

ITEM 1 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

PRESENTER: Audit Office of NSW – Financial Statements

Council officers have prepared the draft 2020-2021 Annual Financial Statements in accordance with the Local Government Act 1993 (as amended), the Regulations, the Australian Accounting Standards and the Local Government Code of Accounting Practice and Financial Reporting.

The draft Financial Statements were presented to the Audit, Risk and Improvement Committee on 7 October 2021. At that meeting, the Audit, Risk and Improvement Committee resolved that the General Purpose Financial Statements and the Special Purpose Financial Statements be recommended to Council for endorsement and the signing of the Statements by the Lord Mayor, Deputy Lord Mayor and Management subject to the receipt of the Engagement Closing Report from the Audit Office. On 12 October 2021, the ARIC members agreed to additional variations proposed through the finalisation of the Engagement Closing Report.

The Statements have been reviewed by Council's Auditors, Audit Office of NSW, and are presented to Council for an opinion to be formed in the prescribed format (as attached). The Audit Office of NSW will address the meeting to provide an overview of their Audit for the year ended 30 June 2021.

RECOMMENDATIONS

- 1 The Annual Financial Statements be endorsed and an opinion be formed in the prescribed format (as per Attachments 2 and 3) on the General Purpose Financial Statement and the Special Purpose Financial Statement.
- 2 The audited Financial Statements and the Auditor's report be presented to the public at an extraordinary meeting of Council following the finalisation of the audit and public notification period.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Chief Financial Officer
Authorised by: Renee Campbell, Director Corporate Services - Connected + Engaged City

ATTACHMENTS

- 1 Annual Financial Statements 2020-2021
- 2 Statement by the Lord Mayor, Deputy Lord Mayor and Management on the General Purpose Financial Statements
- 3 Statement by the Lord Mayor, Deputy Lord Mayor and Management on the Special Purpose Financial Statements
- 4 Flowchart of the Annual Financial Statement Approval and Audit Process

BACKGROUND

The Local Government Act 1993 (as amended) requires Council to prepare financial statements for each year and refer them for audit as soon as practicable after the end of that year.

A council's financial statements must include:

- 1 A General Purpose Financial Statement;
- 2 any other matter prescribed by the regulations, and
- 3 a statement in the approved form by the Council as to its opinion on the General Purpose Financial Statement.

The Annual Financial Statement Approval and Audit Process is outlined in Attachment 4 of this report. This process is largely governed by the requirements of the Local Government Act 1993 (as amended) having regard to the timing of Council meetings. In accordance with this process, the Audit, Risk and

Improvement Committee makes recommendation to the Council regarding the signing of the Financial Statements based on the Committee's assessment of them.

An Executive Summary and Financial Commentary to the Statements are also prepared to provide an overview of the Financial Statements. The Executive Summary and Financial Commentary are not audited.

A preliminary pre-audit result was presented to Council on 2 August 2021. Through the finalisation of the Financial Statements and the external audit process variations have been made to the results previously reported. These variations are discussed in further detail in the financial implications section and did not have an impact on the fund result previously reported.

PROPOSAL

Section 413 of the Local Government Act 1993 (as amended) requires the Council to form an opinion as to whether Council's Annual Financial Statements have been drawn up in accordance with the Local Government Act and associated Codes and Australian Accounting Standards as prescribed by the Regulations. The Statements are presented to Council for an opinion to be formed in the prescribed format (see Attachments 2 and 3). Subsequent to these Statements being signed, Council's Auditor will present its Audit Report to Council.

Following the signing of the opinions and receiving the Auditor's Report, a copy of the Audited Financial Statements will be submitted to the Office of Local Government in accordance with Section 417(5) of the Local Government Act 1993 (as amended).

Section 418 of the Local Government Act 1993 (as amended) requires that Council, as soon as practical after receiving a copy of the Auditor's Reports, fix a date for a meeting at which it proposes to present its Audited Financial Statements, together with the Auditor's Reports, to the public. The Council must give public notice of the date of the meeting. Consequently, an advertisement is scheduled to appear in The Advertiser on Wednesday, 27 October 2021.

Section 420 of the Local Government Act 1993 provides that any person may make submissions to the Council with respect to the Financial Statements and/or the Auditor's Reports and those submissions must be made in writing and lodged with the Council within seven days of the public meeting. The date of the Council meeting (public meeting) is the next Council meeting as resolved by Council.

CONSULTATION AND COMMUNICATION

The Audit Office of NSW has been consulted throughout the preparation of the Annual Financial Statements. The audit staff have been helpful in ensuring compliance with all accounting requirements.

Draft Financial Statements were presented to the Audit, Risk and Improvement Committee on 16 August 2021 (pre audit) and on 7 October 2021. At the latter meeting, the Audit, Risk and Improvement Committee resolved that:

- 1 The draft Annual Financial Statements for the year ended 30 June 2021 be noted and received.
- 2 Subject to ARIC member acceptance of any adjustments required following receipt of the Engagement Closing Report:
 - a The General Purpose Financial Reports be recommended to Council for endorsement and the signing of the Statement by the Lord Mayor, Deputy Lord Mayor and Management, made pursuant to Section 413[2][c] of the Local Government Act 1993 (as amended).
 - b The Special Purpose Financial Reports be recommended to Council for endorsement and the signing of the Statement by the Lord Mayor, Deputy Lord Mayor and Management, made pursuant to the Local Government Code of Accounting Practice and Financial Reporting.

The Engagement Closing Report was received on Monday, 11 October 2021. ARIC members were issued with variations on Tuesday, 12 October 2021. The ARIC members have agreed to these variations.

The Report on Infrastructure Assets as at 30 June 2021 is not included in the external audit process and was not included in the papers provided to the ARIC for review.

Executive, senior managers and significant senior officers were requested to ensure that all relevant information with regards to the 2020-2021 transactions relating to their area/s of responsibility had either been entered into the financial records or disclosed to the Chief Financial Officer.

PLANNING AND POLICY IMPACT

This report contributes to the delivery of Wollongong 2022 goal '*We are a connected and engaged community*'. It specifically delivers on the following:

Community Strategic Plan Strategy	Delivery Program 2018-2022 4 Year Action	Operational Plan 2021-2022 Operational Plan Actions
4.3.2 Resources (finance, technology, assets and people) are effectively managed to ensure long term financial sustainability	4.3.2.1 Effective and transparent financial management systems are in place	Monitor and review achievement of Financial Strategy
		Continuous budget management is in place, controlled and reported
		Provide accurate and timely financial reports monthly, quarterly and via the annual statement

RISK MANAGEMENT

The Annual Financial Statements are required to be prepared in accordance with the Local Government Act 1993 (as amended), the Local Government Code of Accounting Practice and Financial Reporting and the Australian Accounting Standards. Council has professionally qualified staff to ensure compliance with the reporting requirements.

Council staff has also undertaken additional training in specialised areas. A higher level of assurance is attained from the Audit Office of NSW review.

Further to this, Council's Executive, senior management and relevant senior officers each signed a document giving the necessary assurances that:

- 1 No matters or occurrences have come to their attention in respect to their areas of responsibility that would materially affect the Financial Statements or disclosures therein, or which are likely to materially affect the future results or operations of the Council; and
- 2 Should any such matters or occurrences come to their attention after the date of signing the document, the Chief Financial Officer be immediately advised.

Consequently, there is considered to be a low risk of any material errors or omissions in reporting.

FINANCIAL IMPLICATIONS

Council is now presented with a set of draft Financial Statements that have been prepared in accordance with the Australian Accounting Standards and other professional pronouncements and the Local Government Code of Accounting Practice and Financial Reporting.

Through the collation of the Financial Statements and the external audit process, the operating result [pre-capital] has been adjusted by \$1.6M from \$2.1M to \$0.5M. This variance is the result of the valuation of the CivicRisk Mutual (\$0.5M) and accounting estimates related to the waste remediation provision (\$1.8M) partly offset by the valuation of Council's investment property (\$0.4M) and the accounting treatment of impaired assets (\$0.2M).

The operating result has been adjusted by \$1.9M from \$36.9M to \$35.0M. This includes the adjustments above as well as an adjustment to non-cash capital contribution income of \$0.4M.

These adjustments did not impact the funds result however the internally restricted assets reported in the Statements reflect the decision made by Council at its August meeting to transfer \$5M to the Property Investment Restricted Asset and \$10.6M to the Strategic Project Restricted Asset.

CONCLUSION

The Financial Statements will be presented to the public at a future Council meeting pending Council forming an opinion that they have been drawn up in accordance with the Local Government Act and associated Codes and Australian Accounting Standards as prescribed by the Regulations.



WOLLONGONG CITY COUNCIL

FINANCIAL REPORT

YEAR ENDED 30 JUNE 2021

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EXECUTIVE SUMMARY

As General Manager of Wollongong City Council, I present the Annual Financial Statements for 2020-2021. 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 \$35.0 million compared to a surplus of \$35.5 million in 2019-2020. The net operating result before capital grants and contributions was a surplus of \$0.5 million which is in line with Council's targeted position of a small surplus result. Although this result includes substantial end of year adjustments, they did not have a significant overall impact in the result. The deficit of \$11.9 million in 2019-2020 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 Statement of Financial Position shows the vast extent of assets managed by Council for the community. The total value of Council's assets at 30 June 2021 was \$2.91 billion. During 2020-2021, Council completed capital works of \$77.8 million including the construction and acquisition of \$44.5 million of new assets and \$33.3 million for the renewal of existing assets. The program included projects such as the continuation of West Dapto Access Works, North Wollongong Beach Seawall renewal, Austinmer Beach/Tidal Pool Amenities, Corrimal CBD footpaths, Cringila Hills MTB trails and walking tracks, 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 \$170.9 million at 30 June 2021 [\$157.5 million in 2019-2020]. \$153 million of Council's cash [\$138 million in 2019-2020] is restricted in its use to specific purposes by external bodies, legislation and Council resolution.

Council's unrestricted current ratio decreased from 2.36:1 in 2019-2020 to 2.15:1 in 2020-2021. 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.

Rates and Annual Charges outstanding decreased from 6.74% in 2019-2020 to 5.28% in 2020-2021. Council's assistance package in response to COVID-19 included an option for ratepayers to defer the 4th instalment for 2019-2020 without penalty. This resulted in an increased level of outstanding payments in the prior year and the ongoing negative impacts of COVID-19 are still reflected in these numbers in the current year.

Council continues to have relatively low levels of borrowing and did not undertake any additional borrowings in 2020-2021. Low debt levels remain a financial strength of Council and adds flexibility in making financial decisions for the future. The 2020-2021 debt service ratio decreased to 2.14% compared to 3.41% in 2019-2020. 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 2020-2021

2020-2021 FINANCIAL OVERVIEW

This report provides an overview of Council's 2020-2021 Financial Statements. The Financial Statements are prepared by Council to provide information in relation to Council's financial performance and position. The Financial Statements comprise of five key financial reports:

- The Income Statement;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Changes in Equity Statement, and
- The Statement of Cash Flows.

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 2020/21. The Statements are reviewed by the Audit, Risk and Improvement Committee, independently audited by the Audit Office of NSW, reported to Council, placed on public exhibition and then lodged with the Office of Local Government.

The 2020-2021 Financial Statements show a positive Net Operating Result of \$35.0M. 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 is a surplus of \$0.5M, which is in line with Council's targeted position of a small surplus result. Although this result includes substantial end of year adjustments such as revaluations, loss on asset disposals and reclassifications from capital to operating, these have not had a significant overall impact on the result. While 50% of the Financial Assistance Grant for 2021-2022 was paid in advance, that is consistent with prior years and has not had a significant impact year on year. These variations do not change the underlying capacity of the organisation over time and Council considers our underlying financial performance to be on track to meet financial strategies and targets in the short, medium and long term.

2020-2021 HIGHLIGHTS

\$2.91B

Total Assets

PY \$2.87B

2.14%

Debt Service Ratio

PY 3.41%

\$44.5M

Capital Works – New

PY \$31.2M

\$33.3M

Capital Works – Renew

PY \$58.6M

\$35.0M Surplus

Net Operating Result

PY \$35.5M Surplus

\$0.5M Surplus

Net Operating Result Before Capital
Grants & Contributions

PY \$11.9M Deficit

\$12.2M

Contributed Assets Recognised

PY \$21.3M

2.15:1

Unrestricted Current Ratio

PY 2.36:1

\$170.9M

Cash Assets & Investments

PY \$157.5M

5.28%

Rates, Annual Charges, Interest &
Extra Charges Outstanding

PY 6.74%

*PY = Prior Year

ASSETS

Council is the custodian of community assets with a total value of \$2.91B as at 30 June 2021. The composition of assets at balance date is shown as follows:



Infrastructure, Property, Plant & Equipment (IPPE)

With a carrying value of \$2.69B, IPPE is Council's most significant asset group representing 92.5% of total assets value. This asset group includes roads, drains, footpaths, community facilities, recreational facilities, parks and gardens.

During 2020-2021, Council delivered a capital works program of \$77.8M including the construction and purchase of \$44.5M of new assets and renewal of existing assets of \$33.3M. In addition, \$12.2M of assets were contributed to Council during 2020-2021. After accounting for annual depreciation expense, the overall value of IPPE increased by \$95.9M during 2020-2021. This is mainly the result of the capital works program and the revaluation of the other assets and open space and recreation asset classes. Further financial details of IPPE are shown at Note C1-8.

Cash and Investments

Council maintained robust levels of cash and investments, with holdings of \$170.9M at 30 June 2021. Cash and investment positions over recent years are as follows:

CASH, INVESTMENTS & AVAILABLE FUNDS (\$M)		
	YTD Actual 30 June 2020	YTD Actual 30 June 2021
TOTAL CASH & INVESTMENTS	157.474	170.853
Less Restrictions:		
External	75.470	78.088
Internal	62.675	70.676
CivicRisk Investment		3.199
AVAILABLE CASH	19.329	18.890
Adjusted for :		
Payables	(30.592)	(26.621)
Receivables	21.667	21.859
Other	14.210	9.252
AVAILABLE FUNDS	24.614	23.380

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 available for specific future purposes.

