

WOLLONGONG CITY COUNCIL

ANNUAL REPORT

2021 - 2022

ATTACHMENT C

Special Purpose Financial Statements



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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 2022

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:

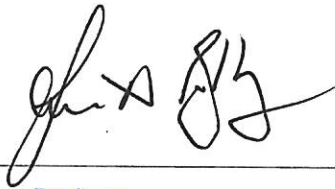
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,

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

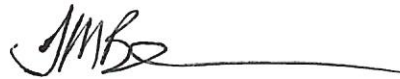
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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

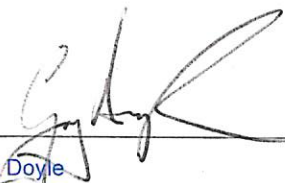
Signed in accordance with a resolution of Council made on 28 November 2022.



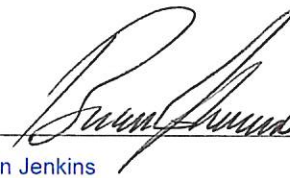
Gordon Bradbery
Lord Mayor
28 November 2022



Tania Brown
Deputy Lord Mayor
28 November 2022



Greg Doyle
General Manager
28 November 2022



Brian Jenkins
Responsible Accounting Officer
28 November 2022

Wollongong City Council

Income Statement of Waste Disposal

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
User charges	25,563	26,789
Rental Income	235	224
Grants and contributions provided for operating purposes	46	–
Other income	620	420
Total income from continuing operations	26,464	27,433
Expenses from continuing operations		
Employee benefits and on-costs	2,310	2,503
Borrowing costs	(5)	1,488
Materials and services ¹	(7,516)	942
Depreciation, amortisation and impairment	1,373	1,377
Calculated taxation equivalents	496	462
EPA levy	12,321	11,409
Total expenses from continuing operations	8,979	18,181
Surplus (deficit) from continuing operations before capital amounts	17,485	9,252
Surplus (deficit) from continuing operations after capital amounts	17,485	9,252
Surplus (deficit) from all operations before tax	17,485	9,252
Less: corporate taxation equivalent (25%) [based on result before capital]	(4,371)	(2,406)
Surplus (deficit) after tax	13,114	6,846
Plus accumulated surplus ²	13,308	8,781
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	496	462
– Corporate taxation equivalent	4,371	2,406
– Dividend paid	(5,424)	(5,187)
Closing accumulated surplus	25,865	13,308
Return on capital %	32.5%	19.8%

(1) Each financial year the provision for the remediation of Council's waste facility is calculated based on the forecast costs to rehabilitate the site. The movements in the provision are generally recognised against the value of the corresponding asset. During 2019-2020, a reduction in the forecast rehabilitation costs caused a reduction in the provision beyond the carrying value of the asset. The balance of this adjustment and all future adjustments to the provisions will be recognised through 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 2021-2022.

(2) The financial statements of this business activity are prepared notionally for external reporting purposes. In previous years, either a receivable from, or a payable to Council has been disclosed in the Statement of Financial Position to reflect the net financial position of the business activity. These balances have been growing over time and with no separate bank account, there has been no way for the business unit to either recover from or pay back the balance to Council. For the 2022 reporting period, either a subsidy received by the business activity from Council or a dividend paid by the business activity to Council has been disclosed to reflect the net financial position of the business activity. For comparative purposes a one off adjustment to the prior year's opening and closing accumulated surplus balances were made to reflect the offset of either the aggregated payable or receivable balance. It is considered that the removal of these balancing items will more accurately reflect the financial position of this business unit.

Wollongong City Council

Income Statement of Tourist parks

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
User charges	6,782	7,742
Rental Income	136	102
Other income	16	38
Total income from continuing operations	6,934	7,882
Expenses from continuing operations		
Employee benefits and on-costs	3,054	3,179
Materials and services	2,124	2,332
Depreciation, amortisation and impairment	1,141	1,249
Calculated taxation equivalents	502	477
Total expenses from continuing operations	6,821	7,237
Surplus (deficit) from continuing operations before capital amounts	113	645
Surplus (deficit) from continuing operations after capital amounts	113	645
Surplus (deficit) from all operations before tax	113	645
Less: corporate taxation equivalent (25%) [based on result before capital]	(28)	(168)
Surplus (deficit) after tax	85	477
Plus accumulated surplus ¹	9,928	10,044
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	502	477
– Corporate taxation equivalent	28	168
– Dividend paid	(1,870)	(1,238)
Closing accumulated surplus	8,673	9,928
Return on capital %	0.4%	2.4%
Subsidy from Council	933	–

