

Agenda

Special Audit & Risk Committee Meeting 20 April 2023

Notice of Meeting

To Mayor & Councillors

A Meeting of the Audit & Risk Committee of the City of Nedlands is to be held on Tuesday, 7 March 2023 in the Council chambers at 71 Stirling Highway Nedlands commencing at 4:30pm.

This meeting will be livestreamed - [Livestreaming Council & Committee Meetings » City of Nedlands](#)



Director Corporate Services
13 April 2023

Information

Audit & Risk Committee Meetings are run in accordance with the City of Nedlands Standing Orders Local Law. If you have any questions in relation to items on the agenda, procedural matters, public question time, addressing the Committee or attending meetings please contact the Executive Officer on 9273 3500 or council@nedlands.wa.gov.au

Public Question Time

Public question time at an Audit & Risk Committee Meeting is available for members of the public to ask a question about items on the agenda. Questions asked by members of the public are not to be accompanied by any statement reflecting adversely upon any Council Member, Committee Member or Employee.

Questions should be submitted as early as possible via the online form available on the City's website: [Public question time | City of Nedlands](#)

Questions may be taken on notice to allow adequate time to prepare a response and all answers will be published in the minutes of the meeting.

Addresses by Members of the Public

Members of the public wishing to address the Audit & Risk Committee in relation to an item on the agenda must complete the online registration form available on the City's website: [Public Address Registration Form | City of Nedlands](#)

The Presiding Member will determine the order of speakers to address the Council and the number of speakers is to be limited to 2 in support and 2 against any particular item on a Special Council Meeting Agenda. The Public address session will be restricted to 15 minutes unless the Council, by resolution decides otherwise.

Disclaimer

Members of the public who attend Committee meetings should not act immediately on anything they hear at the meetings, without first seeking clarification of Council's position. For example, by reference to the confirmed Minutes of Council meeting. Members of the public are also advised to wait for written advice from the Council prior to taking action on any matter that they may have before Council.

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1. Declaration of Opening

The Presiding Member will declare the meeting open at 5:30pm and will draw attention to the disclaimer below and advise that the meeting is being livestreamed.

2. Present and Apologies and Leave of Absence (Previously Approved)

Leave of Absence
(Previously Approved)

Apologies None

3. Public Question Time

Public questions submitted to be read at this point.

4. Addresses by Members of the Public

Addresses by members of the public who have completed Public Address Registration Forms to be made at this point.

5. Disclosures of Financial Interest

The Presiding Member to remind Council Members and Staff of the requirements of Section 5.65 of the *Local Government Act* to disclose any interest during the meeting when the matter is discussed.

A declaration under this section requires that the nature of the interest must be disclosed. Consequently, a member who has made a declaration must not preside, participate in, or be present during any discussion or decision-making procedure relating to the matter the subject of the declaration.

However, other members may allow participation of the declarant if the member further discloses the extent of the interest. Any such declarant who wishes to participate in the meeting on the matter, shall leave the meeting, after making their declaration and request to participate, while other members consider and decide upon whether the interest is trivial or insignificant or is common to a significant number of electors or ratepayers.

6. Disclosures of Interests Affecting Impartiality

The Presiding Member to remind Council Members and Staff of the requirements of Council's Code of Conduct in accordance with Section 5.103 of the *Local Government Act*.

Council Members and staff are required, in addition to declaring any financial interests to declare any interest that may affect their impartiality in considering a matter. This declaration does not restrict any right to participate in or be present during the decision-making procedure.

The following pro forma declaration is provided to assist in making the disclosure.

"With regard to the matter in item x I disclose that I have an association with the applicant (or person seeking a decision). This association is (nature of the interest).

As a consequence, there may be a perception that my impartiality on the matter may be affected. I declare that I will consider this matter on its merits and vote accordingly."

The member or employee is encouraged to disclose the nature of the association.

7. Declarations by Members That They Have Not Given Due Consideration to Papers

Members who have not read the business papers to make declarations at this point.

8. Confirmation of Minutes

8.1 Special Audit & Risk Committee Meeting Minutes – 7 March 2023

The Minutes of the Special Audit & Risk Committee Meeting 7 March are to be accepted as a true and correct record of that meeting.

9. Items for Discussion

9.1 ARC06.04.23 – Submission of Annual Financial Report for year ending 30 June 2022

Meeting & Date	Audit Risk Committee Meeting – 20 April 2023
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	Nil.
Report Author	Stuart Billingham – Manager Financial Services
Director / CEO	Michael Cole – Director Corporate Services
Attachments	<ol style="list-style-type: none"> 1. 2021-22 Annual Financial Report (Final Draft) 2. 2021-22 Management Letter (to be provided) 3. 2021-22 Draft Audit Opinion (to be provided) 4. 2021-22 Audit Completion Report from KPMG (to be provided); and 5. 2021-22 Audit Representation Letter. (to be provided)

Purpose

To present the Audit & Risk Committee with the Annual Financial Report for 30 June 2022 and recommendations to Council to accept. The Audit & Risk Committee is requested to recommend to Council that it be accepted and be included as part of the City's Annual Report 2022 for discussion at the Annual Electors' Meeting.

Recommendation

That the Audit & Risk Committee recommends to Council:

That Council;

1. **accepts the Financial Report for the City of Nedlands for the year ended 30 June 2022 comprising the Financial Report and the Auditor's Report; and**
2. **accepts the 2022 Audit Completion Report as presented.**

Voting Requirement

Simple Majority

Background

The signed off Annual Financial Report for the year ended 30 June 2022, including the Auditor's Report and the Audit Completion Report by the Auditor General, has been received by the City.

The Audit Representation Letter is also presented.

(Please note that the final audited Annual Financial Statements and attachments 2 to 5 will be provided once signed by the Auditor General. The Auditor General has committed to signing this by 18 April 2023).

A brief overview of the City's financial performance for the 2021/22 financial year is provided below.

The City completed the 2021/22 year with an operating net result of \$1.873M compared to the adopted net result of \$0.528M. The overall favourable variance was mostly due to an increase in Operating Grants of \$0.84M.

Operating Revenue for the year totalled \$35.9m, which is higher than the budget target of \$35.1m for the year. This is mostly due to higher operating grants revenue.

Operating Expenditure for the year totalled \$35.5M lower than expected compared to a budget of \$38.5M. It should be noted that the overspend in employee costs \$1.18M, utilities \$0.25M was offset by an underspend in materials and contracts \$3.85M, depreciation and other expenditure. As previously advised, the adopted budget for Parks Maintenance and Building Maintenance included employee costs and utility costs in the materials and contracts budget line. This was addressed in the Mid-Year Budget review and corrected for the 2022-23 Annual Budget.

The Rate Setting Statement showing 'Investing Activities' represents an underspend on purchases of property plant & equipment of \$2.62M and an underspend in purchases of construction infrastructure of \$1.62M. This was mostly due to supply chain issues and delays in projects.

The City's Reserve funds closing balance increased to \$8.263M over budget expectations of \$6.058M. This was mainly attributable to more funds of \$1M being placed in the City's Underground Power Reserve to fund future stages of Underground power. Unspent capital projects balances carried forward into 2022/2023 were quarantined into the relevant reserve funds and re-listed in the 2022/2023 Budget as transfers from reserve.

Finally, it should be noted that the City's key financial ratios no longer appear in the Annual Financial Report. This follows a change to the Local Government (Financial Management) Regulations 1996 during the year.

Please note, the above summary is based on the latest draft Annual Financial Statements and subject to final sign off by the Auditor General. This is expected to be received by no later than 18 April 2023.

Consultation

KPMG staff and partner
Office of Auditor General Director
City of Nedlands Staff and Executive

Strategic Implications

This item relates to the following elements from the City's Strategic Community Plan.

Vision Our city will be an environmentally sensitive, beautiful, and inclusive place.

Values **High standard of services**
We have local services delivered to a high standard that take the needs of our diverse community into account.

Great Governance and Civic Leadership

We value our Council's quality decision-making, effective and innovative leadership, transparency, accountability, equity, integrity and wise stewardship of the community's assets and resources. We have an involved community and collaborate with others, valuing respectful debate and deliberation.

Budget/Financial Implications

There are no budget or financial implications to this report.

Decision Implications

Should the recommendations be endorsed, the matter will go to Council for consideration.

Conclusion

The Annual Financial Report showing the financial performance of the City for 2021/22 is recommended for acceptance by the Audit and Risk Committee and to Council for acceptance.

Further Information

Nil.

CITY OF NEDLANDS
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

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COMMUNITY VISION

Our City will be an environmentally-sensitive, beautiful, and inclusive place.

Principal place of business:
71 Stirling Highway
Nedlands WA 6009

**CITY OF NEDLANDS
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

The attached financial report of the City of Nedlands for the financial year ended 30 June 2022 is based on proper accounts and records to present fairly the financial position of the City of Nedlands at 30 June 2022 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the

day of

2023

Chief Executive Officer

William Parker

Name of Chief Executive Officer

CITY OF NEDLANDS
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	2022 Actual	2022 Budget	2021 Actual
		\$	\$	\$
Revenue				
Rates	26(a),2(a)	25,305,927	25,127,655	24,724,235
Operating grants, subsidies and contributions	2(a)	2,451,096	1,608,056	2,162,126
Fees and charges	25(c),2(a)	7,678,159	8,077,681	7,699,409
Service charges	26(c),2(a)	7,936	0	(19,966)
Interest earnings	2(a)	241,044	275,000	268,905
Other revenue	2(a)	246,812	67,573	132,711
		35,930,974	35,155,965	34,967,420
Expenses				
Employee costs		(17,195,294)	(16,011,302)	(14,396,659)
Materials and contracts		(11,103,613)	(14,961,202)	(11,089,161)
Utility charges		(1,089,876)	(827,703)	(882,938)
Depreciation	10(a)	(4,491,612)	(4,656,600)	(4,288,831)
Finance costs	2(b)	(114,275)	(113,432)	(169,430)
Insurance		(359,136)	(408,200)	(375,901)
Other expenditure	2(b)	(1,119,603)	(1,516,326)	(706,287)
		(35,473,409)	(38,494,765)	(31,909,207)
		457,565	(3,338,800)	3,058,213
Capital grants, subsidies and contributions	2(a)	1,393,561	3,994,383	2,256,281
Profit on asset disposals	10(c)	17,938	6,545	35,067
Loss on asset disposals	10(c)	(3,262)	(133,440)	0
Fair value adjustments to financial assets at fair value through profit or loss		7,993	0	5,172
		1,416,230	3,867,488	2,296,520
Net result for the period	25(b)	1,873,795	528,688	5,354,733
Other comprehensive income for the period				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	18	(43,621,065)	0	0
Total other comprehensive income for the period	18	(43,621,065)	0	0
Total comprehensive income for the period		(41,747,270)	528,688	5,354,733

This statement is to be read in conjunction with the accompanying notes.