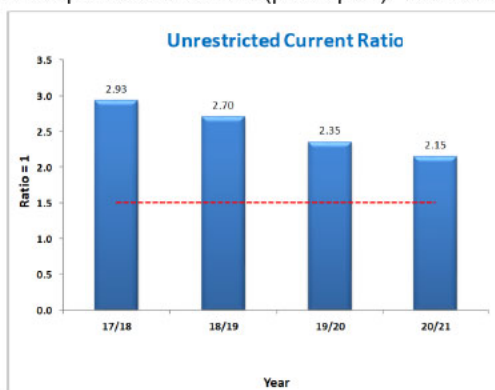
At 30 June 2021, Council achieved an available funds position of \$21.8M, which is significantly higher than the Financial Strategy target range of 3.5% to 5.5% of operational revenue (pre-capital). The result at balance date was uplifted by the early receipt of the first two instalments of the Financial Assistance Grant for 2020-2021 totalling \$9.9M.

Unrestricted Current Ratio

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

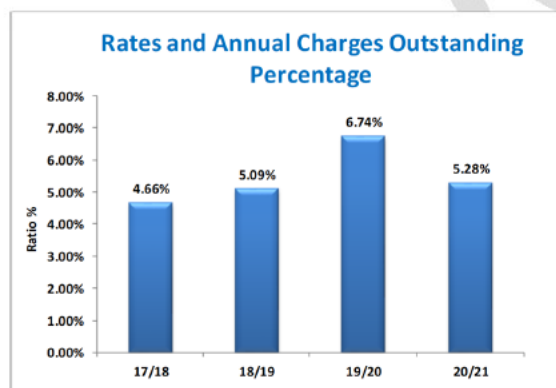
Strategy: Council's strategy is to maximise the use of available funds for asset renewal by targeting a lean Unrestricted Current Ratio.

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



Receivables

Receivables are the amount of money that is owed to Council or funds that Council has paid in advance. At 30 June 2021, receivables totalled \$21.8M, a marginal increase of \$0.2M compared to the 2019-2020 reporting period. Full details of receivables are provided in Note C1-4.



Rates and Annual Charges Outstanding Percentage

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 included an option for ratepayers to defer the 4th instalment for 2019-2020 without penalty and ceased legal debt recovery until January 2021. The ongoing impact of COVID-19 is reflected within the results for 2020-2021.

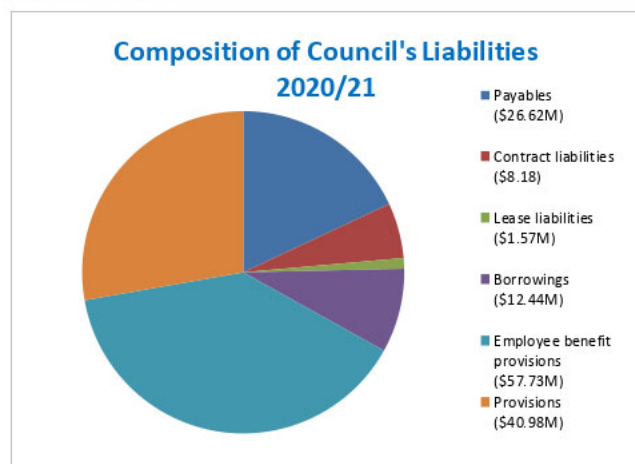
Contract Assets

Contract assets represent Council's right to payment in exchange for the delivery of works relating to grants and contributions. As at 30 June 2021, contract assets totalled \$4.7M in comparison to \$5.7M in 2019-2020.



LIABILITIES

At 30 June 2021, Council's Total Liabilities were \$147.3M. The composition of Council's Total Liabilities is shown below.



Employee Benefit Provisions: Account for 39.1% of Council's Liabilities.

Provisions: Account for 27.8% of Council's Liabilities with the most significant provisions relating to Waste Depot Remediation Provision [\$28.8M], Workers' Compensation Provision [\$8.5M] and Self-Insurance [\$0.7M].

Payables: Account for 18.0% of Council's Liabilities. The most significant payables being accrued expenditure and expenditure incurred but not yet paid for expenditure.

Borrowings: Account for 8.4% of

Council's Liabilities, down from prior year's 11.4% and relate to the subsidised Local Infrastructure Renewal Scheme Programs (1, 2 and 3) secured over the previous five financial years. This reduction is due to ongoing principal repayments and no additional borrowing being undertaken within the reporting period.

Contract Liabilities: Account for 5.5% 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 1.1% 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 C2-1 and C2-2.

Provisions

Provisions represent the Council's obligation to make future payments as a result of past events. Provisions are revalued each financial year with any movements recognised through profit and loss. The value of provisions has reduced from \$100.9M in 2019-2020 to \$96.9M in 2020-2021. This movement predominately relates to the revaluation of the employee leave entitlements, workers' compensation and waste facility provisions.

Employee leave entitlements reflect the current value of the estimated future payments, which are discounted based on published long term government bond rates. The overall decrease in the provision of \$1.4M is impacted by valuation changes (-\$3.7M) including changes in discount rates (-\$1.9M), a decrease in the estimated salaries as a result of the new enterprise agreement (-\$2.0M) and an increase in the superannuation contribution percentage from 9.5% to 10% (+\$0.2M), offset by the impact of movement in the leave balances of employees (+\$2.3M).

The workers' compensation provision is valued by an external actuary. As at 30 June 2021, the value of the provision increased by \$1.9M as a result of a change in methodology that increased the value of existing claims.

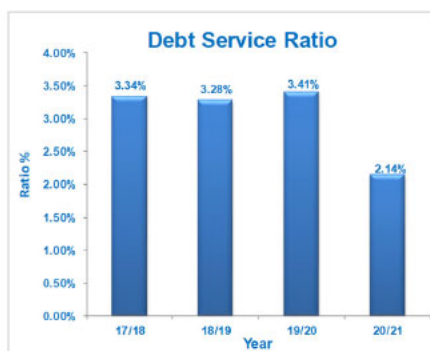
The provision for the remediation of Council's waste facility is calculated based on the forecast costs to rehabilitate the site. During the prior financial year, the reduction in the provision exceeded the carrying value of the corresponding asset and therefore all further adjustments are recognised through Other Expenses. The provision was reduced by a further \$3.8M in 2020-2021 as a result of reductions to the forecast rehabilitation costs and changes to the discount rates applied.

Borrowings

Council continues to remain a relatively low debt user. In 2020-2021, 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 are 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), round 2 (Upgrade Berkeley and Corrimal Community Centres and Thirroul Pavilion and Kiosk) and round 3 (the West Dapto Access Project to construct Fowlers Road to Fairwater Drive) are complete. 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 2.14%. This remains low in comparison to the Local Government benchmark ratio of <10% and is within Council's own Strategy.

The Debt Service Ratio decreased significantly in the 2020-2021 reporting period. This is due to the finalisation of substantial borrowings in the prior year.

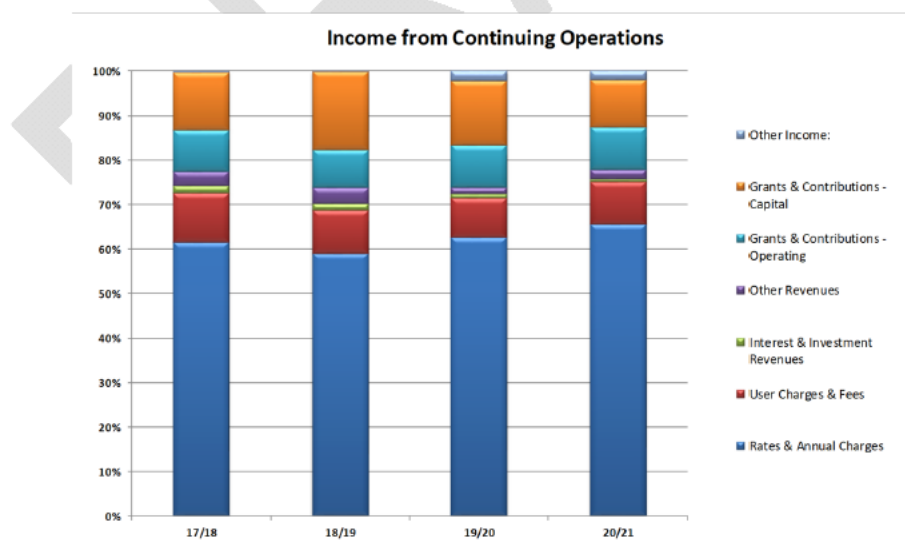
Operational Performance - Income & Expenses

Council achieved a Net Operating Surplus from Continuing Operations of \$35.4M in 2020-2021 in comparison to a surplus of \$35.5M in 2019-2020. This result includes capital grants and contributions that were significantly higher last year. Council's underlying measure of long term operational performance, the Operational Result before Capital Grants and Contributions, improved to a surplus of \$0.5M, compared to a deficit of \$11.9M in 2019-2020.

Income

Council's Income from Continuing Operations for 2020-2021 was \$322.07M compared to a prior year result of \$327.5M. A reduction in the level of capital grants & contributions received in 2020-2021 compared to 2019-2020 has impacted on this result.

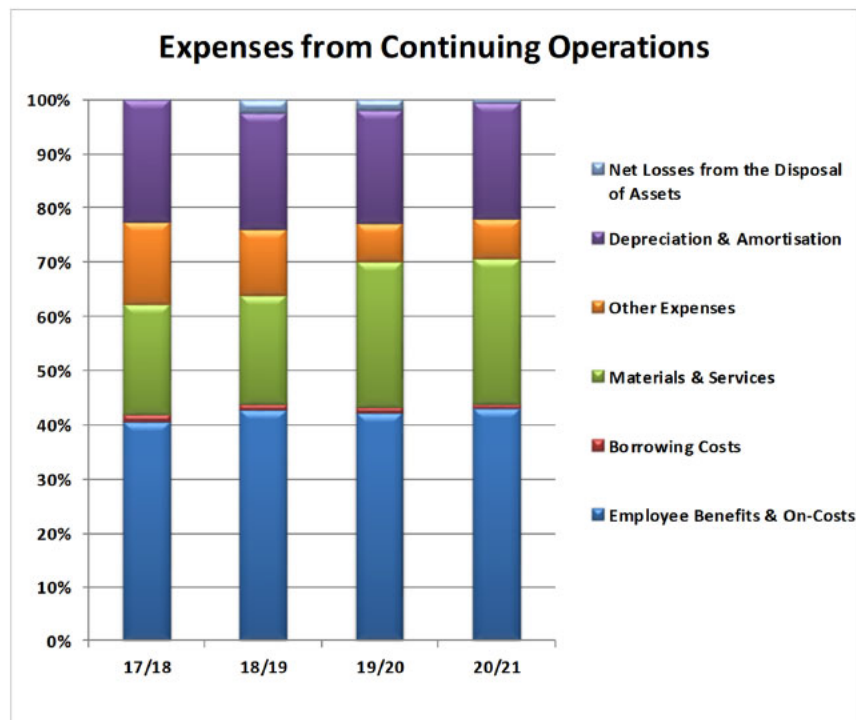
The composition of Council's revenue remained reasonably consistent compared to previous years as depicted in the table below. The realignment of rental income from Other Revenues to Other Income has been applied from the 2019-2020 financial year onwards within the below table.



Expenses

Expenses from Continuing Operations for 2020-2021 totalled \$287.1M, a decrease on prior year expenditure of \$4.9M.

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 materials and services and other expenses. The allocation of costs between materials and services and other expenses was changed through updates to the Code of Accounting in 2020-2021. This has been applied to the comparative data throughout the financial statements, however, only 2019-2020 has been updated in the below graph.



Material budget variations from the 2020-2021 year for income and expenditure items are detailed in Note B5-1 of the statements.



Wollongong City Council

Historical Financial Data

Income Statement

	Notes	Actual 2017/18 \$'000	Actual 2018/19 \$'000	Actual 2019/20 \$'000	Actual 2020/21 \$'000
Income from Continuing Operations					
Revenue:					
Rates & Annual Charges	BS-1	193,429	199,524	205,118	211,126
User Charges & Fees	B2-2	34,805	32,793	28,695	30,864
Interest and Investment Revenue	B2-3	5,162	5,069	3,360	1,907
Other Revenues	B3-4	10,551	12,125	4,794	6,443
Grants & Contributions provided for Operating Purposes	B2-4	29,384	28,856	30,727	30,783
Grants & Contributions provided for Capital Purposes	B2-4	40,637	59,656	47,472	34,478
Other Income					6,466
Other Income:					
Rental Income	B2-6	-	-	6,735	-
Fair Value Increment on Investment Property	B2-6	5	220	-	-
Entities using the equity method	B2-6	803	291	555	-
Total Income from Continuing Operations		314,776	338,536	327,456	322,067
Expenses from Continuing Operations					
Employee Benefits & On-Costs					
Employee Benefits & On-Costs	B3-1	107,843	122,445	122,912	123,589
Borrowing Costs	B3-3	3,819	3,337	3,052	2,179
Materials & Services	B3-2	53,709	57,432	78,344	76,619
Depreciation & Amortisation	B3-4	60,067	61,781	60,845	61,203
Other Expenses	B3-2	40,211	34,571	21,085	21,470
Net Losses from the Disposal of Assets	B4-1	361	6,856	5,686	1,995
Total Expenses from Continuing Operations		266,010	286,422	291,924	287,055
Operating Result from Continuing Operations		48,766	52,114	35,532	35,012
NET OPERATING RESULT FOR THE YEAR		48,766	52,114	35,532	35,012
Less:					
Grants & Contributions provided for Capital Purposes	B2-4	40,637	59,656	47,472	34,478
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		8,129	(7,542)	(11,940)	534

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 2017/18 \$'000	Actual 2018/19 \$'000	Actual 2019/20 \$'000	Actual 2020/21 \$'000
ASSETS					
Current assets					
Cash & cash equivalents	C1-1	26,491	25,187	56,051	52,320
Investments	C1-2	109,162	114,579	97,423	103,334
Receivables	C1-4	27,036	36,620	21,667	21,859
Inventories	C1-5	306	337	381	463
Contract Assets	C1-6	-	-	5,669	4,707
Other		10,666	11,879	10,572	6,682
Non-current Assets held for sale	C1-7	-	-	-	111
Total current assets		173,661	188,602	191,763	189,476
Non-current assets					
Investments	C1-2	22,115	15,056	4,000	15,199
Inventories	C1-5	5,835	5,948	5,972	5,972
Infrastructure, property, plant & equipment	C1-8	2,356,306	2,570,098	2,655,487	2,690,088
Investments accounted for using the equity method	D2-1	2,638	2,929	3,484	-
Investment property	C1-9	4,780	5,000	5,000	4,600
Intangible assets	C1-10	388	440	254	152
Right of use assets	C2-1	-	-	1,790	1,471
Total non-current assets		2,392,062	2,599,471	2,675,987	2,717,482
TOTAL ASSETS		2,565,723	2,788,073	2,867,750	2,906,958
LIABILITIES					
Current liabilities					
Payables	C3-1	26,754	30,006	30,592	26,621
Income received in advance		3,256	5,014	-	-
Contract Liabilities	C3-2	-	-	3,572	8,177
Lease Liabilities		-	-	341	377
Borrowings	C3-3	7,716	7,934	5,260	5,497
Employee benefits provisions	C3-4	-	-	58,204	56,768
Provisions	C3-5	50,377	58,214	2,880	2,621
Total current liabilities		88,103	101,168	100,849	100,061
Non-current liabilities					
Payables	C3-1	700	385	-	-
Lease Liabilities		-	-	1,519	1,194
Borrowings	C3-3	25,039	17,497	12,439	6,942
Employee benefits provisions	C3-4	-	-	905	957
Provisions	C3-5	44,566	47,054	38,871	38,357
Total non-current liabilities		70,305	64,936	53,734	47,450
TOTAL LIABILITIES		158,408	166,104	154,583	147,511
NET ASSETS		\$ 2,407,315	2,621,969	2,713,167	2,759,447
EQUITY					
Retained earnings	C4-1	1,441,990	1,468,848	1,498,309	1,535,702
Revaluation reserves	C4-1	965,325	1,153,121	1,214,858	1,223,745
Council Equity Interest		2,407,315	2,621,969	2,713,167	2,759,447
Minority Equity Interest		-	-	-	-
TOTAL EQUITY		\$ 2,407,315	2,621,969	2,713,167	2,759,447

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 2021

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Wollongong City Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2021

Wollongong City Council

General Purpose Financial Statements

for the year ended 30 June 2021

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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 Local Government Act and include:

- 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 B1-2.

