases in place and associated balances and transactions is provided below.

Land & Buildings

Council leases land and building for libraries and other operations; these leases are between 5 and 30 years and some include a renewal option to allow Council to renew the lease term. These leases contain an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

Extension options

Council includes extension options in some of their leases to provide flexibility and certainty to Council operations and reduce costs of moving premises. These extension options are at Council's discretion.

At commencement date and each subsequent reporting date, Council assesses where it is reasonably certain that the extension options will be exercised.

There are \$6.2M in potential future lease payments which are not included in lease liabilities as Council has assessed that the exercise of the option is not reasonably certain.

\$ '000	Land & Buildings	Total
(a) Right of use assets		
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	2,172	2,172
Depreciation charge	(382)	(382)
<u>BALANCE AT 30 JUNE 2020</u>	<u>1,790</u>	<u>1,790</u>

\$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liabilities	341	1,519
<u>TOTAL LEASE LIABILITIES</u>	<u>341</u>	<u>1,519</u>

(i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	341	972	547	1,860	1,860

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Leases (continued)

\$ '000	2020
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(c) Income Statement

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

Interest on lease liabilities	65
Depreciation of right of use assets	382
	447

(d) Statement of Cash Flows

Total cash outflow for leases	377
	377

Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of leases at significantly below market for land and infrastructure which are used for:

- pedestrian crossings and bridges
- boat ramp

The leases are generally for an extended period of time and require payments of a maximum amount of \$1,000 per year. Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

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

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

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

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

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

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

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

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

Exceptions to lease accounting

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases at significantly below market value / concessionary leases

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Leases (continued)

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

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

Refer to Note 5c and Note 16.

(ii) Council as a lessor

(e) Operating leases

Council leases out a number of properties; these leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property (refer note 12) and/or IPP&E in the Statement of Financial Position.

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

\$ '000	2020
(i) Operating lease income	
Investment properties	
Lease income (excluding variable lease payments not dependent on an index or rate)	392
Other lease income	
Room/Facility Hire	374
Leaseback fees - council vehicles	702
Other Council Properties	5,267
Total income relating to operating leases	6,735
(ii) Operating lease expenses	
Investment properties	
Direct operating expenses that generated rental income	142
Total expenses relating to operating leases	142

(iii) Repairs and maintenance: investment property

Refer to Note 21 Commitments for disclosures relating to any capital and service obligations that have been contracted.

(iv) Maturity analysis of contractual lease income: investment property

Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

< 1 year	428
1–2 years	287
2–3 years	156
3–4 years	67
Total undiscounted contractual lease income receivable	938

Accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Leases (continued)

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Prepaid rates	2,377	—	—	—
Goods and services – operating expenditure	3,633	—	3,302	—
Goods and services – capital expenditure	2,964	—	3,627	—
Accrued expenses:				
– Other expenditure accruals	16,504	—	18,299	—
Security bonds, deposits and retentions	4,054	—	3,758	—
Agency Funds	385	—	385	385
Other	675	—	635	—
Total payables	30,592	—	30,006	385
Income received in advance (2019 only)				
Payments received in advance	—	—	5,014	—
Total income received in advance	—	—	5,014	—
Borrowings				
Loans – secured ¹	5,260	12,439	7,934	17,497
Total borrowings	5,260	12,439	7,934	17,497
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>35,852</u>	<u>12,439</u>	<u>42,954</u>	<u>17,882</u>

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

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Loans	274	—	7,934	17,497
Total payables and borrowings relating to restricted assets	274	—	7,934	17,497
Total payables and borrowings relating to unrestricted assets	35,578	12,439	35,020	385
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>35,852</u>	<u>12,439</u>	<u>42,954</u>	<u>17,882</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Payables and borrowings (continued)

\$ '000	2020	2019
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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	3,202	3,088
Total payables and borrowings	3,202	3,088

(c) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	25,431	(7,934)	–	–	–	202	17,699
Lease liabilities	–	(377)	–	–	2,172	65	1,860
TOTAL	25,431	(8,311)	–	–	2,172	267	19,559

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	32,755	(7,716)	–	–	392	25,431
TOTAL	32,755	(7,716)	–	–	392	25,431

\$ '000	2020	2019
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(d) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities ¹	300	300
Credit cards/purchase cards	835	835
Total financing arrangements	1,135	1,135

Drawn facilities as at balance date:

– Credit cards/purchase cards	59	100
Total drawn financing arrangements	59	100

Undrawn facilities as at balance date:

– Bank overdraft facilities	300	300
– Credit cards/purchase cards	776	735
Total undrawn financing arrangements	1,076	1,035

Additional financing arrangements information**Breaches and defaults**

During the current and prior year, there were no defaults or breaches on any of the loans.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Payables and borrowings (continued)

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 and loans.

Payables

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

Borrowings

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	11,404	–	10,025	–
Sick leave	179	–	167	–
Long service leave	45,412	905	42,505	680
Other leave	1,209	–	1,097	–
Sub-total – aggregate employee benefits	58,204	905	53,794	680
Asset remediation/restoration:				
Asset remediation/restoration (future works)	500	32,867	2,292	40,647
Sub-total – asset remediation/restoration	500	32,867	2,292	40,647
Other provisions				
Self insurance – workers compensation	2,075	5,579	1,758	5,363
Self insurance – claims incurred	305	425	370	364
Sub-total – other provisions	2,380	6,004	2,128	5,727
<u>TOTAL PROVISIONS</u>	<u>61,084</u>	<u>39,776</u>	<u>58,214</u>	<u>47,054</u>

\$ '000	2020	2019
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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	47,811	43,517
	<u>47,811</u>	<u>43,517</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Provisions (continued)

(b) Description of and movements in provisions

\$ '000	Other provisions			Total
	Self Insurance: Workers compensation	Asset remediation	Self Insurance: Claims incurred	
2020				
At beginning of year	7,121	42,939	734	50,794
Additional provisions	2,503	—	—	2,503
Amounts used (payments)	(2,434)	—	—	(2,434)
Remeasurement effects	464	(10,965)	—	(10,501)
Unwinding of discount	—	1,939	—	1,939
Unused amounts reversed	—	—	(4)	(4)
Other	—	—	—	—
Expenditure incurred attributable to provisions	—	(546)	—	(546)
Total other provisions at end of year	7,654	33,367	730	41,751
2019				
At beginning of year	4,912	41,334	760	47,006
Additional provisions	2,108	—	—	2,108
Amounts used (payments)	(2,523)	—	—	(2,523)
Remeasurement effects	2,624	—	—	2,624
Unwinding of discount	—	1,850	—	1,850
Unused amounts reversed	—	(57)	(26)	(83)
Other	—	—	—	—
Expenditure incurred attributable to provisions	—	(188)	—	(188)
Total other provisions at end of year	7,121	42,939	734	50,794

Nature and purpose of non-employee benefit provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the open Whytes Gully Waste Disposal Depot and closed Helensburgh Waste Dapto Rehabilitation.

Self-insurance- workers compensation

To recognise liabilities for outstanding claims (uninsured losses) arising from Council's decision to undertake self-insurance for excesses up to \$750,000 on any individual claim. Claims beyond this are supported by an external insurance policy.

Self-insurance - claims incurred

To recognise liabilities for both (i) claims expected to be incurred but not reported and (ii) claims reported and estimated as a result of Council being self insurer up to an excess of \$100,000 on any individual claim.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Provisions (continued)

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 which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period. The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Asset Remediation/Restoration

Restoration

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date, and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process, and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

Other movements in the provisions for close-down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations, and revisions to discount rates, are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain,

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Provisions (continued)

Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Self-insurance - workers compensation

Council holds a level of self-insurance in the form of an excess layer of \$750,000 on any individual claim for workers compensation. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains a bank guarantee to meet expected future claims; refer to Note 22.

Self-insurance - claims incurred

Council holds a level of self-insurance in the form of an excess layer of \$100,000 on any individual claim for public liability and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. 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.

Investment revaluation reserve

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

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

Nature of prior-period error

As part of an ongoing inspection program and data cleansing process it was found that IPPE that Council owned had not been recognised (\$5M).

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2018) and taking the adjustment through to accumulated surplus at that date.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

\$ '000	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
Stormwater Drainage	523,470	5,003	528,473
Other Assets without variation	2,003,006	–	2,003,006
Total assets	2,526,476	5,003	2,531,479
Total liabilities	158,408	–	158,408
Reserves	956,840	–	956,840
Accumulated Surplus	1,411,228	5,003	1,416,231
Total equity	2,368,068	5,003	2,373,071

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

(i) AASB 15 and AASB 1058

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

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

Costs incurred in fulfilling customer contracts

Prior to adopting AASB 15 Council would have recognised direct costs associated with fulfilling customer contracts as expenses when incurred, as they did not qualify for recognition as assets under any other accounting standards. Under AASB 15, as these costs relate directly to the contracts, generate resources used in satisfying the contracts, and are expected to be recovered, they would be capitalised as 'costs to fulfil a contract' assets and released through profit and loss on the same basis as the revenue is recognised. Council has not assessed any of their costs to fall within this category.

Upfront fees – Council leisure centre

Prior to adopting AASB 15, Council recognised membership fees and multi-trip passes on receipt. Under AASB 15, they are combined with other goods and services transferred to the customer and therefore they would be spread over the expected life of the contract with the customer (i.e. the membership life). Council has assessed the impact of changing the revenue recognition timing of these fees as immaterial and will therefore continue to recognise revenue on receipt.

Upfront fees - Development assessment

Prior to adopting AASB 15, Council recognised development assessment related fees on receipt. Under AASB 15, as the performance obligation is not met until the application has been assessed, the revenue is recognised following a determination being provided to the customer.

Revenue recognition from contract modifications

In relation to contract modifications, AASB 15 requires customer approval, which is a more prudent criteria than the probability requirement in the previous standards and would result in deferral of revenue where unapproved works have been performed.

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

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

Principal v agent

Under AASB 15, the indicators of a principal have changed. If Council was considered a principal this would result in Council only recognising the "commission" to which they are entitled rather than the gross revenue and expenses. There would be no change to reported profit.

Licences

Council has reviewed the licences it grants and considers that all licences are either short-term or low value and elects to recognise all revenue from licences up-front rather than spreading them over the life of the licence.

Prepaid rates

Under AASB 1004, rates were recorded as revenue at the earliest of receipt of the funds from the ratepayer and the beginning of the rating period. Under AASB 1058, prepaid rates are recognised as a financial liability until the beginning of the rating period.

Grants & Contributions – operating

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

Grants & Contributions – capital

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

is enforceable, then the asset is recognised as a contract liability on receipt and recorded as revenue as the performance obligation to acquire or construct the asset is completed.

Developer contributions will continue to be recognised on receipt. Although developer contributions may only be expended for the purposes for which the contributions were required, Council may apply contributions according to priorities established in work schedules meaning they can be recognised on receipt under the new accounting standards.

Changes in presentation

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

- Movement of balances between receivables and contract assets.
- Movement of balances between payables, income received in advance and contract liabilities.
- Additional line items and disclosure notes for contract assets and contract liabilities have been created.
- Line items not applicable for the period ended 30 June 2020 due to the implementation of new accounting standards have been labelled as "2019 only."