CITY OF NEDLANDS
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	NOTE	2022	2021
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	6,159,497	15,827,346
Trade and other receivables	5	1,812,104	1,954,644
Other financial assets	4(a)	12,118,917	4,298,665
Inventories	6	40,738	34,191
Other assets	7	44,747	61,812
TOTAL CURRENT ASSETS		20,176,003	22,176,658
NON-CURRENT ASSETS			
Trade and other receivables	5	1,301,176	1,443,370
Other financial assets	4(b)	195,875	205,015
Property, plant and equipment	8	107,509,452	151,569,167
Infrastructure	9	92,586,194	92,642,614
Right-of-use assets	11(a)	84,318	134,853
Intangible assets	12	973,400	0
TOTAL NON-CURRENT ASSETS		202,650,415	245,995,019
TOTAL ASSETS		222,826,418	268,171,677
CURRENT LIABILITIES			
Trade and other payables	13	5,061,932	7,573,268
Other liabilities	14	590,595	562,173
Lease liabilities	11(b)	65,506	64,310
Borrowings	15	1,136,520	1,405,492
Employee related provisions	16	2,886,568	2,678,769
Other provisions	17	56,211	108,850
TOTAL CURRENT LIABILITIES		9,797,332	12,392,862
NON-CURRENT LIABILITIES			
Lease liabilities	11(b)	142,099	207,605
Borrowings	15	1,572,473	2,708,993
Employee related provisions	16	364,244	161,190
Other provisions	17	89,974	93,181
TOTAL NON-CURRENT LIABILITIES		2,168,790	3,170,969
TOTAL LIABILITIES		11,966,122	15,563,831
NET ASSETS		210,860,296	252,607,848
EQUITY			
Retained surplus		86,260,570	87,333,105
Reserve accounts	29	8,263,144	5,317,090
Revaluation surplus	18	116,336,582	159,957,653
TOTAL EQUITY		210,860,296	252,607,848

This statement is to be read in conjunction with the accompanying notes.

CITY OF NEDLANDS
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	RETAINED SURPLUS \$	RESERVE ACCOUNTS \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2020		81,399,616	5,895,846	159,957,653	247,253,115
Comprehensive income for the period					
Net result for the period		5,354,733	0	0	5,354,733
Other comprehensive income for the period	18	0	0	0	0
Total comprehensive income for the period		5,354,733	0	0	5,354,733
Transfers from reserves	29	906,703	(906,703)	0	0
Transfers to reserves	29	(327,947)	327,947	0	0
Balance as at 30 June 2021		87,333,105	5,317,090	159,957,653	252,607,848
Correction of error		(282)	0	0	(282)
Restated balance at 1 July 2021		87,332,823	5,317,090	159,957,653	252,607,566
Comprehensive income for the period					
Net result for the period		1,873,795	0	0	1,873,795
Other comprehensive income for the period	18	0	0	(43,621,065)	(43,621,065)
Total comprehensive income for the period		1,873,795	0	(43,621,065)	(41,747,270)
Transfers from reserves	29	1,491,532	(1,491,532)	0	0
Transfers to reserves	29	(4,437,586)	4,437,586	0	0
Balance as at 30 June 2022		86,260,570	8,263,144	116,336,582	210,860,296

This statement is to be read in conjunction with the accompanying notes.

CITY OF NEDLANDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	2022 Actual \$	2022 Budget \$	2021 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		25,482,766	25,127,655	25,232,316
Operating grants, subsidies and contributions		2,468,910	1,608,056	1,818,375
Fees and charges		7,681,985	8,077,681	7,736,502
Service charges		7,936	0	(19,966)
Interest received		241,044	275,000	268,905
Goods and services tax received		1,855,520	0	1,667,021
Other revenue		246,812	67,573	132,711
		37,984,973	35,155,965	36,835,864
Payments				
Employee costs		(17,197,626)	(15,951,316)	(14,467,132)
Materials and contracts		(13,229,838)	(14,961,202)	(9,433,355)
Utility charges		(1,089,876)	(827,703)	(882,938)
Finance costs		(114,275)	(113,432)	(169,430)
Insurance paid		(359,136)	(408,200)	(375,901)
Goods and services tax paid		(1,704,621)	0	(1,808,907)
Other expenditure		(1,114,829)	(1,516,326)	(706,287)
		(34,810,201)	(33,778,179)	(27,843,950)
Net cash provided by (used in) operating activities	19(b)	3,174,772	1,377,786	8,991,914
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(420,273)	(3,509,195)	(582,018)
Payments for construction of infrastructure	9(a)	(3,113,651)	(4,738,653)	(5,334,657)
Payments of right of use assets		0	0	(157,176)
Payments for intangible assets	12	(973,400)	0	0
Non-operating grants, subsidies and contributions		875,281	3,994,383	2,256,281
Proceeds from financial assets at amortised cost		(7,819,802)	0	1,991,900
Proceeds from financial assets at amortised cost - self supporting loans		16,683	0	8,178
Proceeds from sale of property, plant & equipment	10(c)	62,593	269,909	101,989
Net cash provided by (used in) investing activities		(11,372,569)	(3,983,556)	(1,715,503)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	28(a)	(1,405,492)	(1,407,745)	(1,750,165)
Payments for principal portion of lease liabilities	28(b)	(64,560)	(64,560)	(75,171)
Recognition of new lease liabilities		0	0	156,922
Proceeds on disposal of financial assets at fair values through other comprehensive income		0	485,175	0
Net cash provided by (used in) financing activities		(1,470,052)	(987,130)	(1,668,414)
Net increase (decrease) in cash held		(9,667,849)	(3,592,900)	5,607,997
Cash at beginning of year		15,827,346	13,028,521	10,219,350
Cash and cash equivalents at the end of the year	19(a)	6,159,497	9,435,621	15,827,346

This statement is to be read in conjunction with the accompanying notes.

CITY OF NEDLANDS
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	2022 Actual \$	2022 Budget \$	2021 Actual \$
NET CURRENT ASSETS - At start of financial year - surplus/(deficit)	27(b)	5,805,698	4,826,033	3,238,997
OPERATING ACTIVITIES				
Revenue from operating activities (excluding general rate)				
Operating grants, subsidies and contributions		2,451,096	1,608,056	2,162,126
Fees and charges		7,678,159	8,077,681	7,699,409
Service charges		7,936	0	(19,966)
Interest earnings		241,044	275,000	268,905
Other revenue		246,812	67,573	132,711
Profit on asset disposals	10(c)	17,938	6,545	35,067
Fair value adjustments to financial assets at fair value through profit or loss		7,993	0	5,172
		10,650,978	10,034,855	10,283,424
Expenditure from operating activities				
Employee costs		(17,195,294)	(16,011,302)	(14,396,659)
Materials and contracts		(11,103,613)	(14,961,202)	(11,089,161)
Utility charges		(1,089,876)	(827,703)	(882,938)
Depreciation		(4,491,612)	(4,656,600)	(4,288,831)
Finance costs		(114,275)	(113,432)	(169,430)
Insurance		(359,136)	(408,200)	(375,901)
Other expenditure		(1,119,603)	(1,516,326)	(706,287)
Loss on asset disposals	10(c)	(3,262)	(133,440)	0
		(35,476,671)	(38,628,205)	(31,909,207)
Non-cash amounts excluded from operating activities	27(a)	4,925,081	4,783,495	4,422,232
Amount attributable to operating activities		(19,900,612)	(23,809,855)	(13,964,554)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		1,393,561	3,994,383	2,256,281
Proceeds from disposal of assets	10(c)	62,593	269,909	101,989
Proceeds from financial assets at amortised cost - self supporting loans		16,683	0	8,178
Purchase of property, plant and equipment	8(a)	(880,273)	(3,509,195)	(582,018)
Purchase and construction of infrastructure	9(a)	(3,113,651)	(4,738,653)	(5,334,657)
Purchase of right of use asset		0	0	(157,176)
Payments for intangible assets	12	(973,400)	0	0
		(3,494,487)	(3,983,556)	(3,707,403)
Amount attributable to investing activities		(3,494,487)	(3,983,556)	(3,707,403)
FINANCING ACTIVITIES				
Repayment of borrowings	28(a)	(1,405,492)	(1,407,745)	(1,750,165)
Payments for principal portion of lease liabilities	28(b)	(64,560)	(64,560)	(75,171)
Transfers to reserves (restricted assets)	29	(4,437,586)	(2,052,500)	(327,947)
Transfers from reserves (restricted assets)	29	1,491,532	1,364,528	906,703
Amount attributable to financing activities		(4,416,106)	(2,160,277)	(1,246,580)
Surplus/(deficit) before imposition of general rates		(22,005,507)	(25,127,655)	(18,918,537)
Total amount raised from general rates	26(a)	25,305,927	25,127,655	24,724,235
Surplus/(deficit) after imposition of general rates	27(b)	3,300,420	0	5,805,698

This statement is to be read in conjunction with the accompanying notes.

**CITY OF SOMEWHERE
FOR THE YEAR ENDED 30 JUNE 2022
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CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

1. BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with the *Local Government Act 1995* and accompanying regulations.

Local Government Act 1995 requirements

Section 6.4(2) of the *Local Government Act 1995* read with the *Local Government (Financial Management) Regulations 1996* prescribe that the financial report be prepared in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards. The Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board were applied where no inconsistencies exist.

The *Local Government (Financial Management) Regulations 1996* specify that vested land is a right-of-use asset to be measured at cost, and is considered a zero cost concessionary lease. All right-of-use assets under zero cost concessionary leases are measured at zero cost rather than at fair value, except for vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the City to measure any vested improvements at zero cost.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the financial report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

The local government reporting entity

All funds through which the City controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 29 of the financial report.

Judgements and estimates

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The balances, transactions and disclosures impacted by accounting estimates are as follows:

- estimated fair value of certain financial and non financial assets
- impairment of financial assets
- estimation uncertainties made in relation to lease accounting
- estimation of useful lives of non-current assets
- estimation uncertainties made in relation to lease accounting
- estimated useful life of intangible asset

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

2. REVENUE AND EXPENSES

(a) Revenue

Contracts with customers

Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Timing of revenue recognition
Rates	General Rates	Over time	Payment date adopted by Council during the year	None	When rates are issued
Service charges	Charge for specific service	Over time	Payment date adopted by Council during the year	Refund in the event monies are unspent	When rates are issued
Operating grants, subsidised and contributions with customer	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Output method based on project milestones and/or completion date matched to performance obligations
Fees and charges-licenses, registrations, approvals	Building, planning development and animal management	Single point in time	Full payment prior to issue	None	On payment of the licence, registration or approval
Fees and charges - property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled in line with hire agreements	On entry or at hire booking
Other revenue-private works	Contracted private works	Single point in time	Monthly in arrears	None	Output method based on works done
Fees & Charges - Courses	Community events, training	Last month of the Financial Year	Fixed	Yes	On payment of course fee in advance

Consideration from contracts with customers is included in the transaction price.