(1) The financial statements of this business activity are prepared notionally for external reporting purposes. In previous years, either a receivable from, or a payable to Council has been disclosed in the Statement of Financial Position to reflect the net financial position of the business activity. These balances have been growing over time and with no separate bank account, there has been no way for the business unit to either recover from or pay back the balance to Council. For the 2022 reporting period, either a subsidy received by the business activity from Council or a dividend paid by the business activity to Council has been disclosed to reflect the net financial position of the business activity. For comparative purposes a one off adjustment to the prior year's opening and closing accumulated surplus balances were made to reflect the offset of either the aggregated payable or receivable balance. It is considered that the removal of these balancing items will more accurately reflect the financial position of this business unit.

Wollongong City Council

Income Statement of Health & Fitness

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
User charges	1,299	1,950
Rental Income	1	3
Other income	58	71
Total income from continuing operations	1,358	2,024
Expenses from continuing operations		
Employee benefits and on-costs	2,338	2,469
Materials and services	1,081	1,261
Depreciation, amortisation and impairment	90	44
Calculated taxation equivalents	161	156
Total expenses from continuing operations	3,670	3,930
Surplus (deficit) from continuing operations before capital amounts	(2,312)	(1,906)
Surplus (deficit) from continuing operations after capital amounts	(2,312)	(1,906)
Surplus (deficit) from all operations before tax	(2,312)	(1,906)
Surplus (deficit) after tax	(2,312)	(1,906)
Plus accumulated surplus ¹	1,315	1,387
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	161	156
– Subsidy paid/contribution to operations	2,169	1,678
Closing accumulated surplus	1,333	1,315
Return on capital %	(37.6)%	(33.9)%
Subsidy from Council	2,537	1,990

(1) The financial statements of this business activity are prepared notionally for external reporting purposes. In previous years, either a receivable from, or a payable to Council has been disclosed in the Statement of Financial Position to reflect the net financial position of the business activity. These balances have been growing over time and with no separate bank account, there has been no way for the business unit to either recover from or pay back the balance to Council. For the 2022 reporting period, either a subsidy received by the business activity from Council or a dividend paid by the business activity to Council has been disclosed to reflect the net financial position of the business activity. For comparative purposes a one off adjustment to the prior year's opening and closing accumulated surplus balances were made to reflect the offset of either the aggregated payable or receivable balance. It is considered that the removal of these balancing items will more accurately reflect the financial position of this business unit.

Wollongong City Council

Statement of Financial Position of Waste Disposal

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Current assets		
Investments	5,831	3,415
Total current assets	5,831	3,415
Non-current assets		
Infrastructure, property, plant and equipment	53,843	54,281
Total non-current assets	53,843	54,281
Total assets	59,674	57,696
LIABILITIES		
Non-current liabilities		
Provisions	19,134	30,762
Total non-current liabilities	19,134	30,762
Total liabilities	19,134	30,762
Net assets	40,540	26,934
EQUITY		
Accumulated surplus ¹	25,865	13,308
Revaluation reserves	14,675	13,626
Total equity	40,540	26,934

(1) The financial statements of this business activity are prepared notionally for external reporting purposes. In previous years, either a receivable from, or a payable to Council has been disclosed in the Statement of Financial Position to reflect the net financial position of the business activity. These balances have been growing over time and with no separate bank account, there has been no way for the business unit to either recover from or pay back the balance to Council. For the 2022 reporting period, either a subsidy received by the business activity from Council or a dividend paid by the business activity to Council has been disclosed to reflect the net financial position of the business activity. For comparative purposes a one off adjustment to the prior year's opening and closing accumulated surplus balances were made to reflect the offset of either the aggregated payable or receivable balance. It is considered that the removal of these balancing items will more accurately reflect the financial position of this business unit.