\$ '000	Balance at 1 July 2019
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Opening contract balances at 1 July 2019**Contract assets**

– Under AASB 1058	16,336
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Total Contract assets	16,336
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Contract liabilities

– Under AASB 15	3,412
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– Under AASB 1058	910
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Total Contract liabilities	4,322
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Comparison of financial statement line items under AASB 15 compared to previous standards for the current year

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	56,051	–	–	56,051	
Investments	97,423	–	–	97,423	
Receivables	21,667	6,428	–	28,095	
Inventories	381	–	–	381	
Contract assets	5,669	(6,428)	759	–	
Other	10,572	–	–	10,572	
Total current assets	191,763	–	759	192,522	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Current liabilities					
Payables	30,592	(2,377)	–	28,215	
Income received in advance	–	4,226	–	4,226	
Contract liabilities	3,572	(1,849)	(1,723)	–	
Lease liabilities	341	–	–	341	
Borrowings	5,260	–	–	5,260	
Provisions	61,084	–	–	61,084	
Total current liabilities	100,849	–	(1,723)	99,126	
Non-current assets					
Investments	4,000	–	–	4,000	
Inventories	5,972	–	–	5,972	
Infrastructure, property, plant and equipment	2,655,487	–	–	2,655,487	
Investment property	5,000	–	–	5,000	
Intangible assets	254	–	–	254	
Right of use assets	1,790	–	–	1,790	
Investments accounted for using equity method	3,484	–	–	3,484	
Total non-current assets	2,675,987	–	–	2,675,987	
Non-current liabilities					
Lease liabilities	1,519	–	–	1,519	
Borrowings	12,439	–	–	12,439	
Provisions	39,776	–	–	39,776	
Total Non-current liabilities	53,734	–	–	53,734	
Net assets	2,713,167	–	2,482	2,715,649	
Equity					
Accumulated surplus	1,498,309	–	2,482	1,500,791	
Revaluation reserves	1,214,858	–	–	1,214,858	
Council equity interest	2,713,167	–	2,482	2,715,649	
Total equity	2,713,167	–	2,482	2,715,649	

Through the implementation of AASB15 & 1058 the following adjustments have resulted in a variation to the statement of financial position:

- Reclassification of income received in advance to contract liabilities and payables (prepaid rates)
- Changes in the timing of income recognition for grants, contributions and user fees & charges has resulted in an increase in contract liabilities
- Recognition of contract assets for grants and contributions income in place of a receivable.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**Income Statement**

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	205,118	—	—	205,118	
User charges and fees	28,695	1,076	67	29,838	
Other revenues	4,794	5,659	—	10,453	
Grants and contributions provided for operating purposes	30,727	—	(664)	30,063	
Grants and contributions provided for capital purposes	47,472	—	566	48,038	
Interest and investment income	3,360	—	—	3,360	
Rental income	6,735	(6,735)	—	—	
Net share of interests in joint ventures and associates using the equity method	555	—	—	555	
Total Income from continuing operations	327,456	—	(31)	327,425	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	122,912	—	—	122,912	
Borrowing costs	3,052	—	—	3,052	
Materials and contracts	60,934	—	(599)	60,335	
Depreciation and amortisation	60,845	—	—	60,845	
Other expenses	36,497	—	—	36,497	
Net losses from the disposal of assets	5,686	—	—	5,686	
Fair value decrement on investment properties	1,998	—	—	1,998	
Total Expenses from continuing operations	291,924	—	(599)	291,325	
Total Operating result from continuing operations	35,532	—	568	36,100	
Net operating result for the year	35,532	—	568	36,100	
Total comprehensive income	93,112	—	—	93,112	

Through the implementation of AASB15 & 1058 the following adjustments have resulted in a variation to the operating result:

- Recognition of volunteer services income offset by an increase in materials and contracts
- Reclassification of income from user fees & charges and other revenues to rental income
- Changes to the timing of recognition of grants & contributions income and user fees & charges income.

The adoption of AASB 15 and AASB 1058 has not materially changes the Statement of Cash Flows for the year ended 30 June 2020.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	–	16,336	16,336
Receivables	36,620	(16,773)	19,847
Total assets	–	(437)	(437)
Contract liabilities	–	4,322	4,322
Current Payables	35,020	(2,845)	32,175
Total liabilities	–	1,477	1,477
Accumulated surplus	–	(1,914)	(1,914)
Total equity	–	(1,914)	(1,914)

(ii) AASB 16 Leases

Council as a lessee

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

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

Practical expedients used on transition

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

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

Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$2.17M at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 3.00%.

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	1,273

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

	Balance at 1 July 2019
\$ '000	
Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases	
Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	1,273
Add:	
Contracts not accounted for as operating lease commitments last year	103
Other	796
Lease liabilities recognised at 1 July 2019	<u>2,172</u>

Council as a lessor

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

Statement of Financial Position

	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
\$ '000			
Rights-of-use assets	–	2,172	2,172
Total assets	<u>–</u>	<u>2,172</u>	<u>2,172</u>
Leases	–	2,172	2,172
Total liabilities	<u>–</u>	<u>2,172</u>	<u>2,172</u>
Accumulated surplus	–	–	–
Total equity	<u>–</u>	<u>–</u>	<u>–</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	56,051	25,187
Balance as per the Statement of Cash Flows		56,051	25,187

(b) Reconciliation of net operating result to cash provided from operating activities

Net operating result from Income Statement	35,532	52,112
Adjust for non-cash items:		
Depreciation and amortisation	60,845	61,781
Net losses/(gains) on disposal of assets	5,686	6,856
Non-cash capital grants and contributions	(21,156)	(7,397)
Adoption of AASB 15/1058	(1,914)	–
Prior period WIP written off during year	8,048	–
IPP&E restoration write offs	5,407	–
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	280	(141)
– Investment property	1,998	(220)
Amortisation of premiums, discounts and prior period fair valuations		
– Interest exp. on interest-free loans received by Council (previously fair valued)	203	391
Unwinding of discount rates on reinstatement provisions	1,939	1,850
Share of net (profits)/losses of associates/joint ventures using the equity method	(555)	(291)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	14,599	(9,832)
Increase/(decrease) in provision for impairment of receivables	354	138
Decrease/(increase) in inventories	(44)	(31)
Decrease/(increase) in other current assets	1,307	(1,213)
Decrease/(increase) in contract assets	(5,669)	–
Increase/(decrease) in payables	331	(4,366)
Increase/(decrease) in other accrued expenses payable	996	1,861
Increase/(decrease) in other liabilities	(2,686)	3,655
Increase/(decrease) in contract liabilities	3,572	–
Increase/(decrease) in provision for employee benefits	4,635	6,537
Increase/(decrease) in other provisions	(10,982)	1,938
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	102,726	113,628

(c) Non-cash investing and financing activities

Other dedications	19,566	6,403
Contributed Art Works	196	246
Contributed Bush Fire Assets	122	748
Planning Agreement - Non-cash contribution	1,272	–
Total non-cash investing and financing activities	21,156	7,397

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2020	2019	2020	2019
Joint ventures	555	291	3,484	2,929
Total	555	291	3,484	2,929

(a) Joint arrangements

(i) Joint ventures

Council has incorporated the following joint ventures into its consolidated financial statements. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

(a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2020	2019
Civic West	Joint venture	Equity	2,561	2,060
Civic Risk	Joint venture	Equity	923	869
Total carrying amounts – material joint ventures			3,484	2,929

(b) Details

Principal activity	
Civic West	Insurance
Civic Risk	Insurance

(c) Relevant interests and fair values

\$ '000	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2020	2019	2020	2019	2020	2019	2020	2019
Civic West	2,561	2,062	6.1%	4.4%	6.1%	4.4%	7.7%	9.1%
Civic Risk	923	869	12.9%	12.5%	12.9%	12.5%	5.3%	5.9%

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Interests in other entities (continued)

(d) Summarised financial information for joint ventures

\$ '000	Civic West 2020	2019	Civic Risk 2020	2019
Statement of financial position				
Current assets				
Cash and cash equivalents	14,665	2,961	6,177	1,813
Other current assets	15,584	27,370	5,924	7,216
Non-current assets	33,048	36,522	5,102	5,368
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	4,561	6,657	5,923	4,827
Other current liabilities	8,617	740	490	346
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	7,999	12,116	3,635	2,279
Net assets	42,120	47,340	7,155	6,945
Reconciliation of the carrying amount				
Opening net assets (1 July)	47,340	41,761	6,944	8,468
Profit/(loss) for the period	3,181	5,579	211	(1,524)
Closing net assets	50,521	47,340	7,155	6,944
Council's share of net assets (%)	6.1%	4.4%	12.9%	12.5%
Council's share of net assets (\$)	2,561	2,060	923	869
Statement of comprehensive income				
Income	6,648	6,295	14,474	11,320
Interest income	1,321	3,672	205	447
Interest expense	(18)	(17)	–	–
Other expenses	(4,770)	(4,371)	(14,468)	(13,291)
Profit/(loss) from continuing operations	3,181	5,579	211	(1,524)
Profit/(loss) for the period	3,181	5,579	211	(1,524)
Total comprehensive income	3,181	5,579	211	(1,524)
Share of income – Council (%)	15.8%	8.5%	25.1%	12.1%
Profit/(loss) – Council (\$)	502	476	53	(185)
Total comprehensive income – Council (\$)	502	476	53	(185)
Summarised Statement of cash flows				
Cash flows from operating activities	(1,887)	2,439	1,614	2,904
Cash flows from investing activities	12,681	(2,500)	2,750	(2,250)
Net increase (decrease) in cash and cash equivalents	10,794	(61)	4,364	654

Accounting policy for joint arrangements

Council has determined that it has only joint ventures.

Joint Ventures

Interests in joint ventures are accounted for using the equity method in accordance with AASB128 *Investments in Associates and Joint Ventures*. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Interests in other entities (continued)

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint ventures are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for purpose of the consolidated financial statements.

Refer to Note 27 for events occurring after the reporting date to be read in conjunction with the joint venture disclosure.

(b) Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Name of entity/operation	Principal activity/type of entity	2020 Net profit (\$'000s)	2020 Net assets (\$'000s)
Illawarra Shoalhaven Joint Organisation	Inter-Governmental Collaboration Joint Venture	7	892

Reasons for non-recognition

Council has assessed this operation as not material for recognition in these statements.

Name of entity/operation	Principal activity/type of entity	2020 Net profit (\$'000s)	2020 Net assets (\$'000s)
Illawarra District Noxious Weed Authority	Administer Noxious Weeds Act Joint Venture	(11)	790

Reasons for non-recognition

Council has assessed this operation as not material for recognition in these statements.

Name of entity/operation	Principal activity/type of entity	2020 Net profit (\$'000s)	2020 Net assets (\$'000s)
Destination Wollongong	Tourism Development & Promotion Associate	104	31

Reasons for non-recognition

Council has assessed this operation as not material for recognition in these statements.

Name of entity/operation	Principal activity/type of entity	2020 Net profit (\$'000s)	2020 Net assets (\$'000s)
Illawarra Performing Arts Centre	Theatre & Town Hall Management Associate	120	479

Reasons for non-recognition

Council has assessed this operation as not material for recognition in these statements.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Commitments

\$ '000	2020	2019
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(a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Buildings	2,880	387
Infrastructure	2,526	17,975
Land	1,668	110
Total commitments	7,074	18,472

These expenditures are payable as follows:

Within the next year	5,890	18,289
Later than one year and not later than 5 years	1,184	183
Total payable	7,074	18,472

Sources for funding of capital commitments:

Unrestricted general funds	3,077	6,269
Section 94 Funds	3,562	7,172
Future grants and contributions	435	5,031
Total sources of funding	7,074	18,472

Details of capital commitments

Buildings includes Warrawong Community Centre & Library Design, Bulli Tourist Park Amenities Refurbishment, Towradgi SLSC Amenities Refurbishment, Wollongong Heliport Roof Replacement & Austinmer Beach Amenities Refurbishment.

Land includes Wongawilli Road Wongawilli and Fowlers Road Dapto.

Infrastructure includes Wongawilli Road Watermain Installation, Wollongong Waste Recovery Park Stabilisation & Drainage, Uralba Street Bridge Structural Remediation, Towradgi Pool Concourse Slab, Port Kembla Beach Viewing Platform, Kurraba Road Woonona Embankment Rehabilitation, Hayes Lane Bridge, Stephen Drive Woonona Reconstruction, & Whytes Gully Leachate Treatment System.

\$ '000	2020	2019
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(b) Non-cancellable operating lease commitments (2019 only)

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

Within the next year	–	335
Later than one year and not later than 5 years	–	428
Later than 5 years	–	510
Total non-cancellable operating lease commitments	–	1,273

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

Lease of land for Dapto Ribbonwood Centre and lease of Warrawong Library.

Conditions relating to finance and operating leases:

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

Refer to Note 15 for information relating to leases for 2020.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Contingencies

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

ASSETS NOT RECOGNISED

1. 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.