Revenue Recognition

Revenue recognised during the year under each basis of recognition by nature or types of goods or services is provided in the table below:

For the year ended 30 June 2022

Nature or type	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	0	0	25,305,927	0	25,305,927
Operating grants, subsidies and contributions	1,141,753	0	0	1,309,343	2,451,096
Fees and charges	7,230,858	0	362,112	85,189	7,678,159
Service charges	0	0	0	7,936	7,936
Interest earnings	12,544	0	155,671	72,829	241,044
Other revenue	67,402	52,500	0	126,910	246,812
Non-operating grants, subsidies and contributions	0	1,393,561	0	0	1,393,561
Total	8,452,557	1,446,061	25,823,710	1,602,207	37,324,535

For the year ended 30 June 2021

Nature or type	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	0	0	24,724,235	0	24,724,235
Operating grants, subsidies and contributions	0	2,162,126	0	0	2,162,126
Fees and charges	7,219,017	0	480,392	0	7,699,409
Service charges	0	0	(19,966)	0	(19,966)
Interest earnings	0	0	166,540	102,365	268,905
Other revenue	121,959	0	0	10,752	132,711
Non-operating grants, subsidies and contributions	0	2,256,281	0	0	2,256,281
Total	7,340,976	4,418,407	25,351,201	113,117	37,223,701

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

2. REVENUE AND EXPENSES (Continued)

	Note	2022 Actual	2022 Budget	2021 Actual
		\$	\$	\$
(a) Revenue (Continued)				
Interest earnings				
Financial assets at amortised cost - self supporting loans		1,793	1,822	2,203
Interest on reserve funds		16,892	38,500	28,249
Rates instalment and penalty interest (refer Note 26(e))		155,671	151,000	166,540
Other interest earnings		66,688	83,678	71,913
		241,044	275,000	268,905
(b) Expenses				
Auditors remuneration				
- Audit of the Annual Financial Report		114,175	113,432	45,000
- Other services		29,593	4,714	10,000
		143,768	118,146	55,000
Finance costs				
Borrowings	28(a)	109,561	113,432	164,187
Lease liabilities	28(b)	4,714	4,714	5,243
		114,275	118,146	169,430
Other expenditure				
Impairment losses on receivables from contracts with customers		4,774	0	10,432
Sundry expenses		1,114,829	1,516,326	695,855
		1,119,603	1,516,326	706,287

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

3. CASH AND CASH EQUIVALENTS

Note	2022	2021
	\$	\$
Cash at bank and on hand	4,088,292	11,217,687
Term deposits	2,071,205	4,609,659
Total cash and cash equivalents	6,159,497	15,827,346
Held as		
- Unrestricted cash and cash equivalents	2,851,569	14,792,238
- Restricted cash and cash equivalents	3,307,928	1,035,108
	6,159,497	15,827,346

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and 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.

Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition.

Restricted financial assets

Restricted financial asset balances are not available for general use by the local government due to externally imposed restrictions. Restrictions are specified in an agreement, contract or legislation. This applies to reserves, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement and for which no liability has been recognised.

Details of restrictions on financial assets can be found at Note 19.

4. OTHER FINANCIAL ASSETS

(a) Current assets

	2022	2021
	\$	\$
Financial assets at amortised cost	12,118,917	4,298,665
	12,118,917	4,298,665
Other financial assets at amortised cost		
Self supporting loans receivable	17,133	16,683
Term deposits	12,101,784	4,281,982
	12,118,917	4,298,665
Held as		
- Unrestricted other financial assets at amortised cost	3,855,773	16,683
- Restricted other financial assets at amortised cost	8,263,144	4,281,982
	12,118,917	4,298,665

(b) Non-current assets

Financial assets at amortised cost	40,268	57,401
Financial assets at fair value through profit and loss	155,607	147,614
	195,875	205,015
Financial assets at amortised cost		
Self supporting loans receivable	40,268	48,079
Term deposits	0	9,322
	40,268	48,079
Financial assets at fair value through profit and loss		
Units in Local Government House Trust	155,607	147,614
	155,607	147,614

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

The City classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Fair values of financial assets at amortised cost are not materially different to their carrying amounts, since the interest receivable on those assets is either close to current market rates or the assets are of a short term nature. Non-current financial assets at amortised cost fair values are based on discounted cash flows using a current market rates. They are classified as level 2 fair values in the fair value hierarchy (see Note 24 (i)) due to the observable market rates.

Interest received is presented under cashflows from operating activities in the Statement of Cash Flows where it is earned from financial assets that are held for cash management purposes.

Financial assets at fair value through profit and loss

The City classifies the following financial assets at fair value through profit and loss:

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the City has not elected to recognise fair value gains and losses through other comprehensive income.

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 23.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

5. TRADE AND OTHER RECEIVABLES

	Note	2022 \$	2021 \$
Current			
Rates receivable		477,704	606,717
Trade and other receivables		1,018,132	855,456
GST receivable		211,858	362,757
Allowance for credit losses of trade and other receivables	23(b)	(14,258)	(10,432)
Underground power		65,452	88,346
Lease receivable		53,216	51,800
		1,812,104	1,954,644
Non-current			
Pensioner's rates and ESL deferred		449,477	458,741
Underground power		463,140	542,853
Lease receivable		388,559	441,776
		1,301,176	1,443,370

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for grants, contributions, reimbursements, and goods sold and services performed in the ordinary course of business.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value.

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 23.

Classification and subsequent measurement

Receivables which are generally due for settlement within 30 days except rates receivables which are expected to be collected within 12 months are classified as current assets. All other receivables such as, deferred pensioner rates receivable after the end of the reporting period are classified as non-current assets.

Trade and other receivables are held with the objective to collect the contractual cashflows and therefore the City measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

6. INVENTORIES

Note	2022	2021
Current	\$	\$
Fuel and materials	40,738	34,191
	40,738	34,191

The following movements in inventories occurred during the year:

Balance at beginning of year	34,191	22,816
Inventories expensed during the year	(136,271)	(115,523)
Write down of inventories to net realisable value	0	5,172
Additions to inventory	142,818	121,726
Balance at end of year	40,738	34,191

SIGNIFICANT ACCOUNTING POLICIES

General

Inventories are measured at the lower of cost and net realisable value.

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.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

7. OTHER ASSETS

Other assets - current

Prepayments
 Accrued income
 Contract assets

	2022	2021
	\$	\$
	40,021	48,312
	4,726	0
	0	13,500
	44,747	61,812

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Non-current assets held for sale

Assets are classified as held for sale where the carrying amount will be recovered through a sale rather than continuing use and the asset is available for immediate sale with a sale being highly probable.

Contract assets

Contract assets primarily relate to the City's right to consideration for work completed but not billed at the end of the period.

Impairment of assets associated with contracts with customers are detailed at note 2 (b).

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

Movement in the balances of each class of property, plant and equipment between the beginning and the end of the current financial year.

Note	Land	Buildings - non-specialised	Buildings - specialised	Vested Improvements	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2020	111,635,000	1,229,518	31,241,296	5,000,926	144,105,814	705,362	2,475,070	147,286,246
Additions	0	0	350,178		350,178	121,792	110,048	582,018
Disposals	0	0	0	0	0	0	(66,923)	(66,923)
Depreciation	0	(54,292)	(703,157)	(137,317)	(757,449)	(98,990)	(239,344)	(1,095,783)
Balance at 30 June 2021	111,635,000	1,175,226	30,888,317	4,863,609	143,698,543	728,164	2,278,851	146,705,558
Comprises:								
Gross balance amount at 30 June 2021	111,635,000	1,372,656	46,379,378	8,681,748	168,068,782	2,017,130	4,325,352	174,411,264
Accumulated depreciation at 30 June 2021	0	(197,430)	(15,491,061)	(3,818,139)	(19,506,630)	(1,288,966)	(2,046,501)	(22,842,097)
Balance at 30 June 2021	111,635,000	1,175,226	30,888,317	4,863,609	148,562,152	728,164	2,278,851	151,569,167
Additions	0	0	252,471	0	252,471	627,802	0	880,273
Disposals	0	0	0	0	0	0	(47,917)	(47,917)
Revaluation increments / (decrements) transferred to revaluation surplus	(54,862,900)	382,760	7,707,060	2,027,516	(44,745,564)	1,096,197	(426)	(43,649,793)
Depreciation	0	(47,986)	(828,179)	(14,395)	(890,560)	(128,801)	(222,917)	(1,242,278)
Balance at 30 June 2022	56,772,100	1,510,000	38,019,669	6,876,730	103,178,499	2,323,362	2,007,591	107,509,452
Comprises:								
Gross balance amount at 30 June 2022	56,772,100	3,344,000	60,818,456	11,892,100	132,826,656	3,647,065	4,254,461	140,728,182
Accumulated depreciation at 30 June 2022	0	(1,834,000)	(22,798,787)	(5,015,370)	(29,648,157)	(1,323,703)	(2,246,870)	(33,218,730)
Balance at 30 June 2022	56,772,100	1,510,000	38,019,669	6,876,730	103,178,499	2,323,362	2,007,591	107,509,452

(b) Change in Accounting Policy

Effective 6 November 2020, Local Government (Financial Management) Regulation 16 was deleted and Local Government (Financial Management) Regulation 17A was amended in relation to crown land and improvement on the land, with retrospective application. The changes were effective for financial years ending on or after 30 June 2020 so are required to be applied retrospectively with cumulative effect applied initially on 1 July 2019.

In accordance with the changes, the City's initial application classified improvements on the crown land at the time of vestment as building right-of-use assets. While undertaking a revaluation assessment of the land and building asset classes for the year ending 30 June 2022, the City has determined that these building assets would be more appropriately classified as vested improvements with property, plant, and equipment, thus a change in Accounting Policy under *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors* applicable with retrospective application.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Land and buildings					
Land	2	Market approach using recent observed market data for similar properties	Independent registered valuer	30/06/2022	Sales evidence of similar assets
Land	3	Cost approach	Independent registered valuer	30/06/2022	Improvements to land using current condition (level 2), residential values, and remaining useful life assessments (level 3)
Buildings - non-specialised	2	Market approach using recent observed market data for similar properties	Independent registered valuer	30/06/2022	Sales evidence of similar assets
Buildings - specialised	3	Cost approach using depreciated replacement cost	Independent registered valuer	30/06/2022	Construction costs and current condition (level 2) residential values, and remaining useful life assessments (level 3)
Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.					
During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.					
(ii) Cost					
Furniture and equipment		Cost approach	Cost		Purchase cost
Plant and equipment		Cost approach	Cost		Purchase cost

Following a change to the *Local Government (Financial Management) Regulations 1996* section 17A, furniture, plant, and equipment are to be measured under the cost model, rather than at fair value. This change was effective from 1 July 2019 and represented a change in accounting policy.

Revaluations carried out previously were not reversed as it was deemed fair value approximated cost at the date of change.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

9. INFRASTRUCTURE

(a) Movements in Balances

Movement in the balances of each class of infrastructure between the beginning and the end of the current financial year.