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.

Wollongong City Council

General Purpose Financial Statements

for the year ended 30 June 2021

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

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

- the *Local Government Act 1993* (NSW) 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 18 October 2021.

Gordon Bradbury
Lord Mayor
18 October 2021

Tania Brown
Deputy Lord Mayor
18 October 2021

Greg Doyle
General Manager
18 October 2021

Brian Jenkins
Responsible Accounting Officer
18 October 2021

Wollongong City Council | Income Statement | For the year ended 30 June 2021

Wollongong City Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
	Income from continuing operations			
210,514	Rates and annual charges	B2-1	211,126	205,118
27,034	User charges and fees	B2-2	30,864	28,695
9,498	Other revenue	B2-3	6,444	4,794
19,610	Grants and contributions provided for operating purposes	B2-4	30,782	30,727
35,460	Grants and contributions provided for capital purposes	B2-4	34,478	47,472
2,343	Interest and investment income	B2-5	1,907	3,360
—	Other income	B2-6	6,466	7,290
304,459	Total income from continuing operations		322,067	327,456
	Expenses from continuing operations			
124,066	Employee benefits and on-costs	B3-1	123,589	122,912
81,268	Materials and services	B3-2	76,619	78,344
2,374	Borrowing costs	B3-3	2,179	3,052
63,702	Depreciation, amortisation and impairment for non-financial assets	B3-4	61,203	60,845
19,628	Other expenses	B3-5	21,470	21,085
—	Net losses from the disposal of assets	B4-1	1,995	5,686
291,038	Total expenses from continuing operations		287,055	291,924
13,421	Operating result from continuing operations		35,012	35,532
13,421	Net operating result for the year attributable to Council		35,012	35,532
(22,039)	Net operating result for the year before grants and contributions provided for capital purposes		534	(11,940)

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

Wollongong City Council | Statement of Comprehensive Income | For the year ended 30 June 2021

Wollongong City Council

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
Net operating result for the year – from Income Statement		35,012	35,532
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	11,478	57,580
Impairment (loss) reversal / (revaluation decrement) relating to infrastructure, property, plant and equipment	C1-8	(210)	–
Total items which will not be reclassified subsequently to the operating result		11,268	57,580
Total other comprehensive income for the year		11,268	57,580
Total comprehensive income for the year attributable to Council		46,280	93,112

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

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Wollongong City Council | Statement of Financial Position | For the year ended 30 June 2021

Wollongong City Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	52,320	56,051
Investments	C1-2	103,334	97,423
Receivables	C1-4	21,859	21,667
Inventories	C1-5	463	381
Contract assets	C1-6	4,707	5,669
Non-current assets classified as 'held for sale'	C1-7	111	-
Other		6,682	10,572
Total current assets		189,476	191,763
Non-current assets			
Investments	C1-2	15,199	4,000
Inventories	C1-5	5,972	5,972
Infrastructure, property, plant and equipment	C1-8	2,690,088	2,655,487
Investment property	C1-9	4,600	5,000
Intangible Assets	C1-10	152	254
Right of use assets	C2-1	1,471	1,790
Investments accounted for using the equity method	D2-1	-	3,484
Total non-current assets		2,717,482	2,675,987
Total assets		2,906,958	2,867,750
LIABILITIES			
Current liabilities			
Payables	C3-1	26,621	30,592
Contract liabilities	C3-2	8,177	3,572
Lease liabilities	C2-1	377	341
Borrowings	C3-3	5,497	5,260
Employee benefit provisions	C3-4	56,768	58,204
Provisions	C3-5	2,621	2,880
Total current liabilities		100,061	100,849
Non-current liabilities			
Lease liabilities	C2-1	1,194	1,519
Borrowings	C3-3	6,942	12,439
Employee benefit provisions	C3-4	957	905
Provisions	C3-5	38,357	38,871
Total non-current liabilities		47,450	53,734
Total liabilities		147,511	154,583
Net assets		2,759,447	2,713,167
EQUITY			
Accumulated surplus	C4-1	1,535,702	1,498,309
IPPE revaluation reserve	C4-1	1,223,745	1,214,858
Council equity interest		2,759,447	2,713,167
Total equity		2,759,447	2,713,167

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

Wollongong City Council | Statement of Changes in Equity | For the year ended 30 June 2021

Wollongong City Council

Statement of Changes in Equity for the year ended 30 June 2021

	Notes	as at 30/06/21				as at 30/06/20			
		Accumulated surplus	IPPE revaluation reserve	Investment Revaluation Reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Investment Revaluation Reserve	Total equity
\$ '000									
Opening balance at 1 July		1,498,309	1,214,858	–	2,713,167	1,468,848	1,153,065	56	2,621,969
Changes due to AASB 1058 and AASB 15 adoption		–	–	–	–	(1,914)	–	–	(1,914)
Restated opening balance		1,498,309	1,214,858	–	2,713,167	1,466,934	1,153,065	56	2,620,055
Net operating result for the year		35,012	–	–	35,012	35,532	–	–	35,532
Other comprehensive income									
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	–	11,478	–	11,478	–	57,580	–	57,580
Impairment (loss) reversal relating to IPP&E	C1-8	–	(210)	–	(210)	–	–	–	–
Other comprehensive income		–	11,268	–	11,268	–	57,580	–	57,580
Total comprehensive income		35,012	11,268	–	46,280	35,532	57,580	–	93,112
Transfers between equity items		2,381	(2,381)	–	–	(4,157)	4,213	(56)	–
Closing balance at 30 June		1,535,702	1,223,745	–	2,759,447	1,498,309	1,214,858	–	2,713,167

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

Wollongong City Council | Statement of Cash Flows | For the year ended 30 June 2021

Wollongong City Council

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
Cash flows from operating activities				
Receipts:				
208,559	Rates and annual charges		214,468	203,414
27,034	User charges and fees		30,183	29,485
2,343	Investment and interest revenue received		2,269	4,130
45,577	Grants and contributions		58,977	68,394
—	Bonds, deposits and retention amounts received		755	1,701
8,995	Other		24,076	24,185
Payments:				
(121,483)	Employee benefits and on-costs		(125,163)	(118,396)
(100,251)	Materials and services		(89,610)	(72,791)
(643)	Borrowing costs		(691)	(910)
—	Bonds, deposits and retention amounts refunded		(2,637)	(1,405)
—	Other		(19,918)	(35,081)
70,131	Net cash flows from operating activities	G1-1a	92,709	102,726
Cash flows from investing activities				
Receipts:				
2,667	Sale of investment securities		56,040	69,835
1,801	Sale of infrastructure, property, plant and equipment		1,531	958
Payments:				
—	Purchase of investment securities		(69,745)	(41,173)
—	Purchase of investment property		—	(1,998)
(93,359)	Purchase of infrastructure, property, plant and equipment		(78,658)	(91,213)
—	Purchase of real estate assets		—	(24)
(88,891)	Net cash flows from investing activities		(90,832)	(63,615)
Cash flows from financing activities				
Payments:				
(5,242)	Repayment of borrowings		(5,260)	(7,935)
—	Principal component of lease payments		(348)	(312)
(5,242)	Net cash flows from financing activities		(5,608)	(8,247)
(24,002)	Net change in cash and cash equivalents		(3,731)	30,864
126,815	Cash and cash equivalents at beginning of year		56,051	25,187
102,813	Cash and cash equivalents at end of year	C1-1	52,320	56,051
11,424	plus: Investments on hand at end of year	C1-2	118,533	101,423
114,237	Total cash, cash equivalents and investments		170,853	157,474

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

Wollongong City Council

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Wollongong City Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 18 October 2021. 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 *Local Government (General) Regulation 2005 (Regulation)*, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity. The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Historical cost convention

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

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. fair values of investment property – refer Note C1-9
- ii. fair values of infrastructure, property, plant and equipment – refer Note C1-8
- iii. tip remediation provisions – refer Note C3-5
- iv. employee benefit provisions – refer Note C3-4.

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.
- iii. Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease – refer to Note C2-1.

Monies and other assets received by Council

The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993*, 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.

The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993*, 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.

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

A1-1 Basis of preparation (continued)

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

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2021 reporting period.

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.

Comparative figures

The comparative figures within these financial statements have been amended due to changes in the Local Government Code of Accounting Practice & Financial Reporting. The amendment to comparative figures does not have an impact on the 2019-20 result. The following table provides details:

	As disclosed in the 2019-20 audited financial statements	As disclosed in the 2020-21 audited financial statements	Variance
Income Statement	\$'000s	\$'000s	\$'000s
Rental Income	6,735	-	6,735
Net share of interests in joint ventures and associates using the equity method	555	-	555
Other Income	-	7,290	(7,290)
Materials & Contracts	60,934	-	60,934
Materials & Services	-	78,344	(78,344)
Other Expenses	36,497	21,085	15,412
Fair value decrement on investment properties	1,998	-	1,998
Total	106,719	106,719	-

A1-1 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 2020:

- AASB 1059 Service Concession Arrangements: Grantor and associated amendments
- AASB 2018- 6 Amendments to Australian Accounting Standards – Definition of a business
- AASB 2018 – 7 Amendments to Australian Accounting Standards – Definition of material
- AASB 2019 – 3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform
- AASB 2019 -5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia
- AASB 2019 – 7 Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP / GFS Reconciliations
- AASB 2020 – 4 Amendments to Australian Accounting Standards – Covid-19 Related Rent Concessions

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 G4-1.

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Wollongong City Council | Notes to the Financial Statements 30 June 2021

B Financial Performance

B1 Functions or activities

B1-1 Functions or activities – income, expenses and assets

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note B1-2.

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Functions or activities										
Planning and engagement	17,310	20,375	24,717	26,651	(7,407)	(6,276)	14,670	18,250	296,354	307,367
Environment	48,437	47,273	65,175	60,192	(16,738)	(12,919)	1,313	1,986	587,058	552,506
Transport services/infrastructure	13,513	13,001	47,601	54,593	(34,088)	(41,592)	12,343	11,814	924,967	959,827
Community services/facilities	7,871	8,226	34,973	34,179	(27,102)	(25,953)	5,162	5,457	14,729	23,509
Recreation and open space	13,191	11,951	53,059	52,905	(39,868)	(40,954)	1,143	860	198,133	137,192
Regulatory services and safety	8,803	7,749	21,735	20,599	(12,932)	(12,850)	1,400	830	16,319	5,685
Governance and internal services	200,740	197,581	39,795	42,805	160,945	154,776	17,027	17,702	869,398	881,664
Contributed Assets	12,202	21,300	–	–	12,202	21,300	12,202	21,300	–	–
Total functions and activities	322,067	327,456	287,055	291,924	35,012	35,532	65,260	78,199	2,906,958	2,867,750

B1-2 Components of functions or activities

Details relating to the Council's functions or activities as reported in B1-1 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.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2021	2020
Ordinary rates		
Residential	123,319	119,693
Farmland	324	316
Mining	961	938
Business	49,428	48,263
Less: pensioner rebates (mandatory)	(2,836)	(2,845)
Less: pensioner rebates (Council policy)	(310)	(339)
Abandonments ¹	(49)	(392)
Rates levied to ratepayers	170,837	165,634
Pensioner rate subsidies received	1,556	1,578
Total ordinary rates	172,393	167,212
Special rates		
City centre	430	410
Mall	1,197	1,137
Total special rates	1,627	1,547
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	35,658	34,954
Stormwater management services	1,862	1,844
Less: pensioner rebates (mandatory)	(747)	(766)
Less: pensioner rebates (Council policy)	(76)	(86)
Abandonments – annual charges ¹	(1)	(12)
Pensioner subsidies received:		
– Domestic waste management	410	425
Total annual charges	37,106	36,359
Total rates and annual charges	211,126	205,118

Council has used 2019 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy

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

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

⁽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.

B2-2 User charges and fees

\$ '000	2021	2020
User charges		
Waste management services (non-domestic)	9,148	8,186
Total user charges	9,148	8,186
Fees		
Contestable building services	390	329
Inspection Services	297	319
Planning and building regulation	3,050	2,840
Registration fees	214	179
Section 10.7 certificates (EP&A Act)	673	523
Section 603 certificate (rating certificate)	403	294
Section 611 charges (occupation of land)	182	161
Additional waste services	130	131
Art gallery	7	8
Car parking	823	882
Crematorium and cemeteries	1,810	1,679
Credit card payment processing fee	137	128
Design review meeting application fees	108	134
Golf course	752	532
Health inspections	36	291
Library	28	38
Marketing	19	29
Outdoor dining	53	75
Parking meters	1,119	1,134
Pre-lodgement meeting fees	126	96
Recreation	3,154	3,499
Road opening permits	267	297
Stallholder fees	38	64
Tree management requests	95	91
Tourist parks	7,724	6,675
Other	81	81
Total fees	21,716	20,509
Total user charges and fees	30,864	28,695
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time	7,724	6,675
User charges and fees recognised at a point in time	23,140	22,020
Total user charges and fees	30,864	28,695

Accounting policy

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 or a deposit in advance. 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 over the term of the licence.