2. Various Insurances - HIH & CIC

Council placed or was a party to various liability, property and workers compensation insurance policies with HIH & CIC. During 2000/2001 HIH & CIC went into liquidation. Both HIH & CIC remain responsible for payment of their portion of each Council claim incurred which exceeded Council's insurance excess. Council has recovered \$1,178,421.50 to date. The total of Council's unrecovered claims is currently \$1,119,080.31. At this time, based on the liquidator's estimated final dividend rates, Council expects to recover a further \$52,774.42 from the remaining assets of HIH & CIC.

LIABILITIES NOT RECOGNISED

1. Bank Guarantees

Council has provided Bank Guarantees totalling \$760,547 as security over damages for work that may impact a third party.

Council has provided security to Work Cover for outstanding workers compensation claims liability in the form of a bank guarantee to the sum of \$7,711,000.

Council is also Guarantor on a mortgage for a third party of \$180,000.

2. Defined benefit superannuation contribution plans

Council participates in an employer sponsored Defined Benefit Superannuation Scheme, and makes contributions as determined by the Superannuation Scheme's Trustees.

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make a higher contribution during the reporting period. This amounted to \$1.828M for Council in 2019/20. During January 2020, Local Government Super confirmed that Council's contribution for 2020/21 for past service will be \$1.846M and this has been included in Council's financial forecasts for 2020/21. At this stage there has not been any advice regarding any future extension of the top up payment.

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

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

3. 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Contingencies (continued)

4. Development Contributions

Council levies Development Contributions upon various development across the Council area through the required Contributions Plans. As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans.

As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General Funds.

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

5. Greenhouse Park

Council owns and manages a former landfill site at Greenhouse Park. The landfill was constructed prior to contemporary environmental regulations and used as both a putrescible and builders waste landfill. Following the closure of the site as a landfill, remediation of the site has been progressively occurring to transform the site into a natural area.

Council is also working with the EPA and specialised consultants to manage the landfill waste which was placed on the site. Total remediation costs at this stage are unknown and will be dependent on the remediation strategies implemented. Council is currently working with the EPA and specialised consultants to determine the remediation actions required.

6. Helensburgh Landfill Site

Council manages a former landfill site at Helensburgh located off Halls Road/Nixon Place. The landfill was commenced prior to contemporary environmental regulations and was used at various times for both putrescible and builders construction waste. Following the closure of the site as a landfill, Council is required to remediate the site in accordance with EPA requirements and licence conditions. Council is currently working with EPA and specialised consultants to prepare the final design documentation for this project. Final future remediation costs at this stage are in the order of \$7.4M to \$11.8M depending on the source of capping materials and the final design solution adopted. Council's current provision is approximately \$7.4M. If a shortfall eventuates this will impact the income statement.

7. Native Title

In January 2018, the National Native Title Tribunal accepted registration of a native title claim that included the Wollongong LGA. The claim is now before the Federal Court, and Council is one of a number of defendants to those proceedings. Private freehold land, and certain other land owned by Council is not affected. The claim will take some time to determine before the Federal Court.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Financial risk management

Risk management

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

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

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

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 10% movement in price of investments	4,639	4,639	(4,639)	(4,639)
Possible impact of a 1% movement in interest rates	1,111	1,111	(1,111)	(1,111)
2019				
Possible impact of a 10% movement in price of investments	4,755	4,755	(4,755)	(4,755)
Possible impact of a 1% movement in interest rates	1,072	1,072	(1,072)	(1,072)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. 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.

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

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.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	–	9,989	1,313	864	2,415	14,581
2019						
Gross carrying amount	–	5,975	1,415	939	2,237	10,566

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	5,577	374	354	431	1,181	7,917
Expected loss rate (%) ¹	2.60%	22.74%	27.44%	21.11%	34.96%	10.50%
ECL provision	145	85	97	91	413	831
2019						
Gross carrying amount	23,982	812	173	157	1,407	26,531
Expected loss rate (%) ¹	0.23%	2.09%	2.31%	7.01%	27.71%	1.80%
ECL provision	55	17	4	11	390	477

(1) Council has adopted a policy in line with the National Code of Conduct for leasing arrangements during COVID-19. The provision has been increased to allow for potential rental waivers as a result of this policy position.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. 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.

\$ '000	Weighted average interest rate	Without defined maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2020							
Trade/other payables	0.00%	4,054	24,161	–	–	28,215	28,215
Loans and advances	1.50%	–	8,814	13,134	–	21,948	17,699
Total financial liabilities		4,054	32,975	13,134	–	50,163	45,914
2019							
Trade/other payables	0.00%	3,758	26,175	385	–	30,318	30,391
Loans and advances	1.50%	–	8,814	21,947	–	30,761	25,431
Total financial liabilities		3,758	34,989	22,332	–	61,079	55,822

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Material budget variations

Council's original financial budget for 2019/20 was adopted by the Council on 24/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	202,991	205,118	2,127	1% F
User charges and fees	33,665	28,695	(4,970)	(15)% U
User Charges & Fees is lower due to lower Commercial Tipping Income (\$1.8M), and impacts from the COVID-19 pandemic closures on operational areas including Leisure Centres (\$0.6M), Tourist Parks (\$0.5M), Park and Sportsfield income (\$0.3M), Car Parking fees (\$0.1) and other operational areas. In addition there has been the reclassification of vehicle leaseback income (\$0.8M) and Community Facility hire income (\$0.6M) as Rental Income.				
Other revenues	10,598	4,794	(5,804)	(55)% U
Other Revenues have a variance due to reclassification of Property Leasing Income as Rental Income (\$5.0M), lower levels of parking infringements issued (\$0.7M) and other more minor offsetting variations impacted by the impact of the COVID-19 pandemic.				
Operating grants and contributions	20,840	30,727	9,887	47% F
Operating grants is affected by the early receipt of two instalments of the Financial Assistance Grant relating to the 2020/21 financial year (\$9.5M) and additional grants received during the year.				
Capital grants and contributions	42,927	47,472	4,545	11% F
Capital grants and contributions are impacted by lower West Dapto developer contributions (\$25.7M), partially offset by contributed assets (\$14.7M), additional developer contributions in other areas (\$3.8M), additional grants including the National Stronger Regions (\$2.0M) and other more minor amounts relating to civil assets.				
Interest and investment revenue	4,882	3,360	(1,522)	(31)% U
Interest & investment income is lower due to the financial market impact of lower interest rates and the revaluation of fair value investment movements impacted from the COVID-19 pandemic.				
Fair value increment on investment property	–	–	–	∞ F
Rental income	–	6,735	6,735	∞ F
The reclassification of rental income under the new accounting standards was not included in the original budget. It is offset largely in Other Revenue (\$5.0M) and User Charges and Fees (\$1.4M) as well as more minor variations.				
Joint ventures and associates – net profits	–	555	555	∞ F
This variance is due to the positive revaluation of the holding in the CivicRisk insurance joint venture.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
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EXPENSES

Employee benefits and on-costs	117,908	122,912	(5,004)	(4)%	U
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Borrowing costs	2,722	3,052	(330)	(12)%	U
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Borrowing Costs were underestimated for the remediation of the Whytes Gully Waste Facility.

Materials and contracts	60,072	60,934	(862)	(1)%	U
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Depreciation and amortisation	66,276	60,845	5,431	8%	F
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Other expenses	35,426	36,497	(1,071)	(3)%	U
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Net losses from disposal of assets	–	5,686	(5,686)	∞	U
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This budget variation is largely a result of the disposal of civil assets that have residual values. These predominantly include transport (\$2.7M), buildings (\$2.1M), stormwater (\$1.4M) and other more minor items partially offset by the gain on disposal of the Southern Phone shareholding (\$0.7M).

Fair value decrement on investment property	–	1,998	(1,998)	∞	U
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During the 2019/20 financial year, the cost of capital works were added to the value of the investment property. The valuation of the property did not change from the prior financial year as the valuation is based on the market value of the property including future expected cashflow.

STATEMENT OF CASH FLOWS

Cash flows from operating activities	98,894	102,726	3,832	4%	F
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Cash flows from investing activities	(97,751)	(63,615)	34,136	(35)%	F
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In response to the COVID-19 pandemic to ensure Council had adequate funds to meet cashflow requirements, Council did not enter into any new investments in the last quarter of the financial year. This has resulted in a lower than anticipated value for the purchase of investment securities offset by an increase in the value of the cash and cash equivalents that is not captured within the cash flows from investing activities.

Cash flows from financing activities	(7,913)	(8,247)	(334)	4%	U
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement

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

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

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

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

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

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

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

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

2020	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– ‘Designated at fair value on initial recognition’	30/6/20	–	–	46,393	46,393
– ‘Financial assets at fair value through other comprehensive income’	N/A	–	–	–	–
Total financial assets		–	–	46,393	46,393
Investment property					
Commercial building	30/6/20	–	–	5,000	5,000
Total investment property		–	–	5,000	5,000
Infrastructure, property, plant and equipment					
Roads	30/6/17	–	–	610,258	610,258
Bridges	30/6/17	–	–	118,822	118,822
Footpaths	30/6/17	–	–	158,235	158,235
Stormwater	30/6/17	–	–	530,148	530,148
Plant and equipment	N/A	–	–	21,403	21,403
Office equipment	N/A	–	–	3,282	3,282
Furniture and fittings	N/A	–	–	1,931	1,931
Operational land	30/6/19	–	–	249,821	249,821
Community land	30/6/20	–	–	294,267	294,267
Crown Land	30/6/20	–	–	103,057	103,057
Land under roads	30/6/19	–	–	5,970	5,970
Buildings	30/6/19	–	–	301,035	301,035
Other structures	30/6/19	–	–	9,246	9,246
Swimming pools	30/6/16	–	–	9,363	9,363
Library books	N/A	–	–	4,562	4,562
Other open space/recreational assets	30/6/16	–	–	113,820	113,820
Tip asset	30/6/20	–	–	–	–
Works in progress	N/A	–	–	54,017	54,017
Artworks	30/6/19	–	–	15,415	15,415
Other	30/6/16	–	–	50,835	50,835
Total infrastructure, property, plant and equipment		–	–	2,655,487	2,655,487

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

2019	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– ‘Designated at fair value on initial recognition’	30/06/19	–	–	47,549	47,549
– ‘Financial assets at fair value through other comprehensive income’	30/06/19	–	–	56	56
Total financial assets		–	–	47,605	47,605
Investment property					
Commercial building	30/06/19	–	–	5,000	5,000
Total investment property		–	–	5,000	5,000
Infrastructure, property, plant and equipment					
Roads	30/06/17	–	–	569,999	569,999
Bridges	30/06/17	–	–	98,739	98,739
Footpaths	30/06/17	–	–	147,190	147,190
Stormwater	30/06/17	–	–	520,636	520,636
Plant and equipment	N/A	–	–	22,691	22,691
Office equipment	N/A	–	–	3,376	3,376
Furniture and fittings	N/A	–	–	2,097	2,097
Operational land	30/06/19	–	–	249,843	249,843
Community land	30/06/16	–	–	337,871	337,871
Crown Land		–	–	–	–
Land under roads	30/06/19	–	–	5,684	5,684
Buildings	30/06/19	–	–	303,164	303,164
Other structures	30/06/19	–	–	7,482	7,482
Swimming pools	30/06/16	–	–	6,331	6,331
Library books	N/A	–	–	4,496	4,496
Other open space/recreational assets	30/06/16	–	–	110,423	110,423
Tip asset	30/06/19	–	–	5,525	5,525
Works in progress	N/A	–	–	119,950	119,950
Artworks	30/06/19	–	–	15,121	15,121
Other	30/06/16	–	–	34,477	34,477
Total infrastructure, property, plant and equipment		–	–	2,565,095	2,565,095

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

(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 (i.e. Level 1 inputs), Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

Level 2 inputs include;

- quoted prices for similar assets in active markets,
- quoted prices for identical or similar assets in markets that are not active,
- inputs other than quoted prices that are observable (e.g. interest rates, credit spreads etc.) and
- market corroborated inputs.