Note	Infrastructure - roads	Other infrastructure - drainage	Other infrastructure - footpaths	Other infrastructure - parks	Other infrastructure - street furniture	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2020	48,636,204	13,066,560	11,801,120	14,662,183	2,136,312	90,302,379
Additions	2,223,244	1,469,714	532,461	819,990	289,248	5,334,657
Depreciation	10(a) (1,250,038)	(383,896)	(414,511)	(793,284)	(152,693)	(2,994,422)
Balance at 30 June 2021	49,609,410	14,152,378	11,919,070	14,688,889	2,272,867	92,642,614
Comprises:						
Gross balance at 30 June 2021	84,182,712	29,248,945	21,341,665	23,218,397	3,911,681	161,903,400
Accumulated depreciation at 30 June 2021	(34,573,302)	(15,096,567)	(9,422,595)	(8,529,508)	(1,638,814)	(69,260,786)
Balance at 30 June 2021	49,609,410	14,152,378	11,919,070	14,688,889	2,272,867	92,642,614
Additions	1,961,503	371,859	77,455	274,500	428,334	3,113,651
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	28,728	0	28,728
Depreciation	10(a) (1,337,522)	(422,153)	(433,894)	(842,689)	(162,541)	(3,198,799)
Balance at 30 June 2022	50,233,391	14,102,084	11,562,631	14,149,428	2,538,660	92,586,194
Comprises:						
Gross balance at 30 June 2022	86,144,215	29,620,804	21,419,120	23,521,625	4,340,015	165,045,779
Accumulated depreciation at 30 June 2022	(35,910,824)	(15,518,720)	(9,856,489)	(9,372,197)	(1,801,355)	(72,459,585)
Balance at 30 June 2022	50,233,391	14,102,084	11,562,631	14,149,428	2,538,660	92,586,194

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

9. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Infrastructure - roads	3	Cost approach using depreciated replacement cost	Independent registered valuer	30/06/2018	Construction costs and current condition (level 2) residual values and remaining useful life assessments (level 3) inputs
Other infrastructure - drainage	3	Cost approach using depreciated replacement cost	Independent registered valuer	30/06/2018	Construction costs and current condition (level 2) residual values and remaining useful life assessments (level 3) inputs
Other infrastructure -footpaths	3	Cost approach using depreciated replacement cost	Independent registered valuer	30/06/2018	Construction costs and current condition (level 2) residual values and remaining useful life assessments (level 3) inputs
Other infrastructure -parks	3	Cost approach using depreciated replacement cost	Independent registered valuer	30/06/2018	Construction costs and current condition (level 2) residual values and remaining useful life assessments (level 3) inputs
Other infrastructure - street furniture	3	Cost approach using depreciated replacement cost	Independent registered valuer	30/06/2018	Construction costs and current condition (level 2) residual values and remaining useful life assessments (level 3) inputs

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used to determine the fair value of infrastructure using level 3 inputs.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

10. FIXED ASSETS

(a) Depreciation

	Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Buildings - non-specialised	8(a)	47,986	48,000	54,292
Buildings - specialised	8(a)	828,179	893,700	703,157
Furniture and equipment	8(a)	128,801	135,000	98,990
Plant and equipment	8(a)	222,917	399,400	239,344
Vested Improvements	8(a)	14,395	0	137,317
Infrastructure - roads	9(a)	1,337,522	1,334,600	1,250,038
Other infrastructure - drainage	9(a)	422,153	386,900	383,896
Other infrastructure -footpaths	9(a)	433,894	471,700	414,511
Other infrastructure -parks	9(a)	842,689	834,600	793,284
Other infrastructure - street furniture	9(a)	162,541	152,700	152,693
Right-of-use assets - photocopier	11(a)	50,535	0	61,309
		4,491,612	4,656,600	4,288,831

Revision of useful lives of plant and equipment

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Depreciation rates

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

Asset Class	Useful life
Buildings	
- Structure	100 - 140 years
- Fit-outs	30 - 50 years
- Mechanical	50 - 100 years
- Roof Cladding	50 - 120 years
Furniture and equipment	4 - 10 years
Plant and equipment	5 - 15 years
Roads	
- Pavement	20 - 210 years
- Sub Grade	Not depreciated
- Top Surface	35 - 50 years
Footpaths	25 - 50 years
Stormwater	
- Pipes	60 - 80 years
- Pits	60 - 80 years
- Plant	30 - 80 years
Right of use (plant and equipment)	Based on the remaining lease
Transport	
- Bus Shelters	30 years
- Roundabouts	20 - 80 years
- Street Lights	10 - 50 years
Parks	10 - 100 years
Parks Reticulation	25 - 50 years

(b) Temporarily Idle or retired from use assets

The carrying value of assets held by the City which are temporarily idle or retired from active use and not classified as held for sale are shown in the table below.

	2022 \$
Plant and equipment	268,086

CITY OF NEDLANDS
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2022

10. FIXED ASSETS (Continued)

(c) Disposals of assets

	2022 Actual Net Book Value	2022 Actual Sale Proceeds	2022 Actual Profit	2022 Actual Loss	2022 Budget Net Book Value	2022 Budget Sale Proceeds	2022 Budget Profit	2022 Budget Loss	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Plant and equipment	47,917	62,593	17,938	(3,262)	396,804	269,909	6,545	(133,440)	66,923	101,989	35,066	0
	47,917	62,593	17,938	(3,262)	396,804	269,909	6,545	(133,440)	66,923	101,989	35,066	0

The following assets were disposed of during the year.

	2022 Actual Net Book Value	2022 Actual Sale Proceeds	2022 Actual Profit	2022 Actual Loss
Plant and Equipment				
Other property and services				
Ford Ranger (1GWQ237)	20,867	30,128	9,261	0
Ford Ranger (1GXE348)	22,924	29,310	6,386	0
John Papas Trailer (1TTD430)	864	3,155	2,291	0
Kawasaki KBH Brushcutter	2,700	0	0	(2,700)
Hyundai i20 Hatchback (1ENA521)	562	0	0	(562)
	47,917	62,593	17,938	(3,262)

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

10. FIXED ASSETS (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

Each class of fixed assets within either property, plant and equipment or infrastructure, is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Initial recognition and measurement for assets held at cost

Plant and equipment including furniture and equipment is recognised at cost on acquisition in accordance with *Financial Management Regulation 17A*. Where acquired at no cost the asset is initially recognised at fair value. Assets held at cost are depreciated and assessed for indicators of impairment annually.

Initial recognition and measurement between mandatory revaluation dates for assets held at fair value

Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with *Financial Management Regulation 17A (5)*. These assets are expensed immediately.

Where multiple individual low value assets are purchased together as part of a larger asset or collectively forming a larger asset exceeding the threshold, the individual assets are recognised as one asset and capitalised.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at zero cost or otherwise significantly less than fair value, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the City includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets that are land, buildings, infrastructure and investment properties acquired between scheduled revaluation dates of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next revaluation date in accordance with the mandatory measurement framework.

Revaluation

The fair value of land, buildings, infrastructure and investment properties is determined at least every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the City.

At the end of each period the carrying amount for each asset class is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires land, buildings, infrastructure, investment properties and vested improvements to be shown at fair value.

Revaluation (continued)

For property, plant and equipment and infrastructure, increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss. Subsequent increases are then recognised in profit or loss to the extent they reverse a net revaluation decrease previously recognised in profit or loss for the same class of asset.

Depreciation

The depreciable amount of all property, plant and equipment and infrastructure, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income in the period in which they arise.

Depreciation on revaluation

When an item of property, plant and equipment and infrastructure is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

- (i) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
- (ii) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Amortisation

All intangible assets with a finite useful life, are amortised on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use.

The residual value of intangible assets is considered to be zero and the useful life and amortisation method are reviewed at the end of each financial year.

Amortisation is included within depreciation in the Statement of Comprehensive Income and in Note 10(a).

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

11. LEASES

(a) Right-of-Use Assets

Movement in the balance of each class of right-of-use asset between the beginning and the end of the current financial year.

	Note	Right-of-use assets - photocopier \$	Right-of-use assets Total \$
Balance at 1 July 2020		38,986	38,986
Additions		157,176	157,176
Depreciation		(61,309)	(61,309)
Balance at 30 June 2021		134,853	134,853
Depreciation	10(a)	(50,535)	(50,535)
Balance at 30 June 2022		84,318	84,318

The following amounts were recognised in the statement of comprehensive income during the period in respect of leases where the entity is the lessee:

		2022 Actual \$	2021 Actual \$
Depreciation on right-of-use assets	10(a)	(50,535)	(61,309)
Interest expense on lease liabilities	28(b)	(4,714)	(1,374)
Total amount recognised in the statement of comprehensive income		(55,249)	(62,683)
Total cash outflow from leases		(69,274)	(80,414)
(b) Lease Liabilities			
Current		65,506	64,560
Non-current		142,099	207,605
	28(b)	207,606	272,165

Secured liabilities and assets pledged as security

Lease liabilities are effectively secured, as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

SIGNIFICANT ACCOUNTING POLICIES

Leases

At inception of a contract, the City assesses if the contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, a right-of-use asset is recognised at cost and lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the City uses its incremental borrowing rate.

All contracts that are classified as short-term leases (i.e. a lease with a term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Details of individual lease liabilities required by regulations are provided at Note 28(b).

Right-of-use assets - valuation measurement

Right-of-use assets are measured at cost. This means that all right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the Statement of Financial Position). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value.

Refer to Note 10 under revaluation for details on the significant accounting policies applying to vested improvements.

Right-of-use assets - depreciation

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shorter. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the City anticipates to exercise a purchase option, the specific asset is amortised over the useful life of the underlying asset.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

11. LEASES (Continued)

(c) Lessor - Property, Plant and Equipment Subject to Lease

The table below represents a maturity analysis of the undiscounted lease payments to be received after the reporting date.

	2021 Actual
	\$
Less than 1 year	53,216
1 to 2 years	54,671
2 to 3 years	56,165
3 to 4 years	57,701
4 to 5 years	59,278
> 5 years	160,744
	441,775

SIGNIFICANT ACCOUNTING POLICIES

The City as Lessor

Upon entering into each contract as a lessor, the City assesses if the lease is a finance or operating lease.

The contract is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases not within this definition are classified as operating leases. Rental income received from operating leases is recognised on a straight-line basis over the term of the specific lease.

Initial direct costs incurred in entering into an operating lease (eg legal cost, cost to setup) are included in the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

When a contract is determined to include lease and non-lease components, the City applies AASB 15 to allocate the consideration under the contract to each component.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

12. INTANGIBLE ASSETS

Note	2022 Actual \$	2021 Actual \$
Intangible assets		
Non-current		
Intangible assets - OneCouncil Solution	973,400	0
	973,400	0
Movements in balances of intangible assets during the financial year are shown as follows:		
Balance at 1 July	0	0
Recognition of intangible assets - onecouncil solution	973,400	0
Balance at 30 June	973,400	0
TOTAL INTANGIBLE ASSETS	973,400	0

SIGNIFICANT ACCOUNTING POLICIES

Computer software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the City are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software.
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

13. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Prepaid rates
Accrued payroll liabilities
Bonds and deposits held
Accrued interest on borrowings
Underground power refund

2022	2021
\$	\$
1,933,313	4,026,954
301,102	262,540
5,465	418,650
2,748,189	2,800,200
24,826	31,729
49,037	33,195
5,061,932	7,573,268

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are initially recognised at fair value when the City becomes a party to the contractual provisions of the instrument.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the City prior to the end of the financial year that are unpaid and arise when the City becomes obliged to make future payments in respect of the purchase of these goods and services.

The amounts are unsecured, are recognised as a current liability and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Prepaid rates

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the City recognises revenue for the prepaid rates that have not been refunded.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

14. OTHER LIABILITIES

Current

Contract liabilities
 Capital grant/contributions liabilities

	2022 \$	2021 \$
	30,856	0
	559,739	562,173
	590,595	562,173
	559,739	562,173
	0	0
	559,739	562,173

The City expects to satisfy the performance obligations from contracts with customers unsatisfied at the end of the reporting period to be satisfied within the next 12 months.

Expected satisfaction of capital grant/contribution liabilities

Less than 1 year
 > 5 years

Performance obligations in relation to capital grant/contribution liabilities are satisfied as project milestones are met or completion of construction or acquisition of the asset.

SIGNIFICANT ACCOUNTING POLICIES

Contract liabilities

Contract liabilities represent the City's obligation to transfer goods or services to a customer for which the City has received consideration from the customer.