B2-3 Other revenue

\$ '000	2021	2020
Diesel rebate	210	162
Fines	476	539
Fines – parking	2,423	1,967
Insurance claims recoveries	1,068	108
Legal fees recovery – rates and charges (extra charges)	113	268
Legal settlements	99	65
Outgoings reimbursements	100	119
Reimbursements	265	272
Sales – general	1,349	943
Sponsorship and promotional income	18	12
Other	323	339
Total other revenue	6,444	4,794

Timing of revenue recognition for other revenue

Other revenue recognised over time	–	–
Other revenue recognised at a point in time	6,444	4,794
Total other revenue	6,444	4,794

Accounting policy for other revenue

Where the revenue is earned for the provision of specified goods / services under an enforceable contract, revenue is recognised when or as the obligations are satisfied.

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

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

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B2-4 Grants and contributions

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
General purpose grants and non-developer contributions (untied)				
Financial Assistance Grant				
Relating to current year	8,989	9,341	-	-
Payment received in advance for subsequent year	9,619	9,895	-	-
Amount recognised as income during current year	18,608	19,236	-	-
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Arts and culture	97	-	-	-
Buildings	-	22	-	32
Community development and support	300	353	295	-
Community services and facilities	220	418	-	-
Economic development	-	12	-	-
Emergency services	1,233	727	-	-
Environmental management and enhancement	75	107	-	-
Environmental programs	88	99	-	-
Floodplain and stormwater management	529	70	22	90
HACC community transport	2,691	2,700	-	-
Heritage and cultural	6	10	-	(15)
Information technology	10	7	-	87
Library	614	596	-	-
LIRS subsidy	552	724	-	-
Local bus route subsidy	89	99	-	-
Natural area management	373	305	-	-
Parks, gardens and sports fields	(23)	161	1,974	364
People and learning	36	206	-	-
Pollution minimisation	159	288	-	-
Recreation and culture	65	115	40	38
Regulatory control	-	4	-	-
Social support programs	1,247	1,227	-	-
Strategic city planning	374	57	-	-
Street lighting	714	714	-	-
Transport (other roads and bridges funding)	85	36	4,041	5,501
Transport (roads to recovery)	-	-	1,874	1,219
Transport for NSW contributions (regional roads, block grant)	1,664	1,600	-	-
Voluntary purchase scheme	-	-	118	889
Waste performance improvement	365	235	-	-
Total cash contributions	11,563	10,892	8,364	8,205
Non-cash contributions				
Bushfire services	-	-	-	122
Dedications – subdivisions (other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA)	-	-	5,598	19,566
Wollongong City Gallery collection	-	-	54	196
Volunteer Services	611	599	-	-
Total non-cash contributions	611	599	5,652	19,884
Total special purpose grants and non-developer contributions (tied)	12,174	11,491	14,016	28,089
Total grants and non-developer contributions	30,782	30,727	14,016	28,089
Comprising:				
– Commonwealth funding	22,704	23,093	3,236	1,064
– State funding	7,026	6,191	4,801	6,050
– Other funding	1,052	1,443	5,979	20,975
	30,782	30,727	14,016	28,089

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B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G5				
Cash contributions					
S 7.4 – contributions using planning agreements		–	–	1,860	–
S 7.11 – contributions towards amenities/services		–	–	8,941	13,305
S 7.12 – fixed development consent levies		–	–	3,111	4,806
Total cash contributions		–	–	13,912	18,111
Non-cash contributions					
S 7.11 – contributions towards amenities/services		–	–	5,546	–
Planning agreements		–	–	1,004	1,272
Total non-cash contributions		–	–	6,550	1,272
Total developer contributions		–	–	20,462	19,383
Total contributions		–	–	20,462	19,383
Total grants and contributions		30,782	30,727	34,478	47,472
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time		835	599	8,364	8,205
Grants and contributions recognised at a point in time		29,947	30,128	26,114	39,267
Total grants and contributions		30,782	30,727	34,478	47,472

Unspent grants and contributions

Certain grants and contributions are obtained by Council on the condition they be spent in a specified manner or in a future period but which are not yet spent in accordance with those conditions are as follows:

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Unspent grants				
Unspent funds at 1 July	3,122	3,294	446	60
Reclassification between capital and operating grants	–	(508)	–	508
Add: Funds received and not recognised as revenue in the current year	1,843	864	5,204	173
Less: Funds received in prior year but revenue recognised and funds spent in current year	(630)	(528)	(298)	(295)
Unspent funds at 30 June	4,335	3,122	5,352	446
Unspent contributions				
Unspent funds at 1 July	1	3	35,448	36,811
Add: contributions received and not recognised as revenue in the current year	72	–	14,266	8,844
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	(2)	(10,953)	(10,207)
Unspent contributions at 30 June	73	1	38,761	35,448

B2-4 Grants and contributions (continued)

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

Grant and contribution revenue from an agreement which is enforceable and contains sufficiently specific performance obligations is recognised as or when control of each performance obligations is transferred.

The performance obligations vary according to 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.

Performance obligations may be satisfied either at a point in time or over time and this is reflected in the revenue recognition pattern. Point in time recognition occurs when the beneficiary obtains control of the goods / services at a single time (e.g. completion of the project when a report / outcome is provided), whereas over time recognition is where the control of the services is ongoing throughout the project (e.g. provision of community health services through the year).

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.

Capital grants

Capital grants received by Council under an enforceable contract for the acquisition or construction of infrastructure, property, plant and equipment to identified specifications which will be under Council's control on completion 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.

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

Developer 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* (EP&A Act).

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 Council may apply contributions according to the priorities established in work schedules for the contribution plan.

Other grants and contributions

Assets, including cash, received from other grants and contributions are recognised at fair value when the asset is received. Council 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.

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B2-5 Interest and investment income

\$ '000	2021	2020
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	331	379
– Cash and investments	1,655	3,122
Dividend income relating to investments held at fair value through other comprehensive income	–	139
Fair value adjustments		
– Movements in investments at fair value through profit and loss	206	(280)
– Movement in interest in CivicRisk Mutual ¹	(285)	–
Total interest and investment income (losses)	1,907	3,360

Accounting policy

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 when the shareholder's right to receive payment is established unless the dividend clearly represents a recovery of part of the cost of the investment.

⁽¹⁾ From 1st July 2020, the CivicRisk entities previously disclosed as joint ventures were reconstituted to form CivicRisk Mutual Ltd, a company limited by guarantee. Council's interest in the entity is treated as a financial asset at fair value through profit and loss (refer to Note C1-2 Investments).

B2-6 Other income

\$ '000	Notes	2021	2020
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		434	392
Total Investment properties		434	392
Other lease income			
Room/Facility Hire		365	374
Leaseback fees - council vehicles		678	702
Other Council Properties		4,989	5,267
Total Other lease income		6,032	6,343
Total rental income	C2-2	6,466	6,735
Net share of interests in joint ventures and associates using the equity method			
Joint ventures ¹		–	555
Total net share of interests in joint ventures and associates using the equity method	D2-1	–	555
Total other income		6,466	7,290

⁽¹⁾ From 1st July 2020, the CivicRisk entities previously disclosed as joint ventures were reconstituted to form CivicRisk Mutual Ltd, a company limited by guarantee. Council's interest in the entity is treated as a financial asset at fair value through profit and loss (refer to Note C1-2 Investments).

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2021	2020
Employee leave entitlements (ELE) ¹	12,276	17,540
Salaries and wages	108,468	104,019
Superannuation	12,503	12,186
Change in workers compensation provision	1,877	534
Workers compensation – self insurance	2,744	1,876
Fringe benefit tax (FBT)	183	175
Payroll tax	1	25
Training costs (other than salaries and wages)	642	586
Protective clothing	468	426
Labour hire	342	273
Other	310	247
Total employee costs	139,814	137,887
Less: capitalised costs	(16,225)	(14,975)
Total employee costs expensed	123,589	122,912

Accounting policy

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 E3-1 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 increased from 0.6% in June 2020 to 0.8% in June 2021 resulting in a lower than anticipated movement in the provision during 2020-2021.

B3-2 Materials and services

\$ '000	Notes	2021	2020
Advertising		414	279
Audit Fees	F2-1	165	190
Bank charges		570	646
Contractor and consultancy costs ¹		40,854	77,304
Councillor and Mayoral fees and associated expenses	F1-2	521	560
Insurance		3,655	2,885
Internal audit		147	76
Light, electricity and heating		2,044	2,253
Membership fees		164	167
Other expenses		951	1,111
Postage		413	527
Prior year works in progress 'write offs' ²		2,332	8,048
Provision for asset remediation ³		(3,756)	(5,558)
Provision for self insurance claims		(45)	(4)
Raw materials and consumables ¹		46,254	27,560
Royalty payments		362	315
Sewerage charges		177	264
Software Maintenance and Support Contractor		2,303	2,953
Street lighting		3,063	3,345
Telephone and communications		555	856
Valuation fees		461	408
Volunteer reimbursements		74	232
Waste Contractor		22,875	18,407
Water rates		879	1,225
Legal expenses:			
– Planning and development		251	112
– Other		591	831
Total materials and services		126,274	144,992
Less: capitalised costs		(49,655)	(66,648)
Total materials and services		76,619	78,344

Accounting policy

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

(1) The Contractor & Consultancy Costs and Raw Materials & Consumables includes expenditure related to the capital program. The delivery of capital projects is dependent on the types and size of works that may be delivered through contracts or internally. There are significant variations year on year in this allocation process.

(2) Capital expenditure previously included in Works in Progress was transferred to operating expenses during 2019-2020 and 2020-2021. This includes capital works to deliver assets not under the control of Council such as traffic facilities and street lighting.

(3) 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 were previously recognised against the value of the corresponding tip asset (refer to Note C1-8). During 2019-2020, a reduction in the forecast rehabilitation costs caused a reduction in the provision beyond the carrying value of the asset with the balance of the adjustment recognised through materials and services. A further reduction in the forecast rehabilitation costs and changes to discount factors have resulted in a reduction in the provision in 2020-2021.

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B3-3 Borrowing costs

\$ '000	Notes	2021	2020
(i) Interest bearing liability costs			
Interest on leases		58	65
Interest on loans		633	845
Total interest bearing liability costs		691	910
Total interest bearing liability costs expensed		691	910
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	C3-5	1,488	1,939
Amortisation of discount on interest free (& favourable) loans to council		–	203
Total other borrowing costs		1,488	2,142
Total borrowing costs expensed		2,179	3,052

Accounting policy

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.

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Wollongong City Council | Notes to the Financial Statements 30 June 2021

B3-4 Depreciation, amortisation and impairment of non-financial assets

\$ '000	Notes	2021	2020
Depreciation and amortisation			
Plant and equipment		4,422	4,586
Office equipment		1,242	1,057
Furniture and fittings		314	298
Infrastructure:	C1-8		
– Bridges		2,216	1,951
– Buildings – non-specialised		3,743	3,757
– Buildings – specialised		5,578	5,507
– Footpaths		4,275	4,172
– Other open space/recreational assets		3,831	3,690
– Other structures		660	584
– Roads		20,396	20,289
– Stormwater drainage		10,536	10,562
– Swimming pools		517	499
Right of use assets	C2-1	378	382
Other assets:			
– Library books		1,171	1,164
– Other		1,822	2,043
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5, C1-8	–	118
Intangible assets	C1-10	102	186
Total depreciation and amortisation costs		61,203	60,845
Total depreciation, amortisation and impairment for non-financial assets		61,203	60,845

Accounting policy

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 C1-8 for IPPE assets, Note C1-10 for intangible assets and Note C2-1 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 not tested for impairment since 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 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 non-financial 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).

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.

Wollongong City Council | Notes to the Financial Statements 30 June 2021

B3-5 Other expenses

\$ '000	Notes	2021	2020
Impairment of receivables			
User charges and fees		(278)	471
Total impairment of receivables	C1-4	(278)	471
Fair value decrement on investment properties			
Fair value decrement on investment properties		400	1,998
Total fair value decrement on investment properties	C1-9	400	1,998
Other			
Contributions/levies to other levels of government			
– Emergency services levy		418	336
– NSW fire brigade levy		3,411	3,053
– NSW rural fire service levy		861	603
– Waste and environment levy		11,412	10,983
Donations, contributions and assistance to other organisations (Section 356)			
– Affordable Housing		1,446	–
– City Centre management		–	20
– Illawarra Institute of Sport		37	37
– Illawarra Shoalhaven Joint Organisation		57	55
– Illawarra Performing Arts Centre ¹		1,113	718
– Illawarra Regional Information Service		–	88
– Illawarra Surf Life Saving		56	56
– Sponsorship fund		52	61
– Tourism		1,481	1,436
– Wollongong Shuttle Service		350	350
– Other		793	861
Total other		21,487	18,657
Less: capitalised costs		(139)	(41)
Total other expenses		21,470	21,085

Accounting policy

Other expenses are recorded on an accruals basis when Council has an obligation for the expenses.

Impairment expenses are recognised when identified.

(1) The 2020/21 contribution to the Illawarra Performing Arts Centre includes the contribution for the management of the Town Hall.

Wollongong City Council | Notes to the Financial Statements 30 June 2021

B4 Gains or losses

B4-1 Gain or loss from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2021	2020
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		–	12
Less: carrying amount of property assets sold/written off		–	(26)
Gain (or loss) on disposal		–	(14)
Gain (or loss) on disposal of plant and equipment			
	C1-8		
Proceeds from disposal – plant and equipment		1,531	946
Less: carrying amount of plant and equipment assets sold/written off		(926)	(1,029)
Gain (or loss) on disposal		605	(83)
Gain (or loss) on disposal of infrastructure			
	C1-8		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off ¹		(2,600)	(6,319)
Gain (or loss) on disposal		(2,600)	(6,319)
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments ²		56,040	69,835
Less: carrying amount of investments sold/redeemed/matured		(56,040)	(69,105)
Gain (or loss) on disposal		–	730
Net gain (or loss) on disposal of assets		(1,995)	(5,686)

Accounting policy

Gains and losses on disposals are determined by comparing proceeds with carrying amount. 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) During 2019-2020, the unusual disposal of the Whytes Gully MRF Warehouse and replacement of stormwater assets that had not been fully depreciated and had a book value at the time of disposal had a significant impact on the losses recognised. Similar transactions have not occurred in 2020-2021.