Level 3 inputs are unobservable inputs. If an observable input (Level 2) requires an adjustment using an unobservable input and that adjustment results in a significantly higher or lower fair value measurement, the resulting measurement is categorised within Level 3 of the fair value hierarchy. Council uses unobservable inputs to the extent relevant observable inputs are not available. But the objective remains the same; i.e. an exit price from the perspective of market participants. Therefore, unobservable inputs reflect the assumptions market participants would use when pricing, including assumptions about risk. Assumptions about risk include risk inherent in a particular valuation technique and risk inherent in inputs to the technique. Such an adjustment may be necessary if there is a significant measurement uncertainty.

Unobservable inputs have been developed using the best information available, which includes Council's own data. In some cases, Council adjusts its own data if reasonable available information indicates other market participants would use different data or if there is an entity specific synergy (i.e. not available to other market participants).

Level 3 inputs include;

- Unit Rates,
- Unit Price,
- Asset Condition,
- Remaining Useful Life,
- Future Demands,
- Borrowing Rates

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Financial assets

Valuation Technique – A portion of Council's investment portfolio is measured at fair value (i.e. market approach).

Fair Value Hierarchy – the fair value has been derived from the current price in an active market for similar assets. Emerald Reverse Mortgage investment securities form part of this portion of Council's portfolio. The market for Australian mortgage backed securities, regardless of the robustness of the structure, is highly illiquid as a direct consequence of the global financial crisis. This has caused difficulties in valuing the security as there is limited "price discovery" in the market. As such the level of valuation input for Council's fair valued investments was considered a Level 3.

Investment property

Valuation Technique – Council's Investment Property is measured using sales direct comparison based on a market selling approach (i.e. market approach).

Fair Value Hierarchy - the fair value has been derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size.

The most significant inputs into this valuation approach are rental yields and price per square metre.

The level of evidence to support the critical assumptions of Council's investment property valuation was considered to be significant due to high levels of variability in the market for rental yields and future demands. As such the level of valuation input for these properties was considered level 3.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

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

Infrastructure – Council's Infrastructure incorporates;

- Roads - Surface and bases, Car Parks, Kerb and Guttering and Traffic Facilities (speed humps, bollards and signs),
- Bridges – Road, Pedestrian and Jetties,
- Footpaths including shared pathways and
- Stormwater Drainage

Valuation Technique – Infrastructure assets are recognised using the cost method, which equates to the current replacement cost of a modern equivalent asset. The cost to replace the asset is to equal the amount that a market participant buyer of that asset would pay to acquire it.

Fair Value Hierarchy - the general valuation approach to determine the fair value of Council's infrastructure inventory is to determine a unit rate based on square metres or an appropriate unit corroborated by market evidence (Level 2 input). A process is then undertaken to compare these rates with internal unit rates derived by Council as a result of specific projects that have been undertaken. Further to this other input such as asset condition and useful life require a significant level of professional judgement and can impact significantly on the fair value. As such the level of valuation input for these assets was considered level 3.

Property Plant & Equipment, Office Equipment & Furniture & Fittings incorporate:

- Property, Plant & Equipment – Trucks, Tractors, Graders, Rollers, Buses, Vans, Passenger Vehicles, Mobile Equipment (i.e. generators, hand mowers, tools), Fluid storage units (i.e. septic tanks, water tanks),
- Office Equipment – Electronic Whiteboards, Printing Equipment, Safes and I.T. equipment such as computers, printers and scanners,
- Furniture & Fittings – Chairs, Tables, Filing Cabinets, Bookshelves, Compactuses,

Valuation Technique – These assets are recognised at depreciated historical cost as an acceptable substitute for fair value because any difference between fair value and depreciated historical cost is unlikely to be material.

Fair Value Hierarchy – The key unobservable unit to the valuation of this category is asset condition and useful life. The condition of assets is reviewed on an annual basis and an assessment of remaining life undertaken based on these results.

Operational Land

Valuation Technique – Council's Operational Land is measured using a comparative market selling approach (i.e. market approach).

Fair Value Hierarchy – the fair value has been derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size.

The most significant inputs into this valuation approach is price per square metre. The level of evidence to support the critical assumptions of Council's operational land valuation was considered to be significant due to high levels of variability in the market for similar properties and future demands. As such the level of valuation input for these properties was considered level 3.

Community & Crown Land

Valuation Technique – Council's Community & Crown Land is measured using comparative Land Values (LV) provided by the Valuer General (VG) or an average unit rate based on a comparable LV for similar properties (i.e. market approach).

Fair Value Hierarchy – the fair value has been derived from the LV's provided by the Valuer General or an average unit rate based on the LV for similar properties where the Valuer General did not provide a LV. The most significant input into this valuation approach is price per square metre. Valuations provided by the Valuer General are not in the public domain and the application of an average rate requires a level of professional judgement. As such the level of valuation input for these properties was considered level 3.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

Land Under Roads

Valuation Technique – Land is generally valued using comparative Land Values (LV) provided by the Valuer General (VG) or an average unit rate based on a comparable LV for similar properties (i.e. market approach).

Fair Value Hierarchy – The existing use fair value of land under roads is best expressed as undeveloped or en globo land (pre-subdivision). However, as sufficient sales evidence of en globo land with similar features to the land being valued is generally not available, it is appropriate to use a proxy to estimate the en globo value. Community land value is used as a reasonable proxy to value land under roads, as such land generally has no feasible alternative use, and it is undeveloped and is publicly accessible.

As such the level of valuation input for these properties was considered level 3.

Buildings – Non-Specialised and Specialised

Valuation Technique – Buildings are recognised using the cost method, which equates to the current replacement cost of a modern equivalent asset. The cost to replace the asset is equal to the amount that a market participant buyer of that asset would pay to acquire it.

Fair Value Hierarchy – Specialised and Non-Specialised buildings are generally assessed at level 3 of the fair value hierarchy due to lack of market evidence. Key inputs are unit rates and remaining useful life. The exception is non-specialised residential properties which have been valued using sale prices of comparable properties (level 2).

The most significant input into this valuation approach is price per square metre. The level of evidence to support the critical assumptions of Council's residential property valuation was considered to be significant due to high levels of variability in the market for rental yields and future demands. As such the level of valuation input for all buildings was considered level 3.

Intangible Assets

Valuation Technique – These assets are recognised at depreciated historical cost as an acceptable substitute for fair value because any difference between fair value and depreciated historical cost is unlikely to be material.

Fair Value Hierarchy – The key unobservable unit to the valuation of this category is asset condition and useful life. The condition of assets is reviewed on an annual basis and an assessment of remaining life undertaken based on these results.

Other Structures

Other Structures incorporates Bus Shelters, Shade Structures, Picnic Shelters and BBQ Shelters.

Valuation Technique – Other Structures are recognised at depreciated historical cost as an acceptable substitute for fair value because any difference between fair value and depreciated historical cost is unlikely to be material.

Fair Value Hierarchy – The key unobservable unit to the valuation of this category is asset condition and useful life. The condition of assets is reviewed on an annual basis and an assessment of remaining life undertaken based on these results.

Other Open Space / Recreational Assets

Other Open Space/Recreational Assets incorporate Off-road Footpaths, Park Assets including Playgrounds, Skateboard Facilities, Tennis Courts, Furniture and Landscaping and Power Poles.

Valuation Technique – Other Open Space/Recreational Assets are recognised using the cost method (e.g. Off-Road Footpaths).

Fair Value Hierarchy – while some elements of the cost method can be supported by market evidence (Level 2) other factors require professional judgement such as asset condition and useful life. As these inputs can have a significant impact on the fair value the valuation input all Other Open Space / Recreational Assets were considered level 3.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

Swimming Pools – Structures

Valuation Technique – Swimming Pools and Rock Pools are valued using the cost approach, which equates to the current replacement cost of a modern equivalent asset.

The cost to replace the asset is to equal the amount that a market participant buyer of that asset would pay to acquire it. External Valuer Ninnies Fong undertook the original valuation in 2009. An internal valuation was undertaken during the 2016 financial year.

Fair Value Hierarchy - the general valuation approach to determine the fair value of Council's swimming pool inventory is to determine a unit rate based on square metres corroborated by market evidence (Level 2 input). A process is then undertaken to compare these rates with internal unit rates derived by Council as a result of specific work that has been undertaken. Further to this other input such as asset condition and useful life require a significant level of professional judgement and can impact significantly on the fair value. As such the level of valuation input for these properties was considered level 3.

Artworks

Valuation Technique – Art Works are valued using the cost approach, which equates to the current replacement cost of a modern equivalent asset. The cost to replace the asset is to equal the amount that a market participant buyer of that asset would pay to acquire it.

Fair Value Hierarchy - the general valuation approach to determine the fair value of Council's Artworks is to use the market price or purchase price of the original transaction or if the work is in the form of a donation an external valuation is undertaken corroborated by market evidence (Level 2 input). It is noted that the valuation process requires a significant level of professional judgement and this can impact significantly on the fair value. As such the level of valuation input for artworks was considered level 3.

Library Books

Valuation Technique – These assets are recognised at depreciated historical cost as an acceptable substitute for fair value because any difference between fair value and depreciated historical cost is unlikely to be material.

Fair Value Hierarchy – The key unobservable unit to the valuation of this category is asset condition and useful life. The condition of assets is reviewed on an annual basis and an assessment of remaining life undertaken based on these results.

Other Assets

Other Assets is a catch all for the remaining assets held by Council and includes Waste Assets such as Cell Development and Liners, Public Art, Power Poles and Crematorium and Cemetery Beams and Walls.

Valuation Technique - Other Assets are recognised using the cost method.

Fair Value Hierarchy – While some elements of the cost method can be supported by market evidence (Level 2) others factors require professional judgement such as asset condition and useful life. As these inputs can have a significant impact on the fair value the valuation input all Other Assets were considered level 3.

Tip Remediation Asset

Valuation Technique – Council's Tip Remediation Asset is measured using the cost method.

Fair Value Hierarchy – Whytes Gully Waste Disposal Depot will require remediation and restoration works to be carried out during and at the end of its useful life. The cash outflows relating to these remediation and restoration works have been modelled and recognised as an asset in Note 11 of Council's statements. Key unobservable inputs were the discount rate, cost escalation rate, timing of costs and future environmental management requirements. As such the level of valuation input for Council's tip asset was considered a Level 3.