Contract liabilities represent obligations which are not yet satisfied. Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

Capital grant/contribution liabilities

Capital grant/contribution liabilities represent the City's obligations to construct recognisable non-financial assets to identified specifications to be controlled the City which are yet to be satisfied. Capital grant/contribution liabilities are recognised as revenue when the obligations in the contract are satisfied.

Non-current capital grant/contribution liabilities fair values are based on discounted cash flows of expected cashflows to satisfy the obligations using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 24(i)) due to the unobservable inputs, including own credit risk.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

15. BORROWINGS

	Note	2022			2021		
		Current	Non-current	Total	Current	Non-current	Total
Secured		\$	\$	\$	\$	\$	\$
Debentures		1,136,520	1,572,473	2,708,993	1,405,492	2,708,993	4,114,485
Total secured borrowings	28(a)	1,136,520	1,572,473	2,708,993	1,405,492	2,708,993	4,114,485

Secured liabilities and assets pledged as security

Debentures, bank overdrafts and bank loans are secured by a floating charge over the assets of the City of Nedlands.

The City of Nedlands has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 years.

SIGNIFICANT ACCOUNTING POLICIES

Borrowing costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

Fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short term nature.

Borrowings fair values are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 24(i)) due to the unobservable inputs, including own credit risk.

Risk

Information regarding exposure to risk can be found at Note 23.

Details of individual borrowings required by regulations are provided at Note 28(a).

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

16. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

Current provisions

Employee benefit provisions

Annual Leave

Long Service Leave

Non-current provisions

Long Service Leave

	2022	2021
	\$	\$
	1,431,075	1,344,414
	1,455,493	1,334,355
	2,886,568	2,678,769
	364,244	161,190
	364,244	161,190
	3,250,812	2,839,959

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave and associated on costs for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

Annual leave liabilities are classified as current, as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date

More than 12 months from reporting date

Note	2022	2021
	\$	\$
	2,145,536	1,875,138
	1,105,276	964,821
	3,250,812	2,839,959

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

The City's obligations for employees' annual leave, long service leave and other employee leave entitlements are recognised as employee related provisions in the Statement of Financial Position.

Short-term employee benefits

Provision is made for the City's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The City's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

Long-term employee benefits provisions are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The City's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the City does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

17. OTHER PROVISIONS

	Note	Underground power deferred income	Total
		\$	\$
Opening balance at 1 July 2021			
Current provisions		108,850	108,850
Non-current provisions		93,181	93,181
		202,031	202,031
Amounts used		(55,846)	(55,846)
Balance at 30 June 2022		146,185	146,185
Comprises			
Current		56,211	56,211
Non-current		89,974	89,974
		146,185	146,185

Other provisions

Amounts which are reliably expected to be paid out within 12 months of the reporting date are classified as current. Exact timing of payment of non-current obligations is unable to be reliably estimated as it is dependent on factors beyond the control of the local government.

Provisions

Provisions are recognised when the City has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

18. REVALUATION SURPLUS

	2022 Opening Balance	2022 Revaluation Increment	2022 Revaluation (Decrement)	Total Movement on Revaluation	2022 Closing Balance	2021 Opening Balance	2021 Revaluation Increment	2021 Revaluation (Decrement)	Total Movement on Revaluation	2021 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	94,742,418	0	(54,862,900)	(54,862,900)	39,879,518	94,742,418	0	0	0	94,742,418
Revaluation surplus - Buildings - non-specialised	140,384	382,760	0	382,760	523,144	140,384	0	0	0	140,384
Revaluation surplus - Buildings - specialised	23,004,320	7,707,060	0	7,707,060	30,711,374	23,004,320	0	0	0	23,004,320
Revaluation surplus - Furniture and equipment	0	1,096,197	0	1,096,197	1,096,197	0	0	0	0	0
Revaluation surplus - Plant and equipment	732,800	0	(426)	(426)	732,374	732,800	0	0	0	732,800
Revaluation surplus - Vested Improvements	0	2,027,516	0	2,027,516	2,027,516	0	0	0	0	0
Revaluation surplus - Infrastructure - roads	28,141,668	0	0	0	28,141,668	28,141,668	0	0	0	28,141,668
Revaluation surplus - Other infrastructure - drainage	8,401,646	0	0	0	8,401,646	8,401,646	0	0	0	8,401,646
Revaluation surplus - Other infrastructure -footpaths	3,998,893	0	0	0	3,998,893	3,998,893	0	0	0	3,998,893
Revaluation surplus - Other infrastructure -parks	0	28,728	0	28,728	28,728	0	0	0	0	0
Revaluation surplus - Other infrastructure - street furniture	795,524	0	0	0	795,524	795,524	0	0	0	795,524
	159,957,653	11,242,261	(54,863,326)	(43,621,065)	116,336,582	159,957,653	0	0	0	159,957,653

Movements on revaluation of property, plant and equipment (including infrastructure) are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

19. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

	Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Cash and cash equivalents	3	6,159,497	9,435,621	15,827,346
Restrictions				
The following classes of financial assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:				
- Cash and cash equivalents	3	3,307,928	1,776,380	1,035,108
- Financial assets at amortised cost	4	8,263,144	4,281,982	4,281,982
		11,571,072	6,058,362	5,317,090
The restricted financial assets are a result of the following specific purposes to which the assets may be used:				
Restricted reserve accounts	29	8,263,144	6,058,362	5,317,090
Grants for transfers of recognised non financial assets		559,739		
Retentions, and bonds and deposits held		2,748,189		
Total restricted financial assets		11,571,072	6,058,362	5,317,090
(b) Reconciliation of Net Result to Net Cash Provided By Operating Activities				
Net result		1,873,795	528,688	5,354,733
Non-cash items:				
Adjustments to fair value of financial assets at fair value through profit and loss		(7,993)	0	(5,172)
Depreciation/amortisation		4,491,612	4,656,600	4,288,831
(Profit)/loss on sale of asset		(14,676)	126,895	(35,066)
Changes in assets and liabilities:				
(Increase)/decrease in trade and other receivables		284,734	1,525,434	389,739
(Increase)/decrease in other assets		17,035	0	262,465
(Increase)/decrease in inventories		(6,547)	6,210	(11,375)
Increase/(decrease) in trade and other payables		(2,511,336)	(2,397,117)	1,387,146
Increase/(decrease) in employee related provisions		410,853	2,450,823	(77,399)
Increase/(decrease) in other provisions		(55,846)	0	45,930
Increase/(decrease) in other liabilities		28,422	(1,525,364)	(351,636)
Non-operating grants, subsidies and contributions		(1,335,281)	(3,994,383)	(2,256,281)
Net cash provided by/(used in) operating activities		3,174,772	1,377,786	8,991,914
(c) Undrawn Borrowing Facilities				
Credit Standby Arrangements				
Credit card limit		76,000		130,000
Credit card balance at balance date		(4,956)		(2,859)
Total amount of credit unused		71,044		127,141
Loan facilities				
Loan facilities - current		1,136,520		1,405,492
Loan facilities - non-current		1,572,473		2,708,993
Total facilities in use at balance date		2,708,993		4,114,485

CITY OF NEDLANDS
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FOR THE YEAR ENDED 30 JUNE 2022

20. CONTINGENT LIABILITIES

Under the *Contaminated Sites Act 2003*, the City is required to report known and suspected contaminated sites to the Department of Water and Environmental Protection (DWER). In accordance with the Act, DWER classifies these sites on the basis of the risk to human health, the environment and environmental values.

Where sites are classified as “contaminated – remediation required” or “possibly contaminated – investigation required”, the City may have a liability in respect of investigation or remediation expenses.

The City has identified Swanbourne Reserve as possibly contaminated. Until the City conducts an investigation to determine the presence and scope of contamination, assess the risk, and agree with DWER on the need and criteria for remediation, the City is unable to estimate the potential costs and timing of outflows associated with remediation of this site.

21. CAPITAL COMMITMENTS

	2022	2021
	\$	\$
Contracted for:		
- capital expenditure projects	3,404,614	1,656,527
- plant & equipment purchases	112,511	96,035
	3,517,125	1,752,562
Payable:		
- not later than one year	3,517,125	1,752,562

CITY OF NEDLANDS
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22. RELATED PARTY TRANSACTIONS

(a) Elected Member Remuneration

Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Mayor F Argyle			
Mayor's annual allowance	63,354	63,354	1,760
Meeting attendance fees	31,149	31,149	865
Annual allowance for ICT expenses	3,500	3,500	97
Annual allowance for travel and accommodation expenses	50	50	0
	98,053	98,053	2,722
Deputy Mayor L McManus			
Deputy Mayor's annual allowance	15,838	15,838	15,839
Meeting attendance fees	23,230	23,230	23,230
Annual allowance for ICT expenses	3,500	3,500	3,500
Annual allowance for travel and accommodation expenses	50	50	0
	42,618	42,618	42,569
Councillor H Amiry			
Meeting attendance fees	16,486	16,487	0
Annual allowance for ICT expenses	2,484	2,485	0
Annual allowance for travel and accommodation expenses	35	37	0
	19,005	19,009	0
Councillor A Mangano			
Meeting attendance fees	23,230	23,230	23,230
Other expenses	26	0	0
Annual allowance for ICT expenses	3,500	3,500	3,500
Annual allowance for travel and accommodation expenses	50	50	0
	26,806	26,780	26,730
Councillor B Hodsdon			
Meeting attendance fees	23,230	23,230	23,230
Annual allowance for ICT expenses	3,500	3,500	3,500
Annual allowance for travel and accommodation expenses	50	50	0
	26,780	26,780	26,730
Councillor K Smyth			
Meeting attendance fees	23,230	23,230	23,230
Annual allowance for ICT expenses	3,500	3,500	3,500
Annual allowance for travel and accommodation expenses	50	50	0
	26,780	26,780	26,730
Councillor O Combes			
Meeting attendance fees	16,486	16,487	0
Child care expenses	1,190	0	0
Annual allowance for ICT expenses	2,484	2,485	0
Annual allowance for travel and accommodation expenses	35	37	0
	20,195	19,009	0
Councillor R Senathirajah			
Meeting attendance fees	23,230	23,230	23,230
Annual allowance for ICT expenses	3,500	3,500	3,500
Annual allowance for travel and accommodation expenses	50	50	0
	26,780	26,780	26,730
Councillor R Coghlan			
Meeting attendance fees	23,230	23,230	23,230
Annual allowance for ICT expenses	3,500	3,500	3,500
Annual allowance for travel and accommodation expenses	50	50	0
	26,780	26,780	26,730

Councillor F Bennett

Meeting attendance fees	23,230	23,230	23,230
Annual allowance for ICT expenses	3,500	3,500	3,500
Annual allowance for travel and accommodation expenses	50	50	0
	26,780	26,780	26,730

Councillor B Brackenridge

Meeting attendance fees	16,486	16,485	0
Annual allowance for ICT expenses	2,484	2,483	0
Annual allowance for travel and accommodation expenses	35	37	0
	19,005	19,005	0

Councillor N Youngman

Meeting attendance fees	23,230	23,230	19,358
Annual allowance for ICT expenses	3,500	3,500	2,917
Annual allowance for travel and accommodation expenses	50	50	0
	26,780	26,780	22,275

Councillor J Wetherall

Meeting attendance fees	23,230	23,230	23,230
Annual allowance for ICT expenses	3,500	3,500	3,500
Annual allowance for travel and accommodation expenses	50	50	0
	26,780	26,780	26,730

Former Mayor C M De Lacy

Mayor's annual allowance	0	0	41,482
Meeting attendance fees	0	0	20,395
Annual allowance for ICT expenses	0	0	2,292
	0	0	64,169

Former Councillor N Horley

Meeting attendance fees	6,744	6,744	23,230
Annual allowance for ICT expenses	1,016	1,016	3,500
Annual allowance for travel and accommodation expenses	15	15	0
	7,775	7,775	26,730

Former Councillor B Tyson

Meeting attendance fees	6,744	6,744	7,681
Annual allowance for ICT expenses	1,016	1,016	1,158
Annual allowance for travel and accommodation expenses	15	15	0
	7,775	7,775	8,839

Former Councillor P Poliwka

Meeting attendance fees	0	0	21,294
Annual allowance for ICT expenses	0	0	3,208
	0	0	24,502

Former Councillor G Hay

Meeting attendance fees	0	0	8,776
Annual allowance for ICT expenses	0	0	1,322
	0	0	10,098

	428,692	427,484	389,014
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Fees, expenses and allowances to be paid or reimbursed to elected council members.