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 29/06/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

While these General Purpose Financial Statements include the original budget adopted by Council, the Act requires Council to review its financial budget on a quarterly basis, so it is able to manage the variation between actuals and budget that invariably occur during the year.

Material variations of more than 10% between original budget and actual results or where the variance is considered material by nature are explained below.

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
REVENUES				
Rates and annual charges	210,514	211,126	612	0% F
User charges and fees	27,034	30,864	3,830	14% F
The negative impact of the COVID-19 pandemic on User Charges & Fees was lower than originally projected. This includes better than anticipated income in tourist parks, leasing arrangements, development applications and the golf course. This was partially offset by lower than anticipated income for commercial tipping at the waste facility and leisure centres.				
Other revenues	9,498	6,444	(3,054)	(32)% U
Other Revenues negative variation is due to reclassification of leasing, license and community leases to Other Income (\$5.1M). This has been partially offset by receipt of an unbudgeted insurance settlement (\$0.8M) and lower impacts of the COVID-19 pandemic related to the issue of infringements and fees related to parking (\$0.8M), animal control (\$0.3M) and other more minor variations				
Operating grants and contributions	19,610	30,782	11,172	57% F
Operating Grants is affected by the early receipt of two instalments of the Financial Assistance Grant relating to the 2021/22 financial year.				
Capital grants and contributions	35,460	34,478	(982)	(3)% U
Interest and investment revenue	2,343	1,907	(436)	(19)% U
Interest & investment income is lower due to the change in the fair value of the equity relating to the Civic Risk Mutual insurance pool. There has been a recognition of the transition from a joint venture to a company limited by guarantee structure.				
Other income	-	6,466	6,466	- F
An original budget was not proposed for this income category with \$5.1M of the original budget for Other Revenues relating to Other Income. The variance to budget has been impacted by lower than anticipated impacts of the COVID-19 pandemic.				

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B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----		
EXPENSES					
Employee benefits and on-costs	124,066	123,589	477	0%	F
Materials and services	81,268	76,619	4,649	6%	F
Borrowing costs	2,374	2,179	195	8%	F
Depreciation, amortisation and impairment of non-financial assets	63,702	61,203	2,499	4%	F
Other expenses	19,628	21,470	(1,842)	(9)%	U
Net losses from disposal of assets	–	1,995	(1,995)	–	U

This budget variation is largely a result of the disposal of civil assets that have residual values. These predominantly include transport (\$1.8M), buildings (\$0.6), stormwater (\$0.4), vehicles (\$0.3M), mobile plant (\$0.3M) and other more minor items.

STATEMENT OF CASH FLOWS

Cash flows from operating activities	70,131	92,709	22,578	32%	F
The cash flows from operating activities has been impacted by the early receipt of two instalments of the Financial Assistance Grant relating to the 2021/22 financial year and an increase in rates revenue due to the COVID-19 deferral on the final instalment of the 2019/20 rates as well as savings on the delivery of the capital program compared to budget.					
Cash flows from investing activities	(88,891)	(90,832)	(1,941)	2%	U
Cash flows from financing activities	(5,242)	(5,608)	(366)	7%	U

Wollongong City Council | Notes to the Financial Statements 30 June 2021

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2021	2020
Cash and cash equivalents		
Cash on hand and at bank	803	2,005
Cash-equivalent assets		
– Deposits at call	33,309	13,932
– Managed funds	18,208	40,114
Total cash and cash equivalents	52,320	56,051

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	52,320	56,051
Balance as per the Statement of Cash Flows	52,320	56,051

Accounting policy

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.

C1-2 Financial investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Financial assets at fair value through the profit and loss				
Managed funds	3,221	–	2,307	–
NCD's, FRN's (with maturities > 3 months)	45,398	–	42,464	–
Mortgage backed securities	1,715	–	1,622	–
CivicRisk Mutual Limited	–	3,199	–	–
Total	50,334	3,199	46,393	–
Debt securities at amortised cost				
Long term deposits	53,000	12,000	51,030	4,000
Total	53,000	12,000	51,030	4,000
Total financial investments	103,334	15,199	97,423	4,000

C1-2 Financial investments (continued)

Accounting policy

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. Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

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 the Other Comprehensive Income Statement.

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs, managed funds, mortgage backed securities and interest in CivicRisk Mutual in the Statement of Financial Position.

Wollongong City Council | Notes to the Financial Statements 30 June 2021

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total cash, cash equivalents and investments	155,654	15,199	153,474	4,000

\$ '000	2021	2020
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Details of restrictions

External restrictions

External restrictions included in cash, cash equivalents and investments above comprise:

Developer contributions – general ^A	38,719	35,099
Transport for NSW contributions ^B	115	350
Specific purpose unexpended grants ^C	9,687	3,568
Stormwater management ^D	2,178	1,860
Unexpended loan ^E	965	2,686
Private contributions	5,420	6,167
Special rates levy – Wollongong mall	282	214
Domestic waste management ^D	10,746	14,216
Special rates levy – city centre	59	49
Local infrastructure renewal scheme round 3 ^F	277	274
Housing Affordability	9,640	10,987
Total external restrictions	78,088	75,470

Internal restrictions

Council has internally restricted cash, cash equivalents and investments as follows:

Car parking strategy	1,051	2,195
Darcy Wentworth Park	171	171
Maccabe Park development	1,590	1,440
Sports Priority Program	943	938
Waste Disposal Facility	3,415	561
West Dapto Development	6,951	6,067
Strategic Projects	46,558	42,900
Property Investment Fund	9,388	7,889
Southern Phone natural areas	173	173
Lake Illawarra Estuary Management Fund	436	341
Total internal restrictions	70,676	62,675
Total restrictions	148,764	138,145

Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

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

(B) Transport for NSW 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.

Wollongong City Council | Notes to the Financial Statements 30 June 2021

C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Purpose				
Rates and annual charges	10,430	–	13,104	–
Interest and extra charges	1,505	–	1,477	–
User charges and fees	5,592	–	3,656	–
Accrued revenues				
– Interest on investments	136	–	447	–
– Other income accruals	1,757	–	1,162	–
Government grants and subsidies	508	–	–	–
Net GST receivable	2,357	–	2,652	–
Total	22,285	–	22,498	–
Less: provision of impairment				
User charges and fees ¹	(426)	–	(831)	–
Total provision for impairment – receivables	(426)	–	(831)	–
Total net receivables	21,859	–	21,667	–

(1) Council adopted a policy in line with the National Code of Conduct for leasing arrangements during COVID-19. The provision was increased in 2019/20 to allow for potential rental waivers as a result of this policy position.

Accounting policy

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.

Impairment

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

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.

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

When considering the ECL for rates and annual charges 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.

Credit losses are measured at 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.

Council writes off a 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.

Wollongong City Council | Notes to the Financial Statements 30 June 2021

C1-5 Inventories

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Inventories at cost				
Real estate for resale	–	5,972	–	5,972
Stores and materials	463	–	381	–
Total inventories at cost	463	5,972	381	5,972
Total inventories	463	5,972	381	5,972

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Details for real estate development				
Residential	–	5,972	–	5,972
Total real estate for resale	–	5,972	–	5,972

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition costs	–	5,972	–	5,948
Development costs	–	–	–	24
Total costs	–	5,972	–	5,972
Total real estate for resale	–	5,972	–	5,972

Movements:

Real estate assets at beginning of the year	–	5,972	–	5,948
– Purchases and other costs	–	–	–	24
Total real estate for resale	–	5,972	–	5,972

Accounting policy

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on 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

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

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

Wollongong City Council | Notes to the Financial Statements 30 June 2021

C1-6 Contract assets and Contract cost assets

\$ '000	Notes	2021	2020
Contract assets	C1-6	4,707	5,669
Total contract assets and contract cost assets		4,707	5,669

Contract assets

Work relating to capital grants & contributions	4,503	5,669
Work relating to operational grants & contributions	204	–
Total contract assets	4,707	5,669

Accounting policy

Contract assets

Contract assets represent Council's right to payment in exchange for goods or services the Council has transferred to a customer when that right is conditional on something other than the passage of time.

Contract assets arise when the amounts billed to customers are based on the achievement of various milestones established in the contract and therefore the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer. Once an invoice or payment claim is raised or the relevant milestone is reached, Council recognises a receivable.

Impairment of contract assets is assessed using the simplified expected credit loss model where lifetime credit losses are recognised on initial recognition.

C1-7 Non-current assets classified as held for sale

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Non-current assets held for sale				
Land	111	–	–	–
Total non-current assets held for sale	111	–	–	–

Details of assets

Two parcels of land have been classified as 'held for sale' as they are in negotiation and expected to be sold during the 2021-2022 financial year.

Accounting policy

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use and are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Wollongong City Council | Notes to the Financial Statements 30 June 2021

C1-8 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period										At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions: renewals ⁽¹⁾	Additions: new assets	Carrying value of disposals	Depreciation expense	Impairment reversal (recognised in equity)	WIP transfers	Adjustments and transfers	Other movements: Transfer to Expense	Transfers (to)/ held for sale category	Revaluation increments to equity (ABR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$'000																
Capital work in progress	54,017	—	54,017	22,894	42,789	—	—	—	(61,901)	—	(2,332)	—	—	55,467	—	55,467
Plant and equipment	42,203	(20,800)	21,403	6,194	—	(926)	(4,422)	—	121	—	—	—	—	44,890	(22,520)	22,370
Office equipment	7,497	(4,215)	3,282	2,747	—	—	(1,242)	—	—	—	—	—	—	10,244	(5,457)	4,787
Furniture and fittings	3,035	(1,104)	1,931	137	—	—	(314)	—	—	—	—	—	—	3,172	(1,418)	1,754
Land:																
– Operational land	249,821	—	249,821	—	159	—	—	—	—	—	—	(111)	—	249,869	—	249,869
– Community land	295,027	(760)	294,267	—	3,113	—	—	—	—	—	—	—	—	298,140	(760)	297,380
– Crown land	103,057	—	103,057	—	—	—	—	—	—	—	—	—	—	103,057	—	103,057
– Land under roads (post 30/6/08)	5,970	—	5,970	—	1,532	—	—	—	—	—	—	—	—	7,502	—	7,502
Infrastructure:																
– Buildings – non-specialised	210,898	(75,861)	135,237	—	—	(2)	(3,743)	—	5,846	—	—	—	—	216,743	(79,405)	137,338
– Buildings – specialised	332,125	(166,327)	165,798	—	—	(258)	(5,578)	—	2,275	575	—	—	—	333,783	(170,971)	162,812
– Other structures	16,204	(6,958)	9,246	—	—	(4)	(660)	—	826	—	—	—	—	17,009	(7,601)	9,408
– Roads	1,479,575	(869,317)	610,258	—	—	(868)	(20,396)	(210)	22,603	300	—	—	—	1,498,514	(886,827)	611,687
– Bridges	174,322	(55,500)	118,822	—	—	(844)	(2,216)	—	2,784	—	—	—	—	176,026	(57,480)	118,546
– Footpaths	305,485	(147,250)	158,235	—	—	(221)	(4,275)	—	11,459	6,049	—	—	—	331,074	(159,827)	171,247
– Stormwater drainage	961,129	(430,981)	530,148	—	5,599	(225)	(10,536)	—	6,653	625	—	—	—	973,585	(441,321)	532,264
– Swimming pools	32,093	(22,730)	9,363	—	—	—	(517)	—	2,303	671	—	—	960	39,847	(27,067)	12,780
– Other open space/recreational assets	163,782	(49,962)	113,820	—	3,390	(178)	(3,831)	—	6,226	(3,565)	—	—	10,131	191,213	(65,220)	125,993
Other assets:																
– Heritage collections	15,415	—	15,415	—	154	—	—	—	—	—	—	—	—	15,569	—	15,569
– Library books	8,159	(3,597)	4,562	1,317	—	—	(1,171)	—	—	—	—	—	—	9,476	(4,768)	4,708
– Other	67,702	(16,867)	50,835	—	—	—	(1,822)	—	805	(4,655)	—	—	387	57,745	(12,195)	45,550
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):																
– Tip assets	9,410	(9,410)	—	—	—	—	—	—	—	—	—	—	—	9,410	(9,410)	—
Total infrastructure, property, plant and equipment	4,536,926	(1,881,439)	2,655,487	33,289	56,736	(3,526)	(60,723)	(210)	—	—	(2,332)	(111)	11,478	4,642,335	(1,952,247)	2,690,088

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

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Wollongong City Council | Notes to the Financial Statements 30 June 2021

C1-8 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period										At 30 June 2020		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	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 and impairment	Net carrying amount
\$ '000																
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 C3-5):																
– Tip assets	14,817	(9,292)	5,525	—	—	—	(118)	—	—	—	(5,407)	—	—	9,410	(9,410)	—
Investment Property (refer to Note C1-9):																
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).

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C1-8 Infrastructure, property, plant and equipment (continued)

Accounting policy

Initial recognition of infrastructure, property, plant and equipment (IPPE)

IPPE is measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes).

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.

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.

Useful lives of IPPE

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.

Revaluation Model

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.

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. Land under roads acquired after 1 July 2008 is recognised in accordance with the IPPE accounting policy.

C1-8 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.

C1-9 Investment properties

Owned investment property

\$ '000	2021	2020
At fair value		
Opening balance at 1 July	5,000	5,000
– Capitalised expenditure	–	1,998
Net gain/(loss) from fair value adjustments	(400)	(1,998)
Closing balance at 30 June	4,600	5,000

Accounting policy

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 part of other income.

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C1-10 Intangible assets

\$ '000	2021	2020
Software		
Opening values at 1 July		
Gross book value	2,345	2,506
Accumulated amortisation	(2,091)	(2,066)
Net book value – opening balance	254	440
Movements for the year		
Amortisation charges	(102)	(186)
Closing values at 30 June		
Gross book value	2,345	2,345
Accumulated amortisation	(2,193)	(2,091)
Total intangible assets – net book value	152	254

Accounting policy

IT development and software

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

C2 Leasing activities

C2-1 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.

(a) Right of use assets

\$ '000	Land & Buildings	Total
2021		
Opening balance at 1 July	1,790	1,790
Additions to right-of-use assets	59	59
Depreciation charge	(378)	(378)
Balance at 30 June	1,471	1,471
2020		
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	2,172	2,172
Depreciation charge	(382)	(382)
Balance at 30 June	1,790	1,790

(b) 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
2021					
Cash flows	377	763	431	1,571	1,571
2020					
Cash flows	341	972	547	1,860	1,860

C2-1 Council as a lessee (continued)

(c) Income Statement

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

\$ '000	2021	2020
Interest on lease liabilities	58	65
Depreciation of right of use assets	378	382
	436	447

(d) Statement of Cash Flows

Total cash outflow for leases	406	377
	406	377

(e) 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

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 received. 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

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.