The tip remediation asset was adjusted in line with changes to the remediation provision. During 2019-2020, the remediation provision was reduced to by an amount greater than the carrying value of the tip remediation and as a result this asset now has a carrying value of zero.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

A summary of the Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Asset Category	Valuation Frequency	Description of Process	Valuer*	Responsibility
Financial Assets	Monthly	Monthly valuation using the current price in an active market for similar assets	External	Finance Division
Investment Properties	Annually	Assessed each year for material change and adjusted accordingly	External	Property Division
Infrastructure	5 years	Full valuation using current unit rates and comparable work. Assessed each year for material change and adjusted accordingly	Internal	Infrastructure & Strategic Planning Division
Property Plant & Equipment	Annually	Assessment of remaining useful life undertaken with adjustments to consumption patterns that may impact fair value	Internal	Finance Division
Office Equipment & Furniture & Fittings	Annually	Assessment of remaining useful life undertaken with adjustments to consumption patterns that may impact fair value	Internal	Finance Division
Operational Land	5 Years	Full valuation every 5 years or index applied annually if material	External	Property Division
Community & Crown Land	5 Years	Valuer General Land Values or Average Unit Rate for similar properties if not available	Valuer General / Internal	Property / Finance Division
Land Under Roads	5 Years	Valuer General Land Values or Average Unit Rate used as proxy to derive en globo rate	Valuer General / Internal	Finance Division
Buildings – Non Specialised & Specialised	5 Years	Full valuation every 5 years or index applied annually if material	External / Internal	Infrastructure & Strategic Planning Division / Property Division
Intangibles	5 Years	Assessment of remaining useful life undertaken with adjustments to consumption patterns that may impact fair value	Internal	Finance Division
Other Structures	5 Years	Assessment of remaining useful life undertaken with adjustments to consumption patterns that may impact fair value	Internal	Infrastructure & Strategic Planning Division

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

Asset Category	Valuation Frequency	Description of Process	Valuer*	Responsibility
Other Open Space / Recreational Assets	5 Years	Full valuation every 5 years or index applied annually if material	Internal	Infrastructure & Strategic Planning Division
Swimming Pools - Structures	5 Years	Full valuation every 5 years or index applied annually if material	External / Internal	Infrastructure & Strategic Planning Division
Library Books	Annually	Assessment of remaining useful life undertaken with adjustments to consumption patterns that may impact fair value	Internal	Finance Division
Other Assets	5 years	Full valuation every 5 years or index applied annually if material	Internal	Various
Tip Remediation Asset	Annually	Reassessment of discount rate and application to discounted cash flows if material	Internal	Finance Division

*Internal Valuation refers to the utilisation of in-house expertise to value Council's assets.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. 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 property	IPP&E	Total
2019				
Opening balance	43,162	4,780	2,356,306	2,404,248
Purchases (GBV)	14,299	–	123,229	137,528
Disposals (WDV)	(10,021)	–	(8,775)	(18,796)
Depreciation and impairment	–	–	(61,549)	(61,549)
FV gains – other comprehensive income	–	–	196,818	196,818
FV gains – Income Statement ¹	165	220	–	385
Prior Period Error	–	–	(39,225)	(39,225)
Waste remediation reassessment	–	–	(58)	(58)
Transfer to expense	–	–	(1,651)	(1,651)
Closing balance	47,605	5,000	2,565,095	2,617,700
2020				
Opening balance	47,605	5,000	2,565,095	2,617,700
Purchases (GBV)	9,177	1,998	108,915	120,090
Disposals (WDV)	(10,106)	–	(7,374)	(17,480)
Depreciation and impairment	–	–	(60,277)	(60,277)
FV gains – other comprehensive income	–	–	57,580	57,580
FV gains – Income Statement ¹	(283)	(1,998)	–	(2,281)
Prior Period Error	–	–	5,003	5,003
Waste remediation reassessment	–	–	(5,407)	(5,407)
Transfer to expense	–	–	(8,048)	(8,048)
Closing balance	46,393	5,000	2,655,487	2,706,880

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. 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:

\$'000s	2020	2019
Compensation:		
Short-term benefits	2,221	2,239
Termination benefits	-	42
Total	2,221	2,281

(b) Other transactions with KMP and their related parties

Council has assessed other transactions with KMP and their related parties as not material for recognition in these statements.

(c) Other related party transactions

\$'000s	Value of transactions during the year	Outstanding balance	Terms and conditions
2020			
Associate			
Marketing, events, business and investment in LGA	1,436	-	Amounts provided under a funding agreement.
Event sponsorship & support	97	-	Based on specific events.
Advertisement	4	-	
Partner program	2	-	
Associate			
Performing Arts Centre Management	718	-	Amounts provided under a funding agreement.
Town Hall management	395	-	Amounts provided under a funding agreement.
Asset Maintenance	41	-	
Community Subsidy	20	-	Amounts provided under a funding agreement.
Venue Hire	13	-	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Related Party Transactions (continued)

\$'000s	Value of transactions during the year	Outstanding balance	Terms and conditions
2019			
Associate			
Marketing, events, business and investment in LGA	1,419	-	Amounts provided under a funding agreement.
Event sponsorship & support	71	-	Based on specific events.
LGA Major Events	10	-	Amounts provided under a funding agreement.
Partner program	6	-	
Merchandise	1	-	
Associate			
Performing Arts Centre Management	1,006	-	Amounts provided under a funding agreement.
Town Hall management	388	-	Amounts provided under a funding agreement.
Community Subsidy	20	-	Amounts provided under a funding agreement.
Venue hire	11	-	
Asset Maintenance	9	-	
Catering	2	-	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Events occurring after the reporting date

Council is aware of the following 'non-adjusting events' that merit disclosure:

Amalgamation of Civic Risk

From 1st July 2020, the Civic Risk entities currently disclosed as joint ventures will legally combine into CivicRisk Mutual Ltd, a company limited by guarantee. Through this process the three joint ventures will novate their assets, liabilities and members surpluses into CivicRisk Mutual Ltd. The new entity will be recognised as a passive interest financial asset from 1st July 2020.

Note 28. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
Drainage	6,694	1,392	—	132	—	—	8,218	—
Roads	(647)	10,671	—	(47)	(17,472)	—	(7,495)	—
Open space	7,271	973	—	141	—	—	8,385	—
Community facilities	1,220	21	—	23	—	—	1,264	—
Administration	(1,176)	248	—	(24)	(255)	—	(1,207)	—
Public transport	625	—	—	12	—	—	637	—
S7.11 contributions – under a plan	13,987	13,305	—	237	(17,727)	—	9,802	—
S7.12 levies – under a plan	22,281	4,806	—	429	(2,731)	—	24,785	—
Total S7.11 and S7.12 revenue under plans	36,268	18,111	—	666	(20,458)	—	34,587	—
S7.11 not under plans	347	—	—	6	—	—	353	—
S7.4 planning agreements	153	—	1,272	6	—	—	159	—
Total contributions	36,768	18,111	1,272	678	(20,458)	—	35,099	—

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Statement of developer contributions (continued)

	as at 30/06/19		Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance		Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000									
S7.11 Contributions – under a plan									
CONTRIBUTION PLAN – WEST DAPTO									
Drainage	6,694		1,392	–	132	–	–	8,218	–
Roads	(647)		10,671	–	(47)	(17,472)	–	(7,495)	–
Open space	7,271		973	–	141	–	–	8,385	–
Community facilities	1,220		21	–	23	–	–	1,264	–
Administration	(1,176)		248	–	(24)	(255)	–	(1,207)	–
Public transport	625		–	–	12	–	–	637	–
Total	13,987		13,305	–	237	(17,727)	–	9,802	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN – WOLLONGONG ^{A, B}

City Wide	21,094		2,878	–	395	(2,731)	–	21,636	–
City Centre	1,187		1,928	–	34	–	–	3,149	–
Total	22,281		4,806	–	429	(2,731)	–	24,785	–

(A) The Wollongong City-Wide Development Contributions Plan is a levy based plan that reflects development activity in the Local Government Area excluding areas covered by the West Dapto Section 94 Plan.

(B) Figures provided include amounts collected under the Wollongong City-Wide Development Plan as well as contributions received from relevant development consents approved prior to 2006 that contained conditions for contributions to be made, under now repealed Development Contribution plans. These are transferred and applied towards items within the Section 7.12 Plan works schedule as the Section 7.12 Plan is the replacement for the plans repealed in June 2006.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Statement of developer contributions (continued)

\$ '000	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
S7.11 Contributions – not under a plan								
CONTRIBUTION PLAN – CALDERWOOD A, B, C								
Roads	347	–	–	6	–	–	353	–
Total	347	–	–	6	–	–	353	–

(A) The Calderwood Urban Release Area was historically in the Shellharbour City Local Government Area. However, the Urban Release Area was later expanded during the State Government's major project approval process to include land that straddles the local government boundary, which comprises 107 hectares of land in the Wollongong Local Government Area at Marshall Mount.

(B) In 2013, the Land and Environment Court imposed a development contribution condition on Stage 1 of the Calderwood development within Shellharbour City Council Local Government Area, requiring the payment of a contribution of \$1,320 per lot to Wollongong City Council to be used towards upgrades of Marshall Mount Road and Yallah Road. The payments reflected in the above relate to these court proceedings.

(C) Wollongong City Council and Lendlease Communities (Australia) Limited have entered into a Planning Agreement for the remainder of the contributions relating to the Calderwood development. No contributions have been received as a result of the Planning Agreement.

S7.4 planning agreements

S7.4 planning agreements

Roads	153	–	1,272	6	–	–	159	–
Total	153	–	1,272	6	–	–	159	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29. Result by fund

Council utilises only a general fund for its operations.

Note 30(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	(4,531)	(1.62)%	(0.48)%	2.76%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	279,709				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	248,982	76.10%	73.20%	77.06%	>60.00%
Total continuing operating revenue ¹	327,181				
3. Unrestricted current ratio					
Current assets less all external restrictions ³	114,624	2.36x	2.70x	2.93x	>1.50x
Current liabilities less specific purpose liabilities	48,474				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	59,366	5.25x	5.77x	6.30x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	11,299				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	14,581	6.74%	5.09%	4.66%	<5.00%
Rates, annual and extra charges collectible	216,331				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	111,081	5.63 mths	5.45 mths	5.83 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	19,736				

(1) Excludes fair value adjustments, reversal of revaluation decrements, net gain/(loss) 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

(3) Refer to Notes 7-9 inclusive. Excludes any real estate and land for resale not expected to be sold in next 12 months.

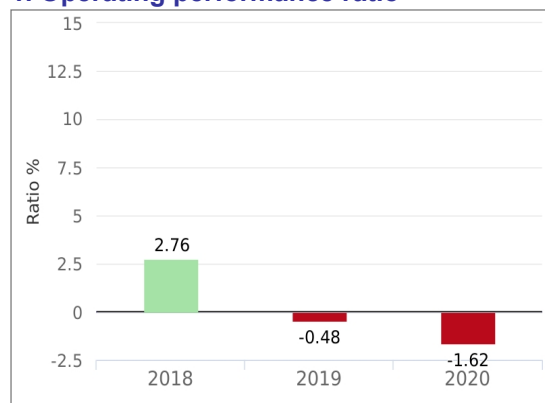
(4) Refer to Notes 16 and 17. Excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Notes to the Financial Statements

for the year ended 30 June 2020

Note 30(b). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2019/20 result

2019/20 ratio (1.62)%

The 2020 result has been unfavourably impacted by a number of factors that include the change in discount factors applicable to employee leave entitlements (\$1.6M), and the reclassification of capital expenditure from prior years (\$8.0M). This is partially offset by the movement in the asset remediation provision recognised through the income statement (\$5.6M).

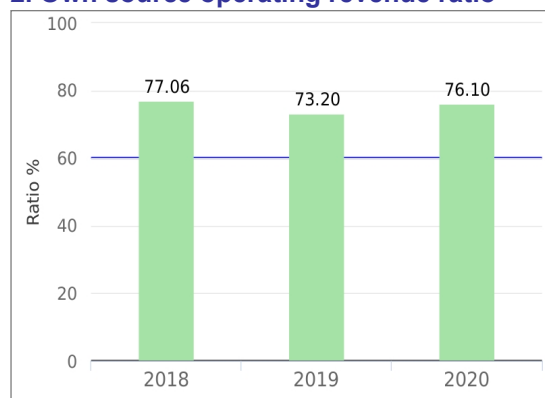
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2019/20 result

2019/20 ratio 76.10%

This result is consistent with previous reporting periods. It is noted that total revenue includes non-cash contributed assets which fluctuate from year to year and impact the result.

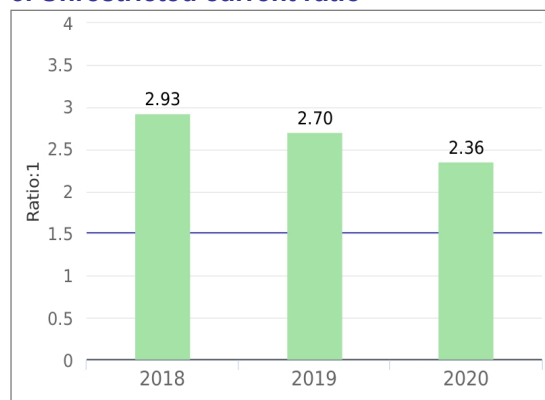
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio 2.36x

This result is currently above the benchmark however Council's strategy to maximise the use of available funds and target a lean unrestricted ratio aims to bring the result closer to the benchmark.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

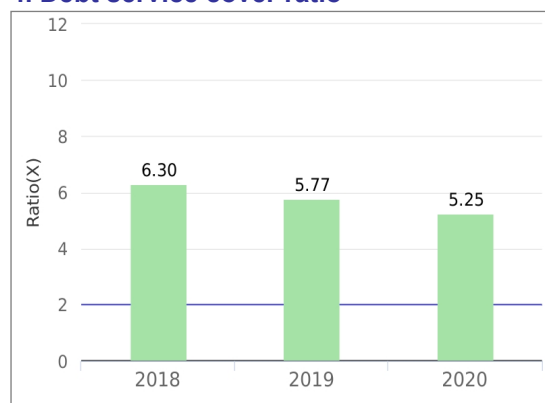
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 30(b). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 5.25x

The result indicates that Council can adequately service its outstanding debt.