	2022 Actual	2022 Budget	2021 Actual
	\$	\$	\$
Mayor's annual allowance	63,354	63,354	43,242
Deputy Mayor's annual allowance	15,838	15,838	15,839
Meeting attendance fees	303,165	303,166	287,439
Child care expenses	1,190	0	0
Other expenses	26	0	0
Annual allowance for ICT expenses	44,484	44,485	42,494
Annual allowance for travel and accommodation expenses	605	611	0
22(b)	428,662	427,454	389,014

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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(b) Key Management Personnel (KMP) Compensation

The total of compensation paid to KMP of the City during the year are as follows:

	2022 Actual	2021 Actual
	\$	\$
Short-term employee benefits	2,464,635	2,392,592
Post-employment benefits	266,460	248,499
Employee - other long-term benefits	54,117	41,308
Employee - termination benefits	76,322	18,724
Council member costs	428,662	389,014
22(a)	3,290,196	3,090,137

Short-term employee benefits

These amounts include all salary and fringe benefits awarded to KMP except for details in respect to fees and benefits paid to council members which may be separately found in the table above.

Post-employment benefits

These amounts are the current-year's cost of the City's superannuation contributions made during the year.

Other long-term benefits

These amounts represent annual leave and long service leave entitlements accruing during the year.

Termination benefits

These amounts represent termination benefits paid to KMP (Note: may or may not be applicable in any given year).

Council member costs

These amounts represent payments of member fees, expenses, allowances and reimbursements during the year.

(c) Transactions with related parties

Transactions between related parties and the City are on normal commercial terms and conditions, no more favourable than those available to other parties, unless otherwise stated.

No outstanding balances or provisions for doubtful debts or guarantees exist in relation to related parties at year end.

In addition to KMP compensation above the following transactions occurred with related parties:

	2022 Actual	2021 Actual
	\$	\$
Payment of Council member costs	428,662	389,014

(d) Related Parties

The City's main related parties are as follows:

i. Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any council member, are considered key management personnel.

ii. Other Related Parties

An associate person of KMP was employed by the City under normal employment terms and conditions.

Any entity that is controlled by or over which KMP, or close family members of KMP, have authority and responsibility for planning, directing and controlling the activity of the entity, directly or indirectly, are considered related parties in relation to the City.

iii. Entities subject to significant influence by the City

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence.

Significant influence may be gained by share ownership, statute or agreement.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

23. FINANCIAL RISK MANAGEMENT

This note explains the City's exposure to financial risks and how these risks could affect the City's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk - interest rates	Long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
Credit risk	Cash and cash equivalents, trade receivables, financial assets and debt investments	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The City 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 the finance area under policies approved by the Council. The finance area identifies, evaluates and manages financial risks in close co-operation with the operating divisions. Council have approved the overall risk management policy and provide policies on specific areas such as investment policy.

(a) Interest rate risk

Cash and cash equivalents

The City's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the City to cash flow interest rate risk. Short term overdraft facilities also have variable interest rates however these are repaid within 12 months, reducing the risk level to minimal.

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the City to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents, term deposits, and Treasury bonds held disclosed as financial assets at amortised cost are reflected in the table below.

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2022					
Cash and cash equivalents	0.21%	6,159,497	2,071,205	4,088,292	0
Financial assets at amortised cost - term deposits	1.11%	12,101,784	12,101,784	0	0
2021					
Cash and cash equivalents	0.12%	15,827,346	4,609,659	11,217,687	0
Financial assets at amortised cost - term deposits	0.25%	4,291,304	4,291,304	0	0

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

	2022	2021
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	40,883	158,273

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The City manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The City does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 28(a).

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

23. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

The City's major receivables comprise rates annual charges and user fees and charges. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The City manages this risk by monitoring outstanding debt and employing debt recovery policies. It also encourages ratepayers to pay rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of the City to recover these debts as a secured charge over the land, that is, the land can be sold to recover the debt. The City is able to charge interest on overdue rates and annual charges at higher than market rates, which further encourages payment.

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

The City applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2021 or 1 July 2022 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors.

The loss allowance as at 30 June 2022 and 30 June 2021 for rates receivable was determined as follows:

	Less than 1 year past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total	Note
30 June 2022						
Rates receivable						
Expected credit loss	0%	0%	0%	0%		
Gross carrying amount	770,234	122,053	80,234	26,550	999,071	
Loss allowance	0	0	0	0	0	5
30 June 2021						
Rates receivable						
Expected credit loss	0.00%	0.00%	0.00%	0.00%		
Gross carrying amount	680,234	95,234	18,056	13,373	806,897	
Loss allowance	0	0	0	0	0	5

The loss allowance as at 30 June 2022 and 30 June 2021 was determined as follows for trade receivables.

	Less than 1 year past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total	
30 June 2022						
Trade and other receivables						
Expected credit loss	0.00%	0.00%	0.00%	4.37%		
Gross carrying amount	0	0	0	326,280	326,280	
Loss allowance	0	0	0	14,258	14,258	5
30 June 2021						
Trade and other receivables						
Expected credit loss	0.00%	0.00%	0.00%	4.37%		
Gross carrying amount	164,162	26,106	40,990	238,464	469,722	
Loss allowance	0	0	0	10,432	10,432	5

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

23. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

The loss allowances for trade receivables and contract assets as at 30 June reconcile to the opening loss allowances as follows:

	Rates receivable		Trade and other receivables		Contract Assets	
	2022 Actual	2021 Actual	2022 Actual	2021 Actual	2022 Actual	2021 Actual
Opening loss allowance as at 1 July	\$ 0	\$ 0	\$ 10,432	\$ 9,282	\$ 0	\$ 0
Increase in loss allowance recognised in profit or loss during the year	0	0	4,774	10,432	0	0
Receivables written off during the year as uncollectible	0	0	(948)	0	0	0
Unused amount reversed	0	0	0	(9,282)	0	0
Closing loss allowance at 30 June	0	0	14,258	10,432	0	0

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the City, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

23. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The City manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 19(c).

The contractual undiscounted cash flows of the City's payables and borrowings are set out in the liquidity table below. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<u>2022</u>					
Trade and other payables	5,061,934	0	0	5,061,934	5,061,932
Borrowings	1,210,524	1,556,006	103,323	2,869,853	2,708,993
Lease liabilities	69,274	105,786	46,189	221,249	207,605
	6,341,732	1,661,792	149,512	8,153,036	7,978,530
<u>2021</u>					
Trade and other payables	7,573,268	0	0	7,573,268	7,573,268
Borrowings	1,521,957	2,663,207	206,645	4,391,809	4,114,485
Lease liabilities	69,274	157,178	64,070	290,522	272,165
	9,164,499	2,820,385	270,715	12,255,599	11,959,918

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

24. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

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

b) Current and non-current classification

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the City's operational cycle. In the case of liabilities where the City does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current or non-current based on the City's intentions to release for sale.

c) Rounding off figures

All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest dollar. Amounts are presented in Australian Dollars.

d) Comparative figures

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When the City applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements that has a material effect on the statement of financial position, an additional (third) Statement of Financial Position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

e) Budget comparative figures

Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget estimate for the relevant item of disclosure.

f) Superannuation

The City contributes to a number of Superannuation Funds on behalf of employees. All funds to which the City contributes are defined contribution plans.

g) Fair value of assets and liabilities

Fair value is the price that the City would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

h) Interest earnings

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset measured at amortised cost except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

i) Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The City selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the City are consistent with one or more of the following valuation approaches:

Market approach

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach

Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach

Valuation techniques that reflect the current replacement cost of the service capacity of an asset.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the City gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

j) Impairment of assets

In accordance with Australian Accounting Standards the City's cash generating non-specialised assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

For non-cash generating specialised assets that are measured under the revaluation model, such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regularity to ensure the carrying value does not differ materially from that which would be determined using fair value at the end of the reporting period.

k) Initial application of accounting standards

During the current year, no new or revised Australian Accounting Standards and Interpretations were compiled, became mandatory and were applicable to its operations.

New accounting standards for application in future years

The following new accounting standards will have application to local government in future years:

- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current
- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates
- AASB 2021-7 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

It is not expected these standards will have an impact on the financial report.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

25. FUNCTION AND ACTIVITY

(a) Service objectives and descriptions

City operations as disclosed in this financial report encompass the following service orientated functions and activities.

Objective	Description
<p>Governance To provide a decision making process for the efficient allocation of scarce resources.</p>	Includes the activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.
<p>General purpose funding To collect revenue to allow for the provision of services.</p>	Rates, general purpose government grants and interest revenue.
<p>Law, order, public safety To provide services to help ensure a safer and environmentally conscious community.</p>	Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.
<p>Health To provide an operational framework for environmental and community health.</p>	Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.
<p>Education and welfare To provide services to disadvantaged persons, the elderly, children and youth.</p>	Maintenance of child minding centre, playgroup centre, senior citizen centre and aged care centre. Provision and maintenance of home and community care programs and youth services.
<p>Housing To provide and maintain elderly residents housing.</p>	Provision and maintenance of elderly residents housing.
<p>Community amenities To provide services required by the community.</p>	Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemetery and public conveniences.
<p>Recreation and culture To establish and effectively manage infrastructure and resource which will help the social wellbeing of the community.</p>	Maintenance of public halls, civic centres, aquatic centre, beaches, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.
<p>Transport To provide safe, effective and efficient transport services to the community.</p>	Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.
<p>Economic services To help promote the City and its economic wellbeing.</p>	Tourism and area promotion including the maintenance and operation of a caravan park. Provision of rural services including weed control, vermin control and standpipes. Building Control.
<p>Other property and services To monitor and control City of Nedlands's overheads operating accounts.</p>	Private works operation, plant repair and operation costs and engineering operation costs.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