C2-2 Council as a lessor

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 in the Statement of Financial Position as:

- investment property – where the asset is held predominantly for rental or capital growth purposes (refer note C1-9)
- property, plant and equipment – where the rental is incidental, or the asset is held to meet Councils service delivery objective (refer note C1-8).

\$ '000	2021	2020
(i) Assets held as investment property		
The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below		
Lease income (excluding variable lease payments not dependent on an index or rate)	434	392
Total income relating to operating leases for investment property assets	434	392
Operating lease expenses		
Direct operating expenses that generated rental income	147	142
Total expenses relating to operating leases	147	142
(ii) Assets held as property, plant and equipment		
Lease income (excluding variable lease payments not dependent on an index or rate)	6,032	6,343
Total income relating to operating leases for Council assets	6,032	6,343
(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	361	428
1–2 years	180	287
2–3 years	69	156
3–4 years	–	67
Total undiscounted lease payments to be received	610	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.

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, 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 for an operating lease and as finance income using amortised cost basis for finance leases.

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C3 Liabilities of Council

C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Payables				
Prepaid rates	3,045	–	2,377	–
Goods and services – operating expenditure	2,732	–	3,633	–
Goods and services – capital expenditure	3,622	–	2,964	–
Accrued expenses:				
– Other expenditure accruals	14,395	–	16,504	–
Security bonds, deposits and retentions	2,172	–	4,054	–
Agency Funds	–	–	385	–
Other	655	–	675	–
Total payables	26,621	–	30,592	–
Total payables	26,621	–	30,592	–

Current payables not anticipated to be settled within the next twelve months

\$ '000	2021	2020
Payables – security bonds, deposits and retentions	1,069	3,202
Total payables	1,069	3,202

Accounting policy

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

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

C3-2 Contract Liabilities

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	5,305	–	707	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	58	–	43	–
Unexpended capital contributions (to construct Council controlled assets)	(i)	214	–	339	–
Total grants received in advance		5,577	–	1,089	–
User fees and charges received in advance:					
Upfront fees	(iii)	2,600	–	2,483	–
Total user fees and charges received in advance		2,600	–	2,483	–
Total contract liabilities		8,177	–	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.

(i) Revenue recognised that was included in the contract liability balance at the beginning of the period

\$ '000	2021	2020
Capital grants (to construct Council controlled assets)	938	302
Operating grants (received prior to performance obligation being satisfied)	40	–
Capital contributions (to construct Council controlled assets)	229	42
Upfront fees	2,198	2,598
Total revenue recognised that was included in the contract liability balance at the beginning of the period	3,405	2,942

Significant changes in contract liabilities

The contract liabilities have increased due to the uncommon prepayment of capital grant funds in 2020/21 for projects to be delivered in future financial years.

Accounting policy

Contract liabilities are recorded when 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.

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C3-3 Borrowings

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Loans – secured ¹	5,497	6,942	5,260	12,439
Total borrowings	5,497	6,942	5,260	12,439

(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 E1.

Borrowings relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Externally restricted assets				
Loans	277	–	274	–
Total borrowings relating to restricted assets	277	–	274	–
Total borrowings relating to unrestricted assets	5,220	6,942	4,986	12,439
Total borrowings	5,497	6,942	5,260	12,439

(a) Changes in liabilities arising from financing activities

	2020		Non-cash movements				2021
\$ '000	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	17,699	(5,260)	–	–	–	–	12,439
Lease liability (Note C2-1b)	1,860	(406)	59	–	–	58	1,571
Total liabilities from financing activities	19,559	(5,666)	59	–	–	58	14,010

	2019		Non-cash movements				2020
\$ '000	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 liability (Note C2-1b)	–	(377)	–	–	2,172	65	1,860
Total liabilities from financing activities	25,431	(8,311)	–	–	2,172	267	19,559

(b) Financing arrangements

\$ '000	2021	2020
Total facilities		
Bank overdraft facilities ¹	300	300
Credit cards/purchase cards	835	835
Total financing arrangements	1,135	1,135
Drawn facilities		
– Credit cards/purchase cards	16	59
Total drawn financing arrangements	16	59

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C3-3 Borrowings (continued)

\$ '000	2021	2020
Undrawn facilities		
– Bank overdraft facilities	300	300
– Credit cards/purchase cards	819	776
Total undrawn financing arrangements	1,119	1,076

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.

Accounting policy

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.

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.

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 borrowing costs.

C3-4 Employee benefit provisions

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Annual leave	12,252	–	11,404	–
Sick leave	168	–	179	–
Long service leave	42,965	957	45,412	905
Other leave	1,383	–	1,209	–
Total employee benefit provisions	56,768	957	58,204	905

Current employee benefit provisions not anticipated to be settled within the next twelve months

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	45,373	47,811
	45,373	47,811

Accounting policy

Employee benefit provisions are presented as current liabilities in the Statement of Financial Position if 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 and therefore all annual leave and vested long service leave (or that which vests within 12 months) is presented as current.

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.

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C3-5 Provisions

\$ '000	2021 Current	2021 Non-Current	2020 Current	2020 Non-Current
Other provisions				
Self insurance – workers compensation	2,116	7,415	2,075	5,579
Self insurance – claims incurred	255	430	305	425
Sub-total – other provisions	2,371	7,845	2,380	6,004
Asset remediation/restoration:				
Asset remediation/restoration (future works)	250	30,512	500	32,867
Sub-total – asset remediation/restoration	250	30,512	500	32,867
Total provisions	2,621	38,357	2,880	38,871

Description of and movements in provisions

\$ '000	Other provisions			Net carrying amount
	Self Insurance: Workers compen- sation	Asset remediation	Self Insurance: Claims incurred	
2021				
At beginning of year	7,654	33,367	730	41,751
Unwinding of discount	–	1,488	–	1,488
Additional provisions	2,617	–	–	2,617
Amounts used (payments)	(3,202)	–	–	(3,202)
Remeasurement effects	2,462	(3,755)	–	(1,293)
Unused amounts reversed	–	–	(45)	(45)
Expenditure incurred attributable to provisions	–	(338)	–	(338)
Total other provisions at end of year	9,531	30,762	685	40,978
2020				
At beginning of year	7,121	42,939	734	50,794
Unwinding of discount	–	1,939	–	1,939
Additional provisions	2,503	–	–	2,503
Amounts used (payments)	(2,434)	–	–	(2,434)
Remeasurement effects	464	(10,965)	–	(10,501)
Unused amounts reversed	–	–	(4)	(4)
Expenditure incurred attributable to provisions	–	(546)	–	(546)
Total other provisions at end of year	7,654	33,367	730	41,751

Nature and purpose of 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 Depot.

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 insured up to an excess of \$100,000 on any individual claim.

Accounting policy

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.

C3-5 Provisions (continued)

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 a borrowing cost.

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, 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 E3-1.

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.

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment (IPPE) revaluation reserve is used to record increments and decrements in the revaluation of infrastructure, property, plant and equipment.

Investment revaluation reserve (2020 only)

Changes in the fair value of financial assets recognised through other comprehensive income 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.

D Council structure

D1 Results by fund

Council utilises only a general fund for its operations.

DRAFT

D2 Interests in other entities

\$ '000	Council's share of net assets	
	2021	2020
Net share of interests in joint ventures and associates using the equity method – assets		
Joint ventures	–	3,484
Total Council's share of net assets	–	3,484

D2-1 Interests in joint arrangements

Net carrying amounts – Council's share

\$ '000	Nature of relationship	Interest in ownership			
		2021	2020	2021	2020
Civic West	Joint venture	0.0%	6.1%	–	2,561
Civic Risk	Joint venture	0.0%	12.9%	–	923
Total carrying amounts – material joint ventures				–	3,484

Material joint ventures

From 1st July 2020, the CivicRisk entities previously disclosed as joint ventures were legally combined into CivicRisk Mutual Ltd, a company limited by guarantee. Through this process the three joint ventures novated their assets, liabilities and member surpluses into CivicRisk Mutual Ltd. The new entity has been recognised as a passive interest financial asset within the statements for the 2020/21 financial year.

The comparative information in this note provides information on the joint ventures included in the consolidated financial statements for the 2019/20 financial year.

Details

	Principal activity	Measurement method
Civic West	Insurance	Equity
Civic Risk	Insurance	Equity

Relevant interests and fair values

	Interest in outputs		Proportion of voting power	
	2021	2020	2021	2020
Civic West	0.0%	6.1%	0.0%	7.7%
Civic Risk	0.0%	12.9%	0.0%	5.3%

D2-1 Interests in joint arrangements (continued)

Summarised financial information for joint ventures

\$ '000	Civic West 2021	2020	Civic Risk 2021	2020
Statement of financial position				
Current assets				
Cash and cash equivalents	–	14,665	–	6,177
Other current assets	–	15,584	–	5,924
Non-current assets	–	33,048	–	5,102
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	–	4,561	–	5,923
Other current liabilities	–	8,617	–	490
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	–	7,999	–	3,635
Net assets	–	42,120	–	7,155
Statement of comprehensive income				
Income	–	6,648	–	14,474
Interest income	–	1,321	–	205
Interest expense	–	(18)	–	–
Other expenses	–	(4,770)	–	(14,468)
Profit/(loss) from continuing operations	–	3,181	–	211
Profit/(loss) for the period	–	3,181	–	211
Total comprehensive income	–	3,181	–	211
Share of income – Council (%)	0.0%	15.8%	0.0%	25.1%
Profit/(loss) – Council (\$)	–	502	–	53
Total comprehensive income – Council (\$)	–	502	–	53
Summarised Statement of cash flows				
Cash flows from operating activities	–	(1,887)	–	1,614
Cash flows from investing activities	–	12,681	–	2,750
Net increase (decrease) in cash and cash equivalents	–	10,794	–	4,364

Accounting policy for joint arrangements (2020 only)

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 at 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.

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.

Reconciliation of the carrying amount

Opening net assets (1 July)	–	47,340	–	6,944
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D2-1 Interests in joint arrangements (continued)

\$ '000	Civic West 2021	2020	Civic Risk 2021	2020
Profit/(loss) for the period	–	3,181	–	211
Closing net assets	–	50,521	–	7,155
Council's share of net assets (%)	0.0%	6.1%	0.0%	12.9%
Council's share of net assets (\$)	–	2,561	–	923

D2-2 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	2021 Net profit (\$'000s)	2021 Net assets (\$'000s)
Illawarra Shoalhaven Joint Organisation	Inter-Governmental Collaboration Joint Venture	(120)	945

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	2021 Net profit (\$'000s)	2021 Net assets (\$'000s)
Destination Wollongong	Tourism Development & Promotion Associate	71	102

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	2021 Net profit (\$'000s)	2021 Net assets (\$'000s)
Illawarra Performing Arts Centre	Theatre & Town Hall Management Associate	126	605

Reasons for non-recognition

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

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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'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 s625 of the Act and the Ministerial Investment Order. 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.

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.

The risks associated with the financial instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether the 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 – interest rate and price risk

\$ '000	2021	2020
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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.

Impact of a 1% movement in interest rates		
– Equity / Income Statement	1,189	1,111
Impact of a 10% movement in price of investments		
Possible impact of a 10% movement in price of investments	5,033	4,639

E1-1 Risks relating to financial instruments held (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 the impairment of receivables as required

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 recover these debts as a secured charge over the land; 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 payment.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2021						
Gross carrying amount	–	5,726	1,985	1,102	3,122	11,935
2020						
Gross carrying amount	–	9,989	1,313	864	2,415	14,581

Receivables - non-rates and annual charges and contract assets

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

The loss allowance provision 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
2021						
Gross carrying amount	13,614	171	157	162	953	15,057
Expected loss rate (%)	0.10%	3.16%	7.33%	3.83%	40.82%	2.83%
ECL provision	14	5	12	6	389	426
2020						
Gross carrying amount	5,577	374	354	431	1,181	7,917
Expected loss rate (%)	2.60%	22.74%	27.44%	21.11%	34.96%	10.50%
ECL provision	145	85	97	91	413	831

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E1-1 Risks relating to financial instruments held (continued)

(c) Liquidity risk

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

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

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

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

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

The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities (refer to Note C2-1(b) for lease liabilities) and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

\$ '000	Weighted average interest rate	Without defined maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2021							
Payables	0.00%	2,172	21,404	–	–	23,576	23,576
Borrowings	1.50%	–	5,914	7,220	–	13,134	12,439
Total financial liabilities		2,172	27,318	7,220	–	36,710	36,015
2020							
Payables	0.00%	4,054	24,161	–	–	28,215	28,215
Borrowings	1.50%	–	8,814	13,134	–	21,948	17,699
Total financial liabilities		4,054	32,975	13,134	–	50,163	45,914

E2-1 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).

Fair value measurement hierarchy							
\$ '000	Notes	Date of latest valuation		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020
Recurring fair value measurements							
Financial assets							
Financial investments	C1-2						
At fair value through profit or loss – designated at fair value on initial recognition		30/06/21	30/06/20	53,533	46,393	53,533	46,393
Total financial assets				53,533	46,393	53,533	46,393
Investment property							
Commercial building	C1-9	30/6/21	30/6/20	4,600	5,000	4,600	5,000
Total investment property				4,600	5,000	4,600	5,000
Infrastructure, property, plant and equipment							
	C1-8						
Roads		30/6/17	30/6/17	611,687	610,258	611,687	610,258
Bridges		30/6/17	30/6/17	118,546	118,822	118,546	118,822
Footpaths		30/6/17	30/6/17	171,247	158,235	171,247	158,235
Stormwater		30/6/17	30/6/17	532,264	530,148	532,264	530,148
Plant and equipment		N/A	N/A	22,370	21,403	22,370	21,403
Office equipment		N/A	N/A	4,787	3,282	4,787	3,282
Furniture and fittings		N/A	N/A	1,754	1,931	1,754	1,931
Operational land		30/6/19	30/6/19	249,869	249,821	249,869	249,821
Community land		30/6/20	30/6/20	297,380	294,267	297,380	294,267
Crown Land		30/6/20	30/6/20	103,057	103,057	103,057	103,057
Land under roads		30/6/19	30/6/19	7,502	5,970	7,502	5,970
Buildings		30/6/19	30/6/19	300,150	301,035	300,150	301,035
Other structures		30/6/19	30/6/19	9,408	9,246	9,408	9,246
Swimming pools		30/6/21	30/6/16	12,780	9,363	12,780	9,363
Library books		N/A	N/A	4,708	4,562	4,708	4,562
Other open space/recreational assets		30/6/21	30/6/16	125,993	113,820	125,993	113,820
Tip asset		30/6/21	30/6/20	–	–	–	–
Works in progress		N/A	N/A	55,467	54,017	55,467	54,017
Artworks		30/6/19	30/6/19	15,569	15,415	15,569	15,415
Other		30/6/21	30/6/16	45,550	50,835	45,550	50,835
Total infrastructure, property, plant and equipment				2 690 088	2 655 487	2 690 088	2 655 487

E2-1 Fair value measurement (continued)

Valuation techniques

Where Council is unable to derive fair value 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.