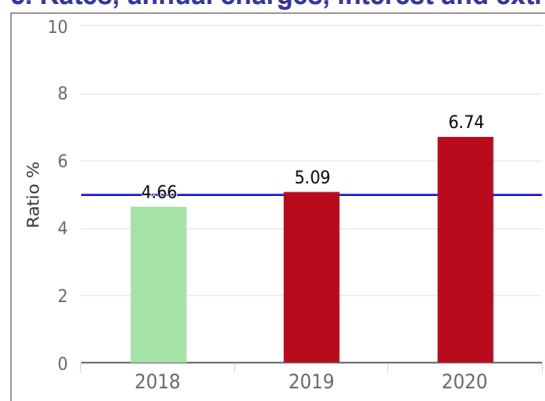
Benchmark: — > 2.00x

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

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 2019/20 result

2019/20 ratio 6.74%

Council's assistance package in response to COVID-19 includes an option for ratepayers to defer the 4th instalment for 2019/20 without penalty. This has resulted in an increased level of outstanding payments.

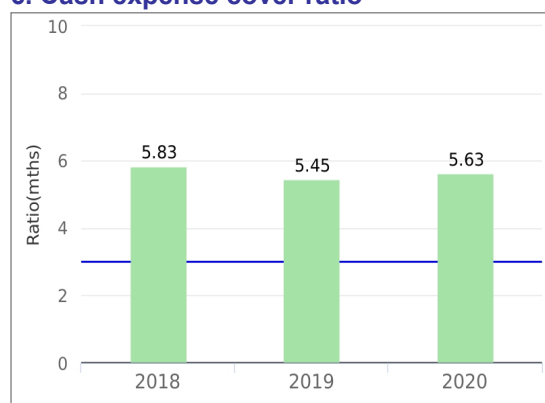
Benchmark: — < 5.00%

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

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 2019/20 result

2019/20 ratio 5.63 mths

The result of this measure reflects a high level of liquidity in Council's investment portfolio at the end of 2019/20.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 31. Council information and contact details

Note 31. Council information and contact details

Principal place of business:

41 Burelli Street
Wollongong NSW 2500

Contact details

Mailing Address:

Locked Bag 8821
Wollongong NSW 2500

Telephone: (02) 4227 7111

Facsimile: (02) 4227 7277

Opening hours:

Administration Building: 8:30am - 5:00pm

Internet: www.wollongong.nsw.gov.au

Email: council@wollongong.nsw.gov.au

Officers

GENERAL MANAGER

Greg Doyle

RESPONSIBLE ACCOUNTING OFFICER

Brian Jenkins

PUBLIC OFFICER

Todd Hopwood

AUDITORS

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

Elected members

LORD MAYOR

Gordon Bradbery

COUNCILLORS

Ward 1

Leigh Colacino
Mithra Cox
Janice Kershaw
Jenelle Rimmer

Ward 2

Cath Blakey
David Brown
Tania Brown
John Dorahy

Ward 3

Dom Figliomeni
The Late Vicky King
Ann Martin
Cameron Walters

Other information

ABN: 63 139 525 939



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Wollongong City Council

To the Councillors of Wollongong City Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 24] Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Dominika Ryan
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

5 November 2020
SYDNEY



Councillor Gordon Bradbery OAM
Lord Mayor
Wollongong City Council
Locked Bag 8821
WOLLONGONG DC NSW 2500

Contact: Dominika Ryan
Phone no: 02 9275 7336
Our ref: D2020826/1811

5 November 2020

Dear Lord Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2020
Wollongong City Council**

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

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

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

INCOME STATEMENT

Operating result

	2020	2019	Variance
	\$m	\$m	%
Rates and annual charges revenue	205.1	199.5	2.8
Grants and contributions revenue	78.2	88.5	11.6
Operating result from continuing operations	35.5	52.1	31.9
Net operating result before capital grants and contributions	(11.9)	(7.5)	58.7

The Council's operating result from continuing operations (\$35.5 million including depreciation and amortisation expense of \$60.8 million) was \$16.6 million lower than the 2018–19 result. The decrease was primarily driven by:

- decrease in user charges and fees revenue by \$4.1 million
- decrease in grants and contributions revenue by \$10.3 million
- increase in materials and contracts expenses by \$3.5 million.

The net operating result before capital grants and contributions of (\$11.9 million) was \$4.4 million lower than the 2018–19 result.

Rates and annual charges revenue \$205.1 million increased by \$5.6 million (2.8 per cent) in 2019–20 due to:

- 2.7 per cent general rate increase
- growth in subdivision in West Dapto area and infill developments
- slight increase in domestic waste management services.

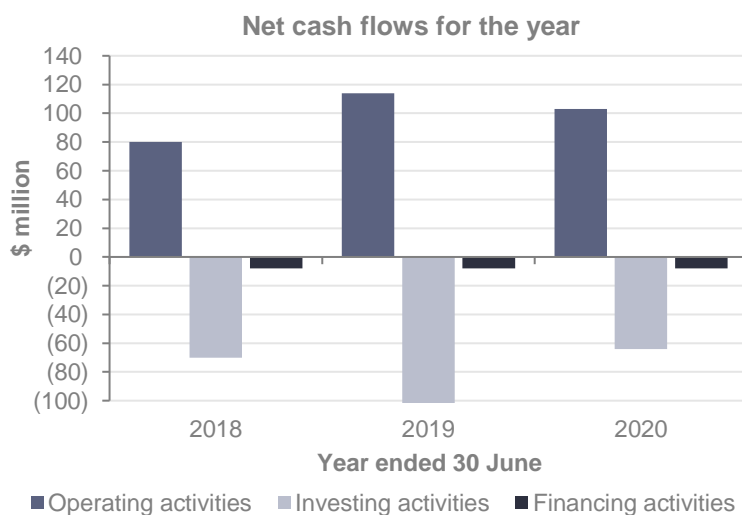
Grants and contributions revenue decreased by \$10.3 million to \$78.2 million (a decrease of 11.6 per cent) in 2019–20 due to:

- \$16.2 million decrease in transport grants for other roads and bridges
- \$4.3 million decrease in developer contributions received in 2019-20
- \$13.2 million increase in subdivision dedications.

STATEMENT OF CASH FLOWS

Cash flows from operating activities decreased by \$10.9 million in 2019–20. This was due to higher payment and lower revenue receipted during the year, in part due to COVID-19 related payment extensions for rate payers.

Cash flows from investing activities have decreased from a net cash outflow of \$107.2 million in 2018-19 to a net cash outflow of \$63.6 million in 2019-20 mainly due to decreased purchases of infrastructure, property, plant and equipment and investment securities.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	75.5	77.7	Council's cash and investments at 30 June 2020 was higher by \$2.7 million compared to previous year. The increase was mainly due to increase in deposits at call.
Internal restrictions	62.7	61.2	
Unrestricted	19.3	15.9	
Cash and investments	157.5	154.8	Externally restricted balances included unexpected specific loans, developer contributions and domestic waste management charges. Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day-to-day operations.

Debt

At 30 June 2020, Council has external borrowings of \$17.7 million (2019: \$25.4 million). The loans are secured over Council's general rating income.

At 30 June 2020, Council also has access to a \$300,000 (2019: \$300,000) bank overdraft facility. This facility was unused at year end.

PERFORMANCE

Performance measures

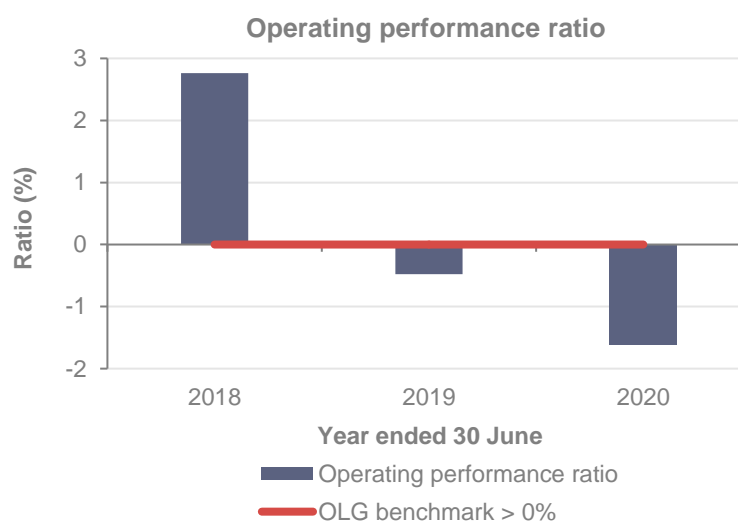
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

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

The Council did not meet the OLG benchmark for the current reporting period. The two main reasons for the unfavourable impact include:

- change in discount factors applicable to employee leave entitlement (\$1.6 million)
- reclassification of capital expenditure from prior year (\$8.0 million)

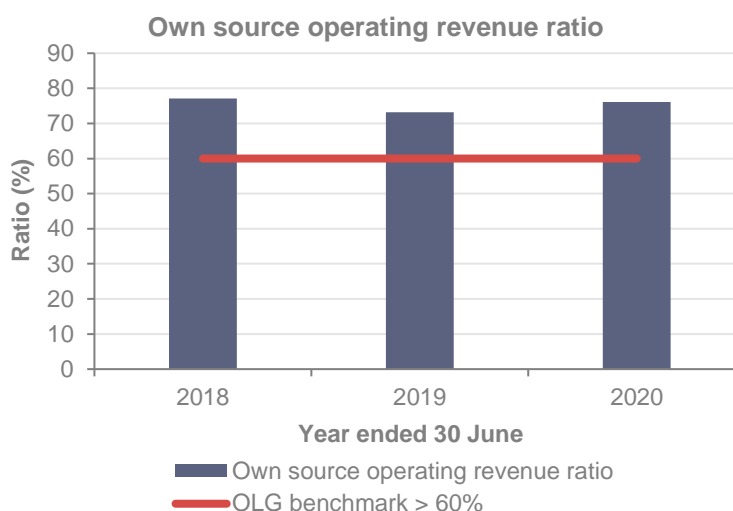


Own source operating revenue ratio

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

The Council met the OLG benchmark for the current reporting period.

This result is consistent with previous reporting periods. It is noted that total revenue includes non-cash contributed assets which fluctuate from year on year and impact the result.



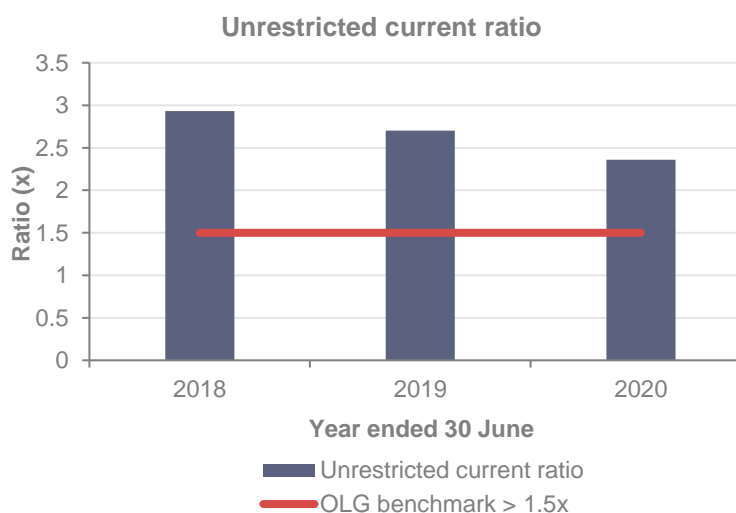
Unrestricted current ratio

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

The Council met the OLG benchmark for the current reporting period.