25. FUNCTION AND ACTIVITY (Continued)

(b) Income and expenses

	2022 Actual	2022 Budget	2021 Actual
	\$	\$	\$
Income excluding grants, subsidies and contributions			
Governance	443,105	21,300	107,086
General purpose funding	25,624,094	25,885,655	25,066,067
Law, order, public safety	325,750	344,000	345,547
Health	164,537	85,500	59,545
Education and welfare	1,194,121	1,037,000	1,019,596
Community amenities	4,063,014	4,138,960	3,993,694
Recreation and culture	866,912	692,039	802,821
Transport	92,807	56,000	134,224
Economic services	658,542	1,275,660	1,266,720
Other property and services	72,927	18,340	50,233
	33,505,809	33,554,454	32,845,533
Grants, subsidies and contributions			
Governance	726	0	3,049
General purpose funding	1,083,957	375,000	764,727
Law, order, public safety	0	0	31,844
Education and welfare	1,076,431	1,043,500	1,063,419
Recreation and culture	601,772	319,339	132,548
Transport	989,386	3,792,000	2,287,511
Economic services	61,401	20,000	80,754
Other property and services	30,984	52,600	54,555
	3,844,657	5,602,439	4,418,407
Total Income	37,350,466	39,156,893	37,263,940
Expenses			
Governance	(1,612,377)	(4,062,564)	(3,318,649)
General purpose funding	(491,667)	(561,733)	(458,156)
Law, order, public safety	(952,772)	(933,328)	(916,601)
Health	(853,621)	(968,864)	(671,243)
Education and welfare	(2,694,946)	(2,835,623)	(2,465,249)
Community amenities	(7,000,948)	(7,492,141)	(5,863,738)
Recreation and culture	(9,310,798)	(9,706,145)	(7,921,678)
Transport	(4,150,104)	(4,751,819)	(4,391,559)
Economic services	(4,978,606)	(5,364,014)	(4,686,349)
Other property and services	(3,430,832)	(1,951,974)	(1,215,985)
Total expenses	(35,476,671)	(38,628,205)	(31,909,207)
Net result for the period	1,873,795	528,688	5,354,733

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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25. FUNCTION AND ACTIVITY (Continued)

	2022	2022	2021
	Actual	Budget	Actual
(c) Fees and Charges	\$	\$	\$
Governance	411,487	396,300	91,162
General purpose funding	89,668	108,000	86,825
Law, order, public safety	325,750	344,000	345,547
Health	163,677	83,500	58,044
Education and welfare	1,193,726	1,037,000	1,019,596
Community amenities	3,992,383	4,138,960	3,962,499
Recreation and culture	776,907	665,171	844,635
Transport	92,721	56,000	88,793
Economic services	631,142	1,243,500	1,202,243
Other property and services	698	5,250	65
	7,678,159	8,077,681	7,699,409
	2022	2021	
(d) Total Assets	\$	\$	
Governance	104,817,235	116,096,814	
Education and welfare	9,105,511	7,758,468	
Community amenities	16,616,103	2,043,498	
Recreation and culture	41,600,864	35,724,147	
Transport	6,334,683	77,953,725	
Other property and services	56,148,153	28,603,940	
Unallocated	(11,796,131)	(8,915)	
	222,826,418	268,171,677	

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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26. RATING INFORMATION

(a) General Rates

RATE TYPE			2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2020/21
Rate Description	Basis of valuation	Rate in \$	Number of Properties	Actual Rateable Value *	Actual Rate Revenue	Actual Interim Rates	Actual Back Rates	Actual Total Revenue	Budget Rate Revenue	Budget Interim Rate	Budget Back Rate	Budget Total Revenue	Actual Total Revenue
		\$		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Residential	Gross rental valuation	0.065579	6,807	274,811,149	17,824,238	112,303	25,092	17,961,633	17,801,291	150,000	0	17,951,291	17,836,087
Residential Vacant	Gross rental valuation	0.090422	140	7,663,600	679,600	19,995	(32,510)	667,085	688,769	0	0	688,769	453,467
Non- Residential	Gross rental valuation	0.073136	421	53,704,686	3,713,491	149,330	0	3,862,821	3,713,491	0	0	3,713,491	3,728,671
Sub-Total			7,368	336,179,435	22,217,329	281,628	(7,418)	22,491,539	22,203,551	150,000	0	22,353,551	22,018,225
Minimum payment		\$											
Residential	Gross rental valuation	1,484	1,497	28,085,980	2,220,064	(25,903)	(740)	2,193,421	2,221,548	0	0	2,221,548	2,245,130
Residential Vacant	Gross rental valuation	2,165	135	2,454,900	303,100	44,534	(2,782)	344,852	292,275	0	0	292,275	200,278
Non- Residential	Gross rental valuation	1,957	133	2,354,391	260,281	5,871	9,963	276,115	260,281	0	0	260,281	260,602
Sub-Total			1,765	32,895,271	2,783,445	24,502	6,441	2,814,388	2,774,104	0	0	2,774,104	2,706,010
			9,133	369,074,706	25,000,774	306,130	(977)	25,305,927	24,977,655	150,000	0	25,127,655	24,724,235
Total amount raised from general rates								25,305,927				25,127,655	24,724,235

* Rateable value is based on the value of properties at the time the rate is raised.

The entire balance of rates revenue has been recognised at a point in time in accordance with AASB 1058 *Income for not-for-profit entities*.

CITY OF NEDLANDS
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2022

26. RATING INFORMATION (Continued)

(c) Service Charges

Service Charges	Amount of Charge	2021/22 Actual Revenue Raised	2021/22 Actual Charges Applied to Costs	2021/22 Actual Charges Set Aside to Reserve	2021/22 Actual Reserve Applied to Costs	2021/22 Budget Revenue	2021/22 Budget Charges Applied to Costs	2021/22 Budget Charges Set Aside to Reserve	2021/22 Budget Reserve Applied to Costs	2020/21 Total Actual Revenue
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Underground power	various	7,936	0	7,936	(751,528)	0	0	0	0	(19,966)
		7,936	0	7,936	(751,528)	0	0	0	0	(19,966)

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

26. RATING INFORMATION (Continued)

(e) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
Option One				
Single full payment	20/09/2021	0.0	0.00%	7.00%
Option Two				
First instalment	20/09/2021	0.0	5.50%	7.00%
Second instalment	22/11/2021	16.0	5.50%	7.00%
Third instalment	27/01/2022	16.0	5.50%	7.00%
Fourth instalment	4/04/2022	16.0	5.50%	7.00%

	2022 Actual	2022 Budget	2021 Actual
	\$	\$	\$
Interest on unpaid rates	70,482	51,000	60,973
Interest on instalment plan	85,189	100,000	98,865
Charges on instalment plan	80,160	90,000	89,424
ESL interest income	4,479	7,000	6,702
	240,310	248,000	255,964

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

27. RATE SETTING STATEMENT INFORMATION

		2021/22 Budget	2021/22	2020/21
	2021/22 (30 June 2022 Carried Forward)	(30 June 2022 Carried Forward)	(1 July 2021 Brought Forward)	(30 June 2021 Carried Forward)
Note	\$	\$	\$	\$
(a) Non-cash amounts excluded from operating activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to operating activities				
Less: Profit on asset disposals	10(c)	(17,938)	(6,545)	(35,067)
Add: Movement in liabilities associated with restricted cash		114,098	0	0
Less: Fair value adjustments to financial assets at fair value through profit and loss		(7,993)	0	(5,172)
Add: Loss on disposal of assets	10(c)	3,262	133,440	0
Add: Depreciation	10(a)	4,491,612	4,656,600	4,288,831
Non-cash movements in non-current assets and liabilities:				
Pensioner deferred rates		9,264	0	11,993
Employee benefit provisions		203,054	0	(103,797)
Other provisions		(3,208)	0	45,930
Service charge receivable		79,713	0	97,273
Lease receivable		53,217	0	51,799
Lease payables		0	0	70,442
Non-cash amounts excluded from operating activities		4,925,081	4,783,495	4,422,232
(b) Surplus/(deficit) after imposition of general rates				
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
Adjustments to net current assets				
Less: Reserve accounts	29	(8,263,144)	(6,058,362)	(5,317,090)
Less: Financial assets at amortised cost - self supporting loans	4(a)	(17,133)	(16,743)	(16,683)
Add: Current liabilities				
- Current portion of borrowings	15	1,136,520	1,138,739	1,405,492
- Current portion of lease liabilities	11(b)	65,506	65,506	64,310
- Employee benefit provisions		0	0	(49,817)
Total adjustments to net current assets		(7,078,251)	(4,870,860)	(3,978,098)
Net current assets used in the Rate Setting Statement				
Total current assets		20,176,003	22,176,658	22,176,658
Less: Total current liabilities		(9,797,332)	(17,305,798)	(12,392,862)
Less: Total adjustments to net current assets		(7,078,251)	(4,870,860)	(3,978,098)
Net current assets used in the Rate Setting Statement		3,300,420	0	5,805,698

CITY OF NEDLANDS
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2022

28. BORROWING AND LEASE LIABILITIES

(a) Borrowings

Purpose	Note	Actual						Budget					
		Laon Number	Principal at 1 July 2020	New Loans During 2020-21	Principal Repayments During 2020-21	Principal at 30 June 2021	New Loans During 2021-22	Principal Repayments During 2021-22	Principal at 30 June 2022	Principal at 1 July 2021	New Loans During 2021-22	Principal Repayments During 2021-22	Principal at 30 June 2022
			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Underground Power Project	187		1,831,084	0	(650,570)	1,180,514	0	(667,916)	512,598	1,180,514	0	(667,916)	512,598
Underground Power Project	188		578,626	0	(64,909)	513,717	0	(66,901)	446,816	513,717	0	(66,901)	446,816
Underground Power Project	189		84,512	0	(9,480)	75,031	0	(9,771)	65,260	75,032	0	(9,770)	65,262
Underground Power Project	190		60,019	0	(6,733)	53,286	0	(6,940)	46,346	53,286	0	(6,940)	46,346
Buildings & Infrastructures	181		256,766	0	(256,766)	0	0	0	0	0	0	0	0
Buildings & Infrastructures	182		398,478	0	(262,557)	135,921	0	(135,921)	0	135,922	0	(135,922)	0
Buildings & Infrastructures	183		871,357	0	(164,751)	706,606	0	(169,380)	537,226	706,606	0	(169,380)	537,226
Buildings & Infrastructures	184		791,285	0	(133,995)	657,290	0	(138,225)	519,065	657,290	0	(138,225)	519,065
Buildings & Infrastructures	185		374,498	0	(63,417)	311,081	0	(65,419)	245,662	311,081	0	(65,419)	245,662
Road Infrastructures	179		539,211	0	(122,934)	416,277	0	(130,529)	285,748	416,277	0	(130,529)	285,748
Total			5,785,836	0	(1,736,112)	4,049,723	0	(1,391,002)	2,658,721	4,049,725	0	(1,391,002)	2,658,723
Self Supporting Loans													
Buildings & Infrastructures	186		78,815	0	(14,053)	64,762	0	(14,490)	50,272	64,762	0	(16,743)	48,019
Total Self Supporting Loans			78,815	0	(14,053)	64,762	0	(14,490)	50,272	64,762	0	(16,743)	48,019
Total Borrowings	15		5,864,651	0	(1,750,165)	4,114,485	0	(1,405,492)	2,708,993	4,114,487	0	(1,407,745)	2,706,742

* WA Treasury Corporation

Self supporting loans are financed by payments from third parties. These are shown in Note 4 as other financial assets at amortised cost. All other loan repayments were financed by general purpose revenue.