Wollongong City Council

Statement of Financial Position of Tourist parks

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	28,586	27,282
Total non-current assets	28,586	27,282
Total assets	28,586	27,282
Net assets	28,586	27,282
EQUITY		
Accumulated surplus ¹	8,672	9,928
Revaluation reserves	19,914	17,354
Total equity	28,586	27,282

(1) The financial statements of this business activity are prepared notionally for external reporting purposes. In previous years, either a receivable from, or a payable to Council has been disclosed in the Statement of Financial Position to reflect the net financial position of the business activity. These balances have been growing over time and with no separate bank account, there has been no way for the business unit to either recover from or pay back the balance to Council. For the 2022 reporting period, either a subsidy received by the business activity from Council or a dividend paid by the business activity to Council has been disclosed to reflect the net financial position of the business activity. For comparative purposes a one off adjustment to the prior year's opening and closing accumulated surplus balances were made to reflect the offset of either the aggregated payable or receivable balance. It is considered that the removal of these balancing items will more accurately reflect the financial position of this business unit.

Wollongong City Council

Statement of Financial Position of Health & Fitness

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	6,157	5,619
Total non-current assets	6,157	5,619
Total assets	6,157	5,619
Net assets	6,157	5,619
EQUITY		
Accumulated surplus ¹	1,332	1,315
Revaluation reserves	4,825	4,304
Total equity	6,157	5,619

(1) The financial statements of this business activity are prepared notionally for external reporting purposes. In previous years, either a receivable from, or a payable to Council has been disclosed in the Statement of Financial Position to reflect the net financial position of the business activity. These balances have been growing over time and with no separate bank account, there has been no way for the business unit to either recover from or pay back the balance to Council. For the 2022 reporting period, either a subsidy received by the business activity from Council or a dividend paid by the business activity to Council has been disclosed to reflect the net financial position of the business activity. For comparative purposes a one off adjustment to the prior year's opening and closing accumulated surplus balances were made to reflect the offset of either the aggregated payable or receivable balance. It is considered that the removal of these balancing items will more accurately reflect the financial position of this business unit.

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.

* As Council declared in its *2021-2022 Revenue Policy Fees and Charges*, that the Health & Fitness business activity was Category 1, it must be reported as such in the Special Purpose Financial Statements for 2021-2022 even though gross operating turnover has fallen below \$2 million. This was due to the unplanned temporary closure of Health & Fitness facilities and some services, in response to NSW Government restrictions due to the spread of COVID-19.

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.

Note – Significant Accounting Policies (continued)

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

Notional rate applied (%)

Corporate income tax rate – 25% (2020/21 26%)

Land tax – the first \$822,000 of combined land values attracts 0%. For the combined land values in excess of \$822,000 up to \$5,026,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$5,026,000 a premium marginal rate of 2.0% + \$67,364 applies.

Payroll tax – 5.45% 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 25% (2020/21 26%).

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 25% 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 activities reported in these financial statements are prepared notionally for external purposes only. Separate bank accounts are not held. The overall effect of subsidies received from Council is disclosed within individual income statements to reflect the net financial position of each business activity.

(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

Note – Significant Accounting Policies (continued)

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.66% at 30/06/22.

(iii) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities. The activities reported in these financial statements are prepared notionally for external purposes only. Separate bank accounts are not held. The overall effect of dividends paid to Council is disclosed within individual income statements to reflect the net financial position of each business activity.

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Wollongong City Council

To the Councillors of Wollongong City Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Wollongong City Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2022, the Statement of Financial Position of each Declared Business Activity as at 30 June 2022 and the Significant accounting policies note.

The Declared Business Activities of the Council are:

- Waste Disposal
- Tourist Park
- Health and Fitness

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's Declared Business Activities as at 30 June 2022, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2021–22 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Lisa Berwick', with a horizontal line underneath the name.

Lisa Berwick
Delegate of the Auditor-General for New South Wales

28 November 2022
SYDNEY

Wollongong City Council

SPECIAL SCHEDULES
for the year ended 30 June 2022



Wollongong City Council

Special Schedules

for the year ended 30 June 2022

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Wollongong City Council

Permissible income for general rates

\$ '000	Notes	Calculation 2021/22	Calculation 2022/23
Notional general income calculation ¹			
Last year notional general income yield	a	175,452	180,317
Plus or minus adjustments ²	b	1,153	316
Notional general income	c = a + b	176,605	180,633
Permissible income calculation			
Or rate peg percentage	e	2.00%	1.80%
Or plus rate peg amount	i = e x (c + g)	3,532	3,251
Sub-total	k = (c + g + h + i + j)	180,137	183,884
Plus (or minus) last year's carry forward total	l	167	4
Less valuation objections claimed in the previous year	m	(37)	(54)
Sub-total	n = (l + m)	130	(50)
Total permissible income	o = k + n	180,267	183,834
Less notional general income yield	p	180,317	183,872
Catch-up or (excess) result	q = o - p	(50)	(38)
Plus income lost due to valuation objections claimed ⁴	r	54	44
Carry forward to next year ⁶	t = q + r + s	4	6