E2-1 Fair value measurement (continued)

Infrastructure, property, plant and equipment (IPPE)

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.

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

- 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.

E2-1 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 englobo land (pre-subdivision). However, as sufficient sales evidence of englobo land with similar features to the land being valued is generally not available, it is appropriate to use a proxy to estimate the englobo 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 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.

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.

E2-1 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.

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 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 C1-8 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.

E2-1 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
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

E2-1 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.

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

A reconciliation of the movements in recurring fair value measurements allocated to Level 3 of the hierarchy is provided below:

\$ '000	Financial assets		Investment property		IPP&E		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	46,393	47,605	5,000	5,000	2,655,487	2,565,095	2,706,880	2,617,700
Total gains or losses for the period								
Recognised in profit or loss – realised ¹	(125)	(283)	(400)	(1,998)	–	–	(525)	(2,281)
Recognised in other comprehensive income – revaluation surplus	–	–	–	–	11,268	57,580	11,268	57,580
Other movements								
Transfers from/(to) another asset class	–	–	–	–	(111)	–	(111)	–
Purchases (GBV)	19,275	9,177	–	1,998	90,025	108,915	109,300	120,090
Disposals (WDV)	(12,010)	(10,106)	–	–	(3,526)	(7,374)	(15,536)	(17,480)
Depreciation and impairment	–	–	–	–	(60,723)	(60,277)	(60,723)	(60,277)
Prior Period Error	–	–	–	–	–	5,003	–	5,003
Waste remediation reassessment	–	–	–	–	–	(5,407)	–	(5,407)
Transfer to expense	–	–	–	–	(2,332)	(8,048)	(2,332)	(8,048)
Closing balance	53,533	46,393	4,600	5,000	2,690,088	2,655,487	2,748,221	2,706,880

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

E3-1 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. Schemes of Arrangement (Schemes) were established to help facilitate the liquidation and both HIH & CIC remain responsible for payment of their portion of each Council claim incurred which exceeded Council's insurance excess. Under the Schemes Council has recovered \$1,252,991.31 to date. The total of Council's unrecovered claims is currently \$1,044,510.50 however the liquidator has advised that final payments have now been made to all creditors including Council and that the Schemes will now be terminated.

LIABILITIES NOT RECOGNISED

1. Bank Guarantees

Council has provided Bank Guarantees totalling \$446,408 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 is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme (Active Super), named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

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

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

Description of the funding arrangements.

Pooled Employers are required to pay future service employer contributions and past service employer contributions to the Fund.

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

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

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

E3-1 Contingencies (continued)

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2020 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2020. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$3.146M. The last valuation of the Scheme was performed by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2020.

The amount of additional contributions included in the total employer contribution advised above is \$1.846M. Council's expected contribution to the plan for the next annual reporting period is \$3.062M.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2021 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	2,620.5	
Past Service Liabilities	2,445.6	107.2%
Vested Benefits	2,468.7	106.2%

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

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

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

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

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

3. Third party claims

The Council is involved from time to time in various third party claims incidental to the ordinary course of business including claims for damages relating to its functions and services. Council believes that it ordinarily holds adequate insurance coverage in relation to these third party claims and would not expect any material liabilities to eventuate. Council is aware of two particular third party claims where confirmation of insurance coverage is currently being sought from the relevant insurer/s. Investigations and enquires regarding this matter, our liability and its insurance coverage are ongoing and therefore the amount of the possible obligation cannot be measured reliably.

E3-1 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 receiving 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 has a future budget allocation of \$12.25M and is currently working with EPA and specialised consultants to prepare the final design documentation and achieve regulatory approval for this project.

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.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

\$ '000	2021	2020
Compensation:		
Short-term benefits	2,303	2,221
Termination benefits	154	–
Total	2,457	2,221

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.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2021	2020
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	100	100
Councillors' fees	384	406
Other Councillors' expenses (including Mayor)	37	54
Total	521	560

F1-3 Other related parties

\$ '000	Transactions during the year	Terms and conditions
2021		
Associates		
Marketing, events, business and investment in LGA	1,506	Amounts provided under a funding agreement.
Event sponsorship & support	30	Based on specific events.
Advertisement	1	
Partner program	1	
Performing Arts Centre management	718	Amounts provided under a funding agreement.
Town Hall management	395	Amounts provided under a funding agreement.
Asset Maintenance	59	
Community Subsidy	20	Amounts provided under a funding agreement.
Venue Hire	6	

Wollongong City Council | Notes to the Financial Statements 30 June 2021

F1-3 Other related parties (continued)

2020

Associates

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	
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	

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F2 Other relationships

F2-1 Audit fees

\$ '000	2021	2020
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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

152	150
-----	-----

Remuneration for audit and other assurance services

152	150
-----	-----

Total Auditor-General remuneration

152	150
-----	-----

Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Other audit and assurance services

13	40
----	----

Remuneration for audit and other assurance services

13	40
----	----

Total remuneration of non NSW Auditor-General audit firms

13	40
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Total audit fees

165	190
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G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	2021	2020
Net operating result from Income Statement	35,012	35,532
Adjust for non-cash items:		
Depreciation and amortisation	61,203	60,845
Net losses/(gains) on disposal of assets	1,995	5,686
Non-cash capital grants and contributions	(12,202)	(21,156)
Adoption of AASB 15/1058	–	(1,914)
Prior period WIP written off during year	2,332	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'	(206)	280
– Investment property	400	1,998
– Fair value movement on CivicRisk Mutual	285	–
Amortisation of premiums, discounts and prior period fair valuations		
– Interest exp. on interest-free loans received by Council (previously fair valued)	–	203
Unwinding of discount rates on reinstatement provisions	1,488	1,939
Share of net (profits)/losses of associates/joint ventures using the equity method	–	(555)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	213	14,599
Increase/(decrease) in provision for impairment of receivables	(405)	354
Decrease/(increase) in inventories	(82)	(44)
Decrease/(increase) in other current assets	3,890	1,307
Decrease/(increase) in contract assets	962	(5,669)
Increase/(decrease) in payables	(901)	331
Increase/(decrease) in other accrued expenses payable	(616)	996
Increase/(decrease) in other liabilities	(1,619)	(2,686)
Increase/(decrease) in contract liabilities	4,605	3,572
Increase/(decrease) in provision for employee benefits	(1,384)	4,635
Increase/(decrease) in other provisions	(2,261)	(10,982)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	92,709	102,726

(b) Non-cash investing and financing activities

Developer contributions 'in kind'	5,546	–
Other dedications	5,598	19,566
Contributed Art Works	54	196
Contributed Bush Fire Assets	–	122
Planning Agreement - Non-cash contribution	1,004	1,272
Total non-cash investing and financing activities	12,202	21,156

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2021	2020
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	6,066	2,880
Infrastructure	14,278	2,526
Land	262	1,668
Total commitments	20,606	7,074

Details of capital commitments

Buildings includes contracts relating to the following sites: Russell Vale Golf Course, Port Kembla Community Centre, Administration Building, IPAC, Wollongong Town Hall, Art Gallery, Corimal Tennis Court, Gilmore Park, Bulli Tennis Clubhouse, Beaton Park, Port Kembla Beach and Pool.

Infrastructure includes contracts relating to the following sites: Grey Street Keiraville, Cringila Hills, North Wollongong Beach SLSC and Seawall, Brook Street Dapto, Marshall Street Dapto, Darcey Road Port Kembla, Campbell Street Woonona, Wongawilli Road, Gipps Street, Headlands, Barina Park, St James Park Coledale, Judy Masters Oval and West Dapto Road.

In addition to the above, council is in the process of acquiring land at King Street Warrawong. The expected costs of the acquisitions are dependant upon a Valuer General determination that is yet to be received.

G3-1 Events occurring after the reporting date

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

G4 Changes from prior year statements

G4-1 Changes in accounting policy

Adoption of new accounting standards

During the year ended 30 June 2021, the Council has adopted AASB 1059 *Service Concession Arrangements: Grantors*. The adoption of this standard did not have a significant impact on reported position or performance.

Wollongong City Council | Notes to the Financial Statements 30 June 2021

G5 Statement of developer contributions as at 30 June 2021

G5-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Drainage	8,218	831	–	76	–	–	9,125	–
Roads	(7,495)	6,677	48	(61)	(8,096)	–	(8,975)	–
Open space	8,385	1,376	5,498	80	–	–	9,841	–
Community facilities	1,264	32	–	12	–	–	1,308	–
Administration	(1,207)	(3)	–	(12)	(263)	–	(1,485)	–
Public transport	637	28	–	6	–	–	671	–
S7.11 contributions – under a plan	9,802	8,941	5,546	101	(8,359)	–	10,485	–
S7.12 levies – under a plan	24,785	3,111	–	226	(2,271)	–	25,851	–
Total S7.11 and S7.12 revenue under plans	34,587	12,052	5,546	327	(10,630)	–	36,336	–
S7.11 not under plans	353	–	–	3	–	–	356	–
S7.4 planning agreements	159	1,860	1,004	8	–	–	2,027	–
Total contributions	35,099	13,912	6,550	338	(10,630)	–	38,719	–

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.

Wollongong City Council | Notes to the Financial Statements 30 June 2021

G5-2 Developer contributions by plan

	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
\$ '000		Cash	Non-cash					
CONTRIBUTION PLAN – WEST DAPTO								
Drainage	8,218	831	–	76	–	–	9,125	–
Roads	(7,495)	6,677	48	(61)	(8,096)	–	(8,975)	–
Open space	8,385	1,376	5,498	80	–	–	9,841	–
Community facilities	1,264	32	–	12	–	–	1,308	–
Administration	(1,207)	(3)	–	(12)	(263)	–	(1,485)	–
Public transport	637	28	–	6	–	–	671	–
Total	9,802	8,941	5,546	101	(8,359)	–	10,485	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN – WOLLONGONG ^{A, B}

City Wide	21,636	3,068	–	198	(1,867)	–	23,035	–
City Centre	3,149	43	–	28	(404)	–	2,816	–
Total	24,785	3,111	–	226	(2,271)	–	25,851	–

(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 Development Contributions 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.

Wollongong City Council | Notes to the Financial Statements 30 June 2021

G5-3 Contributions not under plans

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN – CALDERWOOD ^{A, B, C}								
Roads	353	—	—	3	—	—	356	—
Total	353	—	—	3	—	—	356	—

(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.

G5-4 S7.4 planning agreements

S7.4 planning agreements

Drainage	-	-	17	-	-	-	-	-
Roads	159	1,860	-	8	-	-	2,027	-
Open space	-	-	987	-	-	-	-	-
Total	159	1,860	1,004	8	-	-	2,027	-

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020	Indicators 2019	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	2,730	0.95%	(1.62)%	(0.48)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	287,668				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	256,886	79.74%	76.10%	73.20%	> 60.00%
Total continuing operating revenue ¹	322,146				
3. Unrestricted current ratio					
Current assets less all external restrictions ³	126,587	2.15x	2.36x	2.70x	> 1.50x
Current liabilities less specific purpose liabilities	58,919				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	65,827	8.45x	5.25x	5.77x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	7,787				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	11,935	5.28%	6.74%	5.09%	< 5.00%
Rates and annual charges collectable	226,151				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	117,320	5.78 mths	5.63 mths	5.45 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities	20,302				

(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

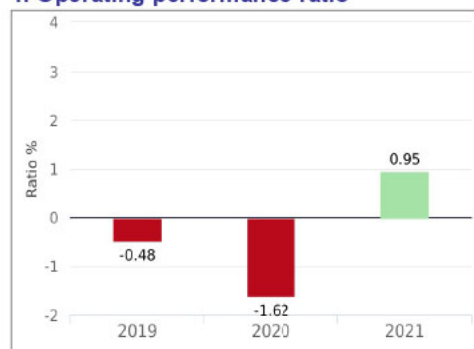
(3) Refer to Notes C1-1 to C1-5 inclusive. Excludes any real estate and land for resale not expected to be sold in next 12 months.

(4) Refer to Notes C3-1 to C3-5 inclusive. Excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

H Additional Council disclosures (unaudited)

H1-1 Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

This ratio measures the extent to which Council's operating revenues have exceeded the operating expenditure within the year. Council's ongoing financial sustainability requires positive operating performance over time.

Commentary on 2020/21 result

2020/21 ratio 0.95%

The positive result for 2021 is consistent with Council's target to provide a small operating surplus. The prior year results were impacted by unfavourable adjustments relating to the valuation of provisions and reclassification of current and prior year capital to operating. These adjustments have not had a significant impact on the 2021 result.