The ratio remains steady in 2020 because:

- the Council's strategy is to maximise the use of available funds and target a lean unrestricted ratio
- cash assets held for future waste facility requirements are held in the unrestricted ratio

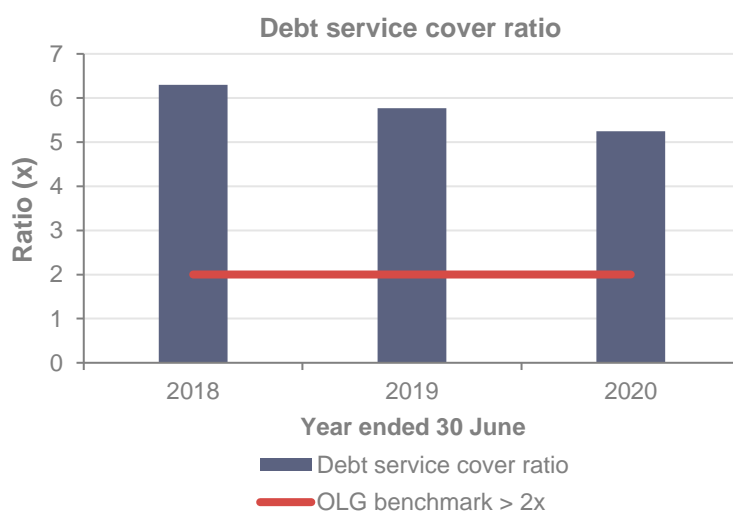


Debt service cover ratio

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

The Council met the OLG benchmark for the current reporting period.

The result indicates that Council can adequately service its outstanding debt.

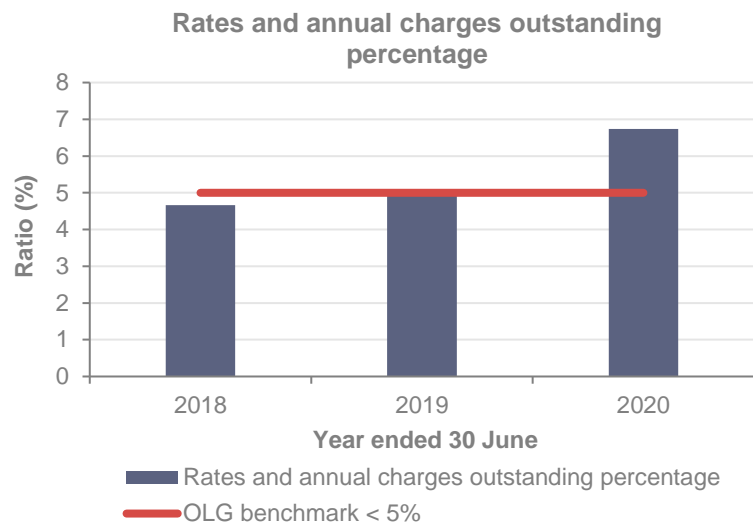


Rates and annual charges outstanding percentage

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

The Council did not meet the OLG benchmark for the current reporting period.

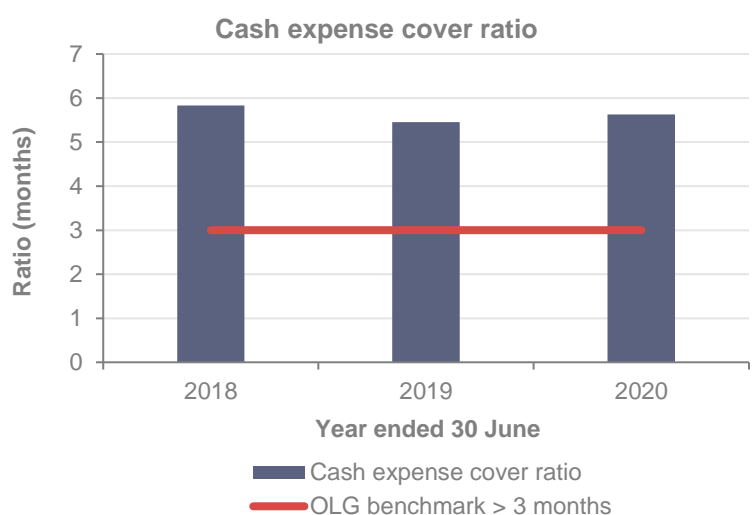
It was due to council extension of fourth instalment of rate payment for 2019/20 without penalty during the pandemic, resulting in increased level of outstanding payments.



Cash expense cover ratio

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

The Council met the OLG benchmark for the current reporting period indicating a higher level of liquidity in Council's investment portfolio at the end of 2019/20.



OTHER MATTERS

Impact of new accounting standards

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

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

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

AASB 15 also increases the amount of disclosures required.

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

The Council recognised a \$1.9 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards and disclosed the impact of adopting the new Revenue Standards in Note 18.

AASB 16 'Leases'

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

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

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

The Council recognised right-of-use assets of \$2.2 million and lease liabilities of \$2.2 million at 1 July 2019 on adoption of AASB 16 and disclosed the impact of adopting AASB 16 in Note 18.

Legislative compliance

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

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



Dominika Ryan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Mr Greg Doyle, General Manager
Mr Terry Clout, Chair of Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Wollongong City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



Special Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
Statement by Councillors & Management	3
Special Purpose Financial Statements	
Income Statement – Waste Disposal	4
Income Statement – Tourist parks	5
Income Statement – Health & Fitness	6
Income Statement – Crematorium & Cemeteries	7
Statement of Financial Position – Waste Disposal	8
Statement of Financial Position – Tourist parks	9
Statement of Financial Position – Health & Fitness	10
Statement of Financial Position – Crematorium & Cemeteries	11
Note 1 – Significant Accounting Policies	12
Auditor's Report on Special Purpose Financial Statements	15

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).

Special Purpose Financial Statements

for the year ended 30 June 2020

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,

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.


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 26 October 2020.



Gordon Bradbery
Lord Mayor
26 October 2020

Tania Brown
Deputy Lord Mayor
26 October 2020

Greg Doyle
General Manager
26 October 2020

Brian Jenkins
Responsible Accounting Officer
26 October 2020

Income Statement – Waste Disposal

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	26,285	27,821
Rental Income	215	–
Grants and contributions provided for non-capital purposes	20	–
Other income	270	516
Total income from continuing operations	26,790	28,337
Expenses from continuing operations		
Employee benefits and on-costs	2,176	1,905
Borrowing costs	1,939	1,849
Materials and contracts	3,016	2,466
Depreciation, amortisation and impairment	1,663	1,221
Calculated taxation equivalents	522	529
EPA levy	10,958	11,764
Other expenses ¹	(3,651)	1,903
Total expenses from continuing operations	16,623	21,637
Surplus (deficit) from continuing operations before capital amounts	10,167	6,700
Surplus (deficit) from continuing operations after capital amounts	10,167	6,700
Surplus (deficit) from all operations before tax	10,167	6,700
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(2,796)	(1,843)
SURPLUS (DEFICIT) AFTER TAX	7,371	4,857
Plus accumulated surplus	52,729	45,500
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	522	529
– Corporate taxation equivalent	2,796	1,843
Closing accumulated surplus	63,418	52,729
Return on capital %	22.1%	21.6%

(1) Each financial year the provision for the remediation of Council's waste facility is calculated based on the forecast costs to rehabilitate the site. The movements in the provision are generally recognised against the value of the corresponding tip asset. During 2019-2020, a reduction in the forecast rehabilitation costs caused a reduction in the provision beyond the carrying value of the asset. The balance of this adjustment and all future adjustments to the provisions will be recognised through other expenses.

Income Statement – Tourist parks

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	6,717	7,153
Rental Income	101	–
Other income	46	144
Total income from continuing operations	6,864	7,297
Expenses from continuing operations		
Employee benefits and on-costs	2,817	2,813
Materials and contracts	850	1,157
Depreciation, amortisation and impairment	1,305	1,095
Loss on sale of assets	86	53
Calculated taxation equivalents	552	535
Other expenses	1,260	1,192
Total expenses from continuing operations	6,870	6,845
Surplus (deficit) from continuing operations before capital amounts	(6)	452
Surplus (deficit) from continuing operations after capital amounts	(6)	452
Surplus (deficit) from all operations before tax	(6)	452
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(124)
SURPLUS (DEFICIT) AFTER TAX	(6)	328
Plus accumulated surplus	13,005	12,018
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	552	535
– Corporate taxation equivalent	–	124
Closing accumulated surplus	13,551	13,005
Return on capital %	0.0%	1.7%
Subsidy from Council	255	–

Income Statement – Health & Fitness

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	2,331	2,896
Rental Income	1	–
Other income	78	95
Total income from continuing operations	2,410	2,991
Expenses from continuing operations		
Employee benefits and on-costs	2,295	2,521
Materials and contracts	252	332
Depreciation, amortisation and impairment	42	54
Calculated taxation equivalents	226	176
Other expenses	1,044	977
Total expenses from continuing operations	3,859	4,060
Surplus (deficit) from continuing operations before capital amounts	(1,449)	(1,069)
Surplus (deficit) from continuing operations after capital amounts	(1,449)	(1,069)
Surplus (deficit) from all operations before tax	(1,449)	(1,069)
SURPLUS (DEFICIT) AFTER TAX	(1,449)	(1,069)
Plus accumulated surplus	(12,948)	(12,055)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	226	176
Closing accumulated surplus	(14,171)	(12,948)
Return on capital %	(25.5)%	(24.3)%
Subsidy from Council	1,499	1,127

Income Statement – Crematorium & Cemeteries

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	–	1,550
Other income	–	9
Total income from continuing operations	–	1,559
Expenses from continuing operations		
Employee benefits and on-costs	–	1,431
Materials and contracts	–	269
Depreciation, amortisation and impairment	–	9
Loss on sale of assets	–	7
Calculated taxation equivalents	–	173
Other expenses	–	560
Total expenses from continuing operations	–	2,449
Surplus (deficit) from continuing operations before capital amounts	–	(890)
Surplus (deficit) from continuing operations after capital amounts	–	(890)
Surplus (deficit) from all operations before tax	–	(890)
SURPLUS (DEFICIT) AFTER TAX	–	(890)
Plus accumulated surplus	–	(827)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	173
Closing accumulated surplus	–	(1,544)
Return on capital %	0.0%	(13.6)%
Subsidy from Council	–	976

Statement of Financial Position – Waste Disposal

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Investments	561	—
Total current assets	561	—
Non-current assets		
Receivables	54,637	70,160
Infrastructure, property, plant and equipment	54,704	39,543
Total non-current assets	109,341	109,703
TOTAL ASSETS	109,902	109,703
LIABILITIES		
Current liabilities		
Payables	—	638
Total current liabilities	—	638
Non-current liabilities		
Provisions	33,367	42,939
Total non-current liabilities	33,367	42,939
TOTAL LIABILITIES	33,367	43,577
NET ASSETS	76,535	66,126
EQUITY		
Accumulated surplus	63,418	52,729
Revaluation reserves	13,117	13,397
TOTAL EQUITY	76,535	66,126

Statement of Financial Position – Tourist parks

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Non-current assets		
Receivables	3,507	4,127
Infrastructure, property, plant and equipment	28,262	26,480
Total non-current assets	31,769	30,607
TOTAL ASSETS	31,769	30,607
NET ASSETS	31,769	30,607
EQUITY		
Accumulated surplus	13,552	13,005
Revaluation reserves	18,217	17,602
TOTAL EQUITY	31,769	30,607

Statement of Financial Position – Health & Fitness

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	5,692	4,398
Total non-current assets	<u>5,692</u>	<u>4,398</u>
TOTAL ASSETS	<u>5,692</u>	<u>4,398</u>
LIABILITIES		
Non-current liabilities		
Payables	15,558	13,901
Total non-current liabilities	<u>15,558</u>	<u>13,901</u>
TOTAL LIABILITIES	<u>15,558</u>	<u>13,901</u>
NET ASSETS	<u>(9,866)</u>	<u>(9,503)</u>
EQUITY		
Accumulated surplus	(14,171)	(12,946)
Revaluation reserves	4,303	3,443
TOTAL EQUITY	<u>(9,868)</u>	<u>(9,503)</u>

Statement of Financial Position – Crematorium & Cemeteries

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	–	6,534
Total non-current assets	–	6,534
TOTAL ASSETS	–	6,534
LIABILITIES		
Non-current liabilities		
Payables	–	4,585
Total non-current liabilities	–	4,585
TOTAL LIABILITIES	–	4,585
NET ASSETS	–	1,949
EQUITY		
Accumulated surplus	–	(1,535)
Revaluation reserves	–	3,484
<u>TOTAL EQUITY</u>	–	1,949

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

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 2093 (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. Waste Disposal:** Manages the disposal of solid waste generated within the city.
- b. Tourist Parks:** Operation, management & development of tourist parks at Bulli, Corrimal & Windang.
- c. Health & Fitness:** Responsible for the management and upkeep of Council's Leisure Centres.
- d. Crematorium & Cemeteries:** Provision of quality crematorium, cemetery & memorial facilities & services (2019 only).