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 (NSW)*.
- (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 Act. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Wollongong City Council

To the Councillors of Wollongong City Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Wollongong City Council (the Council) for the year ending 30 June 2023.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2021–22 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule has been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2022 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2022'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Lisa Berwick', with a horizontal line underneath the name.

Lisa Berwick
Delegate of the Auditor-General for New South Wales

28 November 2022
SYDNEY

Wollongong City Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost				Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	to bring to the agreed level of service set by Council \$ '000	2021/22 Required maintenance ^a \$ '000	2021/22 Actual maintenance \$ '000			1	2	3	4	5
Buildings	Buildings	3,857	9,210	12,846	9,719	332,607	624,165	9.2%	21.5%	62.4%	3.9%	3.0%
	Sub-total	3,857	9,210	12,846	9,719	332,607	624,165	9.2%	21.5%	62.4%	3.9%	3.0%
Other structures	Other structures	758	1,642	552	304	9,210	17,408	5.7%	23.3%	51.9%	4.0%	15.1%
	Sub-total	758	1,642	552	304	9,210	17,408	5.7%	23.3%	51.9%	4.0%	15.1%
Roads	Roads	49,541	147,456	16,826	9,813	837,350	1,869,502	35.1%	16.7%	40.2%	7.9%	0.1%
	Sealed roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Bridges	705	2,042	556	729	94,683	138,910	12.6%	36.6%	46.3%	4.2%	0.3%
	Footpaths	3,767	11,119	2,447	3,613	178,914	344,698	17.3%	18.6%	58.9%	5.1%	0.1%
	Other road assets (incl. bulk earth works)	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	54,013	160,617	19,829	14,155	1,110,947	2,353,110	31.2%	18.2%	43.3%	7.3%	0.1%
Stormwater drainage	Stormwater drainage	204	609	7,272	3,582	841,764	1,547,139	9.5%	26.8%	63.5%	0.2%	0.0%
	Sub-total	204	609	7,272	3,582	841,764	1,547,139	9.5%	26.8%	63.5%	0.2%	0.0%
Open space / recreational assets	Swimming pools & Open Space/Recreation	7,547	21,123	16,746	16,648	154,497	264,489	26.1%	7.1%	48.4%	16.0%	2.4%
	Sub-total	7,547	21,123	16,746	16,648	154,497	264,489	26.1%	7.1%	48.4%	16.0%	2.4%
Total – all assets		66,379	193,201	57,245	44,408	2,449,025	4,806,311	21.0%	20.8%	52.6%	5.0%	0.6%

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

Infrastructure asset condition assessment 'key'

(1) Estimated Cost to Bring To Satisfactory Standard per Office of Local Government Requirements, reflects the estimated cost to restore all Council assets to condition '3'.

(2) Maintenance costs, per Office of Local Government Requirements, include both Maintenance and (appropriate) operational costs captured as Asset Operations in Council's financial system. Required maintenance reflects amounts calculated using benchmark data from other Group 5 Councils as % GRC.

(3) 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.

continued on next page ...

Wollongong City Council

Report on infrastructure assets as at 30 June 2022 (continued)

Asset Condition Definitions

Rating	Status
1	Excellent
2	Very Good
3	Good (Satisfactory)
4	Average
5	Poor

Wollongong City Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	Indicators		Benchmark
			2021	2020	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	36,579	66.42%	97.11%	102.11%	>= 100.00%
Depreciation, amortisation and impairment	55,070				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	66,379	2.62%	3.40%	3.32%	< 2.00%
Net carrying amount of infrastructure assets	2,535,615				
Asset maintenance ratio					
Actual asset maintenance	44,408	77.58%	93.43%	101.22%	> 100.00%
Required asset maintenance	57,245				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	193,201	4.02%	2.92%	3.03%	
Gross replacement cost	4,806,311				

(*) 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.