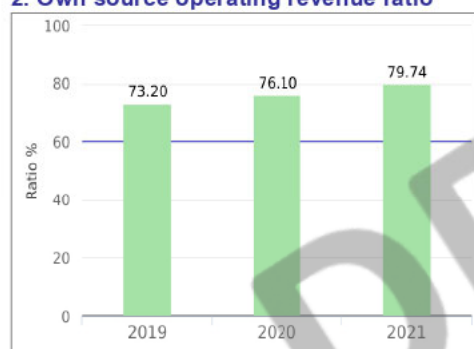
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

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 2020/21 result

2020/21 ratio 79.74%

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

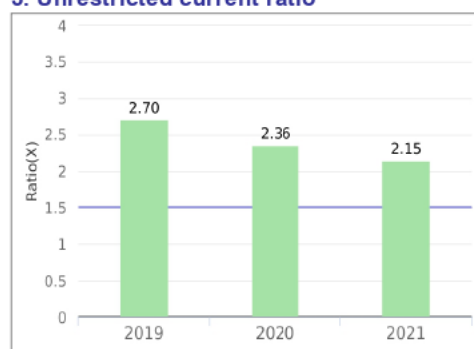
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

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 2020/21 result

2020/21 ratio 2.15x

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

Benchmark: — > 1.50x

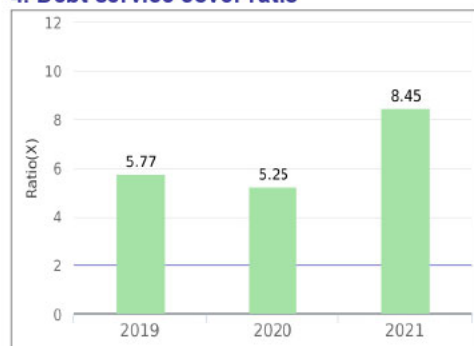
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-1 Statement of performance measures – consolidated results (graphs) (continued)

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 2020/21 result

2020/21 ratio 8.45x

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

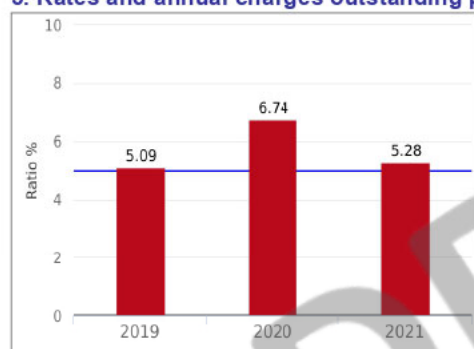
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2020/21 result

2020/21 ratio 5.28%

The target for this performance measure is less than 5%. There have been ongoing negative impacts from COVID-19 that are still reflected in these numbers.

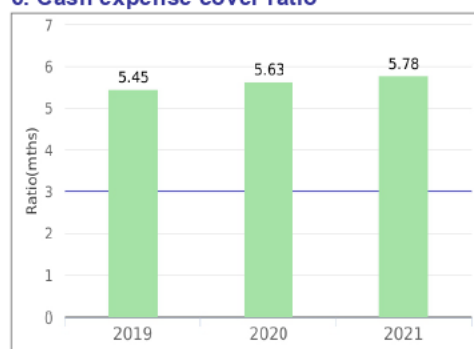
Benchmark: — < 5.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

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 2020/21 result

2020/21 ratio 5.78 mths

The result of this measure reflects a high level of liquidity in Council's investment portfolio at the end of 2020/21.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 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 Bradbury

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

Wollongong City Council | Notes to the Financial Statements 30 June 2021

Wollongong City Council

General Purpose Financial Statements for the year ended 30 June 2021

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Wollongong City Council

General Purpose Financial Statements for the year ended 30 June 2021

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Wollongong City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2021

Wollongong City Council

Special Purpose Financial Statements for the year ended 30 June 2021

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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).

Wollongong City Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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 18 October 2021.

Gordon Bradbury
Lord Mayor
18 October 2021

Tania Brown
Deputy Lord Mayor
18 October 2021

Greg Doyle
General Manager
18 October 2021

Brian Jenkins
Responsible Accounting Officer
18 October 2021

Wollongong City Council | Income Statement of Waste Disposal | For the year ended 30 June 2021

Wollongong City Council

Income Statement of Waste Disposal

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
User charges	26,789	26,285
Rental Income	224	215
Grants and contributions provided for non-capital purposes	–	20
Other income	420	270
Total income from continuing operations	27,433	26,790
Expenses from continuing operations		
Employee benefits and on-costs	2,503	2,176
Borrowing costs	1,488	1,939
Materials and services	942	(635)
Depreciation, amortisation and impairment	1,377	1,663
Calculated taxation equivalents	462	522
EPA levy	11,409	10,958
Total expenses from continuing operations	18,181	16,623
Surplus (deficit) from continuing operations before capital amounts	9,252	10,167
Surplus (deficit) from continuing operations after capital amounts	9,252	10,167
Surplus (deficit) from all operations before tax	9,252	10,167
Less: corporate taxation equivalent [based on result before capital]	(2,406)	(2,796)
Surplus (deficit) after tax	6,846	7,371
Plus accumulated surplus	63,418	52,729
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	462	522
– Corporate taxation equivalent	2,406	2,796
Closing accumulated surplus	73,132	63,418
Return on capital %	19.8%	22.1%

Wollongong City Council | Income Statement of Tourist parks | For the year ended 30 June 2021

Wollongong City Council

Income Statement of Tourist parks

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
User charges	7,742	6,717
Rental Income	102	101
Other income	38	46
Total income from continuing operations	7,882	6,864
Expenses from continuing operations		
Employee benefits and on-costs	3,179	2,817
Materials and services	2,332	2,110
Depreciation, amortisation and impairment	1,249	1,305
Loss on sale of assets	–	86
Calculated taxation equivalents	477	552
Total expenses from continuing operations	7,237	6,870
Surplus (deficit) from continuing operations before capital amounts	645	(6)
Surplus (deficit) from continuing operations after capital amounts	645	(6)
Surplus (deficit) from all operations before tax	645	(6)
Less: corporate taxation equivalent [based on result before capital]	(168)	–
Surplus (deficit) after tax	477	(6)
Plus accumulated surplus	13,551	13,005
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	477	552
– Corporate taxation equivalent	168	–
Closing accumulated surplus	14,673	13,551
Return on capital %	2.4%	0.0%
Subsidy from Council	–	255

Wollongong City Council | Income Statement of Health & Fitness | For the year ended 30 June 2021

Wollongong City Council

Income Statement of Health & Fitness

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
User charges	1,950	2,331
Rental Income	3	1
Other income	71	78
Total income from continuing operations	2,024	2,410
Expenses from continuing operations		
Employee benefits and on-costs	2,469	2,295
Materials and services	1,261	1,296
Depreciation, amortisation and impairment	44	42
Calculated taxation equivalents	156	226
Total expenses from continuing operations	3,930	3,859
Surplus (deficit) from continuing operations before capital amounts	(1,906)	(1,449)
Surplus (deficit) from continuing operations after capital amounts	(1,906)	(1,449)
Surplus (deficit) from all operations before tax	(1,906)	(1,449)
Surplus (deficit) after tax	(1,906)	(1,449)
Plus accumulated surplus	(14,171)	(12,948)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	156	226
Closing accumulated surplus	(15,921)	(14,171)
Return on capital %	(33.9)%	(25.5)%
Subsidy from Council	1,990	1,499

Wollongong City Council | Statement of Financial Position of Waste Disposal | For the year ended 30 June 2021

Wollongong City Council

Statement of Financial Position of Waste Disposal

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Investments	3,415	561
Total current assets	3,415	561
Non-current assets		
Receivables	59,824	54,637
Infrastructure, property, plant and equipment	54,281	54,704
Total non-current assets	114,105	109,341
Total assets	117,520	109,902
LIABILITIES		
Non-current liabilities		
Provisions	30,762	33,367
Total non-current liabilities	30,762	33,367
Total liabilities	30,762	33,367
Net assets	86,758	76,535
EQUITY		
Accumulated surplus	73,132	63,418
Revaluation reserves	13,626	13,117
Total equity	86,758	76,535

Wollongong City Council | Statement of Financial Position of Tourist parks | For the year ended 30 June 2021

Wollongong City Council

Statement of Financial Position of Tourist parks as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Non-current assets		
Receivables	4,745	3,507
Infrastructure, property, plant and equipment	27,282	28,262
Total non-current assets	32,027	31,769
Total assets	32,027	31,769
Net assets	32,027	31,769
EQUITY		
Accumulated surplus	14,673	13,552
Revaluation reserves	17,354	18,217
Total equity	32,027	31,769

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Wollongong City Council | Statement of Financial Position of Health & Fitness | For the year ended 30 June 2021

Wollongong City Council

Statement of Financial Position of Health & Fitness

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	5,619	5,692
Total non-current assets	5,619	5,692
Total assets	5,619	5,692
LIABILITIES		
Non-current liabilities		
Payables	17,236	15,558
Total non-current liabilities	17,236	15,558
Total liabilities	17,236	15,558
Net assets	(11,617)	(9,866)
EQUITY		
Accumulated surplus	(15,921)	(14,171)
Revaluation reserves	4,304	4,303
Total equity	(11,617)	(9,868)

Note – Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the special purpose financial statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

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

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993* (Act), the *Local Government (General) Regulation 2005* (Regulation) 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, fair value 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, and returns 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.

Category 2

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

Nil

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 (%)

continued on next page ...

Note – Significant Accounting Policies (continued)

Corporate income tax rate – 26% (2019/20 27.5%)

Land tax – the first \$755,000 of combined land values attracts 0%. For the combined land values in excess of \$755,000 up to \$4,616,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,616,000 a premium marginal rate of 2.0% applies.

Payroll tax – 4.85% on the value of taxable salaries and wages in excess of \$1,200,000.

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 26% (2019/20 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 26% 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 for all Category 1 businesses has been applied to all 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.

(i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed. Subsidies occur where 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. The overall effect of subsidies is contained within the Income Statements of business activities.

(ii) 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'.

Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the 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 1.49% at 30/6/21.

(iii) Dividends

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

Note – Significant Accounting Policies (continued)

Intercompany borrowings

These business activities are notional for external reporting purposes and do not hold separate bank accounts to Council. Therefore a receivable from or payable to Council is disclosed in the Statement of Financial Position to reflect their net cash position.

Infrastructure, Property, Plant & Equipment

Buildings and other assets used in the operation of these business activities are owned and controlled by Council. A charge for their utilisation is included in the Income Statement and these assets have been excluded from the Infrastructure, Property, Plant & Equipment in the Statement of Financial Position. The Infrastructure, Property, Plant & Equipment figure consists operational equipment and land as these have not been captured through the Income Statement

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Wollongong City Council | Special Purpose Financial Statements 2021

Wollongong City Council

Special Purpose Financial Statements for the year ended 30 June 2021

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Wollongong City Council

SPECIAL SCHEDULES
for the year ended 30 June 2021

Wollongong City Council

Special Schedules

for the year ended 30 June 2021

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Wollongong City Council | Permissible income for general rates | For the year ended 30 June 2021

Wollongong City Council

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2021/22
Notional general income calculation ¹			
Last year notional general income yield	a	170,562	175,452
Plus or minus adjustments ²	b	827	1,153
Notional general income	c = a + b	171,389	176,605
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.00%
Or plus rate peg amount	i = e x (c + g)	4,456	3,532
Sub-total	k = (c + g + h + i + j)	175,845	180,137
Plus (or minus) last year's carry forward total	l	2	167
Less valuation objections claimed in the previous year	m	(265)	(37)
Sub-total	n = (l + m)	(263)	130
Total permissible income	o = k + n	175,582	180,267
Less notional general income yield	p	175,452	180,317
Catch-up or (excess) result	q = o - p	130	(50)
Plus income lost due to valuation objections claimed ⁴	r	37	54
Carry forward to next year ⁶	t = q + r + s	167	4

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.
- (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.

Wollongong City Council | Report on infrastructure assets as at 30 June 2021 | For the year ended 30 June 2021

Wollongong City Council

Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2020/21 Required maintenance ^a	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Buildings	11,019	19,159	22,539	23,857	300,150	550,526	8.4%	22.7%	63.4%	3.2%	2.3%
	Sub-total	11,019	19,159	22,539	23,857	300,150	550,526	8.4%	22.7%	63.4%	3.2%	2.3%
Other structures	Other structures	668	1,256	696	737	9,408	17,009	6.4%	26.1%	51.2%	3.7%	12.6%
	Sub-total	668	1,256	696	737	9,408	17,009	6.4%	26.1%	51.2%	3.7%	12.6%
Roads	Roads	41,834	70,744	14,192	10,898	611,687	1,498,514	34.5%	16.5%	44.9%	2.5%	1.6%
	Sealed roads	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Bridges	1,244	2,085	1,667	1,280	118,546	176,026	19.3%	33.8%	40.2%	2.3%	4.4%
	Footpaths	2,473	4,103	3,136	2,408	171,247	331,074	15.5%	19.4%	62.6%	1.9%	0.6%
	Other road assets (incl. bulk earth works)	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	45,551	76,932	18,995	14,586	901,480	2,005,614	30.0%	18.5%	47.4%	2.4%	1.7%
Stormwater drainage	Stormwater drainage	637	958	3,207	2,850	532,264	973,585	9.3%	23.2%	67.3%	0.1%	0.1%
	Sub-total	637	958	3,207	2,850	532,264	973,585	9.3%	23.2%	67.3%	0.1%	0.1%
Open space / recreational assets	Swimming pools & Open Space/Recreation	7,242	12,138	26,599	25,274	138,773	231,059	31.9%	5.9%	60.4%	1.4%	0.4%
	Sub-total	7,242	12,138	26,599	25,274	138,773	231,059	31.9%	5.9%	60.4%	1.4%	0.4%
Total – all assets		65,117	110,443	72,036	67,304	1,882,075	3,777,793	21.5%	19.6%	55.7%	1.9%	1.3%

(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.

Wollongong City Council

Report on infrastructure assets as at 30 June 2021 (continued)

(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.

(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

Wollongong City Council | Report on infrastructure assets as at 30 June 2021 | For the year ended 30 June 2021

Wollongong City Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020 2019		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	50,462	97.11%	102.11%	93.63%	>= 100.00%
Depreciation, amortisation and impairment	51,962				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	65,117	3.36%	3.32%	4.76%	< 2.00%
Net carrying amount of infrastructure assets	1,937,542				
Asset maintenance ratio					
Actual asset maintenance	67,304	93.43%	101.22%	100.34%	> 100.00%
Required asset maintenance	72,036				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	110,443	2.92%	3.03%	3.26%	
Gross replacement cost	3,777,793				

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

(1) 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.

Wollongong City Council

General Purpose Financial Statements

for the year ended 30 June 2021

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

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

- the *Local Government Act 1993* (NSW) 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 18 October 2021.

Gordon Bradbury
Lord Mayor
18 October 2021

Tania Brown
Deputy Lord Mayor
18 October 2021

Greg Doyle
General Manager
18 October 2021

Brian Jenkins
Responsible Accounting Officer
18 October 2021

Wollongong City Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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 18 October 2021.

Gordon Bradbury
Lord Mayor
18 October 2021

Tania Brown
Deputy Lord Mayor
18 October 2021

Greg Doyle
General Manager
18 October 2021

Brian Jenkins
Responsible Accounting Officer
18 October 2021

Wollongong City Council

Flowchart of the Annual Financial Statements Approval Process