Category 2

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

Nil

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

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 \$734,000 of combined land values attracts **0%**. For the combined land values in excess of \$734,001 up to \$4,488,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,488,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$900,000.

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.

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

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:

Operating result before capital income + interest expense

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 0.88% at 30/6/20.

(iv) Dividends

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Wollongong City Council

To the Councillors of Wollongong City Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Wollongong City Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant Accounting Policies for the Business Activities declared by Council.

The Declared Business Activities of the Council are:

- Waste Disposal
- Tourist Park
- Health and Fitness
- Crematorium and Cemeteries.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2020, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code).

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information.

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

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

financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Dominika Ryan
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

5 November 2020
SYDNEY

Wollongong City Council

SPECIAL SCHEDULES
for the year ended 30 June 2020



Special Schedules

for the year ended 30 June 2020

Contents

Page

Special Schedules

Permissible income for general rates

3

Report on Infrastructure Assets - Values

6

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	170,562	165,477
Plus or minus adjustments ²	b	827	730
Notional general income	c = a + b	171,389	166,207
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	4,456	4,488
Sub-total	k = (c + g + h + i + j)	175,845	170,695
Plus (or minus) last year's carry forward total	l	2	4
Less valuation objections claimed in the previous year	m	(265)	(396)
Sub-total	n = (l + m)	(263)	(392)
Total permissible income	o = k + n	175,582	170,303
Less notional general income yield	p	175,452	170,562
Catch-up or (excess) result	q = o - p	130	(259)
Plus income lost due to valuation objections claimed ⁴	r	37	265
Less unused catch-up ⁵	s	—	(4)
Carry forward to next year ⁶	t = q + r + s	167	2

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Wollongong City Council

To the Councillors of Wollongong City Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



Dominika Ryan
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

5 November 2020
SYDNEY

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost				Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council	2019/20 Required maintenance ^a	2019/20 Actual maintenance			1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000							
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings	3,091	5,564	25,522	23,938	301,035	543,023	3.2%	16.0%	79.6%	0.5%	0.7%
	Sub-total	3,091	5,564	25,522	23,938	–	543,023	3.2%	16.0%	79.6%	0.5%	0.7%
Other structures	Other structures	699	1,324	761	714	9,246	16,204	7.1%	22.7%	61.4%	1.9%	6.9%
	Sub-total	699	1,324	761	714	9,246	16,204	7.1%	22.7%	61.4%	1.9%	6.9%
Roads	Sealed roads	46,761	81,509	14,467	15,749	610,258	1,479,575	8.1%	8.3%	74.1%	4.0%	5.5%
	Bridges	617	1,151	1,704	1,855	118,822	174,322	18.8%	36.5%	44.0%	0.2%	0.5%
	Footpaths	3,094	5,651	3,387	2,739	158,235	305,485	21.4%	17.9%	57.9%	0.9%	1.9%
	Sub-total	50,472	88,311	19,558	20,343	–	1,959,382	11.1%	12.3%	68.9%	3.2%	4.5%
Stormwater drainage	Stormwater drainage	466	912	3,327	3,262	530,148	961,129	5.0%	12.1%	82.9%	0.0%	0.0%
	Sub-total	466	912	3,327	3,262	–	961,129	5.0%	12.1%	82.9%	0.0%	0.0%
Open space / recreational assets	Swimming pools & Open Space/Recreation	8,558	15,398	27,685	29,531	123,183	195,875	12.0%	14.0%	58.0%	9.0%	7.0%
	Sub-total	8,558	15,398	27,685	29,531	–	195,875	12.0%	14.0%	58.0%	9.0%	7.0%
TOTAL - ALL ASSETS		63,286	111,509	76,853	77,788	9,246	3,675,613	8.4%	12.9%	73.5%	2.3%	2.9%

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

Infrastructure asset condition assessment 'key'

(1) Cost to bring up to 'satisfactory standard' refers to the estimated cost to replace the calculated percentage of each asset type that are below satisfactory. Satisfactory standard is generally defined as condition 2 (see Asset Condition Definitions). As identified through Council's Securing our Future community engagement, for footpaths and shared paths, this is condition 3. Cost estimates are based on adopted valuation methodologies and do not generally include the cost of enhancements/upgrades to existing assets. The nominated percentage of each asset type below satisfactory standard is detailed under Condition of Public Works in the Annual Report.

(2) Required Annual Maintenance' is the amount that should be spent to maintain assets in a satisfactory standard and to ensure that the estimated remaining life of the asset is achieved PLUS the new requirement to include the "operating expenses required to keep the asset in a functional state for community use". During the 2016/17 financial year this process was completely reviewed to ensure inclusion of all labour and materials on all 'asset operation' tasks.

Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

(3) Current Annual Maintenance' is the total expenditure incurred during the year to maintain assets. It also includes the actual expenditure on operational costs to keep the asset in a functional state for community use', which includes costs such as mowing, painting, lighting, cleaning, energy supply etc. It does not include operational overheads (e.g. administration staff) or capital expenditure.

(4) Cost to bring to agreed service level is defined as "The proportion of the GRC that have reached the intervention level based on condition." The outstanding renewal works compared to the total replacement cost of Councils assets. That is calculated as the cost of bringing condition 4 and 5 assets to condition 1.

(5) Below is a summary of asset types included in Asset Class:

Buildings: Community Facilities, Cultural Facilities, Childcare Centres, Public Toilets, Exeloos, Grandstands, Surf Life Saving Clubs, Amenities, Office/Shops, Industrial, Residences, Cabins and Leisure Centres

Roads and Road Related Assets: Road seal, base, sub-base, kerb and gutter, guardrails and traffic facilities (roundabouts, speedhumps, medians etc)

Bridge, Boardwalks and Jetties: Road Bridges, Pedestrian Bridges, Boardwalks and Jetties

Footpaths and Cycleways: Footpaths and cycleways (excluding off road footpaths in parks)

Car parks: Surface car parks (not multi-storey) and Boat ramps

Stormwater: Pits, Pipes, Headwalls, Culverts and Riparian Assets

Recreation: Pools, Playgrounds, Sport Courts, Park Furniture, Picnic Shelters and Landscaping. Does not include non-depreciable land and earthworks

Condition of Public Assets

In assessing the condition of Public Assets, Council has considered the existing condition and function of each asset. The results shown for the condition of assets within each category are an average. Therefore, a proportion of assets in each category are above and below the average result. Council recognise that the ratings scale used (as outlined below) may be different from those used by other Councils but has been based on the rating scale in the International Infrastructure Management Manual.

Asset Condition Definitions #

Rating	Status
1	As new
2	Good
3	Fair
4	Poor
5	To be replaced

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	52,085	102.11%	93.63%	104.26%	>=100.00%
Depreciation, amortisation and impairment	51,011				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	63,286	3.42%	4.76%	5.50%	<2.00%
Net carrying amount of infrastructure assets	1,850,927				
Asset maintenance ratio					
Actual asset maintenance	77,788	101.22%	100.34%	98.54%	>100.00%
Required asset maintenance	76,853				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	111,509	3.03%	3.26%	3.47%	
Gross replacement cost	3,675,613				

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

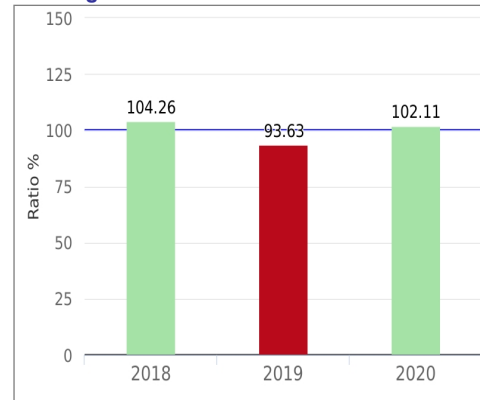
(1) Excludes Work In Progress (WIP)

(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.

Report on Infrastructure Assets (continued)

as at 30 June 2020

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

19/20 ratio 102.11%

Council expended \$94M on Capital works during 2019/20. A significant proportion of this expenditure went to new infrastructure initiatives supporting major sub-division development works. That is, in 2019/20 \$14M was expended on the completion of the Fowlers Road new bridge project. The impact was not as great as last year, with resulting expenditure on renewal of infrastructure assets at \$52.9M, up from \$49.7M last financial year.

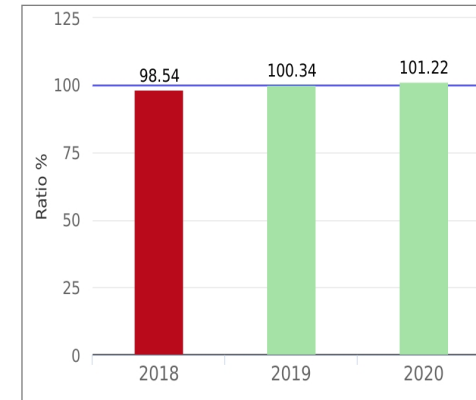
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

19/20 ratio 101.22%

In recent years Council has reviewed 500 cost centres and all supporting natural accounts to improve the detail of this result. Operational required costs have been set to equal the operational actual costs. The increase to above 100% is primarily due to increased maintenance of Buildings and Facilities.

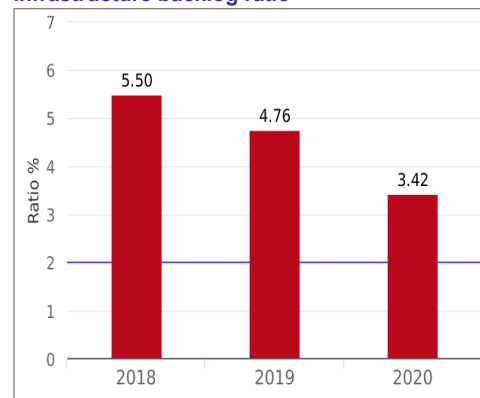
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

19/20 ratio 3.42%

The cost to bring to satisfactory is defined as the cost difference of the written down value of the assets in condition 4 and 5, to their written down value at condition 2, with the exception of path assets to condition 3. Councils 'Securing our Future' financial review confirmed condition 3 for paths through public consultation.

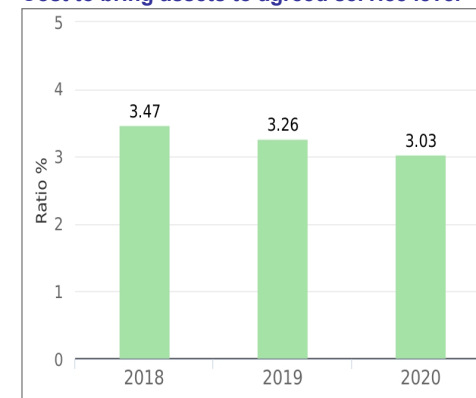
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

19/20 ratio 3.03%

This ratio is the sum of the outstanding renewal works compared to the total replacement cost of infrastructure assets. That is, the cost to renew assets in condition 4 and 5 as a proportion of the Gross Replacement Cost. This is trending down as Council continues sound programs of replacing failed assets.