Borrowing Interest Repayments

Purpose	Note	Function and activity	Loan Number	Institution	Interest Rate	Actual for year ending	Budget for year ending	Actual for year ending
						30 June 2022	30 June 2022	30 June 2021
						\$	\$	\$
Underground Power Project		Community amenities	187	WATC*	2.64%	(23,152)	(24,589)	(39,171)
Underground Power Project		Community amenities	188	WATC*	3.07%	(14,060)	(14,508)	(16,093)
Underground Power Project		Community amenities	189	WATC*	3.07%	(2,054)	(2,119)	(2,358)
Underground Power Project		Community amenities	190	WATC*	3.07%	(1,458)	(1,502)	(1,664)
Buildings & Infrastructures		Recreation and culture	181	WATC*	5.91%	0	0	(7,061)
Buildings & Infrastructures		Recreation and culture	182	WATC*	4.67%	(2,109)	(2,385)	(13,013)
Buildings & Infrastructures		Recreation and culture	183	WATC*	2.80%	(17,146)	(17,496)	(21,463)
Buildings & Infrastructures		Recreation and culture	184	WATC*	3.12%	(18,036)	(18,182)	(22,155)
Buildings & Infrastructures		Recreation and culture	185	WATC*	3.12%	(8,536)	(22,224)	(10,445)
Road Infrastructures		Transport	179	WATC*	6.04%	(21,217)	(8,605)	(28,561)
Total						(107,768)	(111,610)	(161,984)
Self Supporting Loans Interest Repayments								
Buildings & Infrastructures		Community amenities	186	WATC*	3.07%	(1,793)	(1,822)	(2,204)
Total Self Supporting Loans Interest Repayments						(1,793)	(1,822)	(2,204)
Total Interest Repayments	2(b)					(109,561)	(113,432)	(164,188)

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

28. BORROWING AND LEASE LIABILITIES (Continued)

(b) Lease Liabilities

Purpose	Note	Lease Number	Actual						Budget				
			Principal at 1 July 2020	New Leases During 2020-21	Principal Repayments During 2020-21	Principal at 30 June 2021	New Leases During 2021-22	Principal Repayments During 2021-22	Principal at 30 June 2022	Principal at 1 July 2021	New Leases During 2021-22	Principal Repayments During 2021-22	Principal at 30 June 2022
Photocopier		X636629	\$ 38,987	\$ 5,570	\$ (44,556)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Land		K855915	151,175	0	(14,012)	137,163	0	(14,395)	122,768	137,163	0	(14,395)	122,768
Photocopier		CUAPCS20	0	151,606	(16,603)	135,003	0	(50,165)	84,838	135,003	0	(50,165)	84,838
Total Lease Liabilities	11(b)		190,162	157,176	(75,171)	272,166	0	(64,560)	207,606	272,166	0	(64,560)	207,606

Lease Interest Repayments

Purpose	Note	Function and activity	Lease Number	Institution	Interest Rate	Actual for year ending 30 June 2022	Budget for year ending 30 June 2022	Actual for year ending 30 June 2021	Lease Term
						\$	\$	\$	
Photocopier		Other property and services	X636629	Fuji Xerox Australia Pty Limited	3.50%	0	0	(847)	24 months
Land		Other property and services	K855915	Department of Planning, Lands and Heritage	2.50%	(3,486)	(3,486)	(3,869)	20 years +364 days
Photocopier		Other property and services	CUAPCS2018	Kyocera	1.10%	(1,228)	(1,228)	(527)	36 months
Total Interest Repayments	2(b)					(4,714)	(4,714)	(5,243)	

**CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

29. RESERVE ACCOUNTS

	2022 Actual Opening Balance	2022 Actual Transfer to	2022 Actual Transfer (from)	2022 Actual Closing Balance	2022 Budget Opening Balance	2022 Budget Transfer to	2022 Budget Transfer (from)	2022 Budget Closing Balance	2021 Actual Opening Balance	2021 Actual Transfer to	2021 Actual Transfer (from)	2021 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted by council												
(a) Plant Replacement	34,680	249,847	0	284,527	34,832	174	0	35,006	34,482	198	0	34,680
(b) City Development	75,134	1,363,977	0	1,439,111	101,380	507	0	101,887	273,663	1,471	(200,000)	75,134
(c) North Street	136,320	315	0	136,635	138,141	691	0	138,832	373,517	1,975	(239,172)	136,320
(d) Welfare	696,218	145,388	(15,000)	826,606	700,660	3,503	(15,000)	689,163	693,689	2,529	0	696,218
(e) Services	212,226	364	(200,000)	12,590	213,365	1,067	0	214,432	211,237	989	0	212,226
(f) Insurance	65,388	68	0	65,456	65,780	329	0	66,109	65,124	264	0	65,388
(g) Underground Power	748,021	2,193,481	(751,528)	2,189,974	1,192,672	105,963	0	1,298,635	642,142	105,879	0	748,021
(h) Waste Management	1,187,681	102,890	0	1,290,571	476,865	90,534	0	567,399	1,459,623	92,058	(364,000)	1,187,681
(i) Building Replacement	473,272	89,661	0	562,933	135,820	679	0	136,499	472,803	469	0	473,272
(j) City development - Swanbourne	134,937	441	0	135,378	98,321	492	(98,000)	813	134,443	494	0	134,937
(k) Public Art	97,872	340	(25,000)	73,212	556,148	2,781	(500,000)	58,929	94,918	2,954	0	97,872
(l) Business System	553,574	189,566	(500,000)	243,140	315,642	99,978	0	415,620	519,715	99,859	(66,000)	553,574
(m) All Ability Play Space	314,327	99,231	0	413,558	564,965	1,741,923	(751,528)	1,555,360	336,296	3,879	(25,848)	314,327
(n) Major projects	587,436	2,017	0	589,453	775,799	3,879	0	779,678	584,194	3,242	0	587,436
(o) Lawler Park Infrastructure Reserve	4	0	(4)	0	0	0	0	0	0	11,687	(11,683)	4
	5,317,090	4,437,586	(1,491,532)	8,263,144	5,370,390	2,052,500	(1,364,528)	6,058,362	5,895,846	327,947	(906,703)	5,317,090

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserves - cash/financial assets backed.

In accordance with Council resolutions or adopted budget in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Plant Replacement		To fund replacement of plant and equipment so the cost is spread over a number of years.
(b) City Development		To fund improvement and purchases of property, plant and equipment and infrastructure.
(c) North Street		To fund operational and capital costs of community and recreational facilities at Mt Claremont and Swanbourne, and infrastructure generally.
(d) Welfare		To fund the operational and capital costs to welfare services.
(e) Services		To fund purchase of property, purchase of land and for parking areas, expense of streets, depots, town planning schemes, valuation and legal costs, items of works of an urgent nature such as drainage.
(f) Insurance		To fund any excess that may arise from having a performance based workers compensation premium.
(g) Underground Power		To fund replacement of rubbish bin stock so that the cost is spread over a number of years.
(h) Waste Management		To fund the upgrade and/or replacement of council buildings.
(i) Building Replacement		To fund capital works in the Swanbourne area associated with the Swanbourne Masterplan. Set-up with proceeds of the insurance claim arising from the fire of council property in Swanbourne.
(j) City development - Swanbourne		To fund works of art in the City of Nedlands.
(k) Public Art		To fund councils business system.
(l) Business System		To fund the annual operating and maintenance cost of the All Abilities Play Space.
(m) All Ability Play Space		To fund underground power projects.
(n) Major projects		To fund capital works from proceeds from sale of major assets.
(o) Lawler Park Infrastructure Reserve		To receive from the Hackett Civic Association to fund the specific requests of the Association within Lawler Park, the specific request are for covered seating, an item of exercise equipment and a plaque acknowledging the donation.

CITY OF NEDLANDS

PERIOD OF AUDIT: YEAR ENDED 2022

FINDINGS IDENTIFIED DURING THE AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Fair value of Infrastructure Assets – Frequency of Valuations	✓		
2. Capitalisation of Infrastructure Assets		✓	
3. Payments made to suppliers not matched against the respective supplier invoices.		✓	
4. Receipts from debtors not matched against the respective debtor invoices.		✓	
5. No aged trial balance available for Infringement Debtors.		✓	
6. Manual Input of Fees and Charges on Invoicing			✓

Key To Ratings

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit report, it should be addressed promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

CITY OF NEDLANDS**PERIOD OF AUDIT: YEAR ENDED 2022****FINDINGS IDENTIFIED DURING THE AUDIT****1. Fair Value of Infrastructure Assets - Frequency of Valuations****Finding**

The City completed an internal assessment to determine whether its infrastructure assets represent fair value that relied on management's assessment of the current market conditions. It was determined that the reported value of the infrastructure assets as at 30 June 2022 represents fair value on the basis although there were sharp rise of construction cost for buildings roads, bridges and non-road infrastructure for 2021-22 they are expected to return ease in 2022-23 and return to normal trends thereafter.

Furthermore the City carries out fair value measurement exercise of Infrastructure Assets every 5 years through external revaluers which is due next financial year.

A more robust assessment is required to determine if the City's infrastructure assets are recorded at fair value in compliance with *AASB 13 Fair Value Measurement* and the Regulations.

Rating: Significant**Implication**

Without a robust assessment of fair value of the City's infrastructure assets there is a risk that the fair value of these assets may not have been assessed adequately and in compliance with *AASB 13 Fair Value Measurement*, as well as Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 (the Regulations).

Recommendation

The City to consider implementing as part of the preparation of financial statements a formal robust process to determine whether indicators exist annually, that would trigger a requirement to perform a formal revaluation of infrastructure assets. Where indicators exist a robust fair value assessment should be performed capturing the requirements of *AASB 13 Fair Value Measurements*. This process is to ensure that the City's infrastructure assets are recorded at fair value in compliance with *AASB 13 Fair Value Measurement* and the Regulations.

This may entail obtaining relevant input from an independent valuer as to whether or not they consider there are any prevailing market factors which may indicate that the fair value of relevant assets are likely to have been impacted to any significant / material extent from the prior year. Where a fair value assessment has been performed internally the LG entity may consider having this assessment peer reviewed by an independent valuer to obtain assurance over the valuation methodology applied, inputs and the reasonableness of the valuation model applied.

Management comment

Auditor Recommendation noted and the City's Finance Staff to develop formal robust processes for future years for undertaking annual reviews of the fair valuations of City of Nedlands various asset classes, to ensure compliance with AASB 13 Fair Value Measurement and the regulations.

Responsible person: Manager Financial Services**Completion date:** 31 August 2023

CITY OF NEDLANDS

PERIOD OF AUDIT: YEAR ENDED 2022

FINDINGS IDENTIFIED DURING THE AUDIT

2. Capitalisation of Infrastructure Assets**Finding 2021/22**

Prior year issues remains unresolved.

Finding 2020/21

Prior year issue remains unresolved.

Finding 2019/20

We identified that in accordance with the City's capitalization policy, capitalization of new infrastructure assets is undertaken at year end, which results in the new infrastructure assets not being depreciated from the point at which they were ready and available for use.

Rating: Moderate (2020: Moderate)**Implication**

There is a risk that depreciation expense for infrastructure assets is understated.

Recommendation

For major infrastructure assets, the City should include a depreciation start date that aligns with when the asset was ready and available for use.

Management comment

The current accounting system does not have the capacity for identification and capitalisation of infrastructure assets as and when the asset is ready and available for use. There are numerous capital projects and to manually perform this exercise would not be viable. This has been identified as an integral requirement of the new accounting system being sourced. One Council will resolve this issue.

Responsible person:

Manager Financial Services

Completion date:

July 2023 (as part of One Council Phase 2)

CITY OF NEDLANDS

PERIOD OF AUDIT: YEAR ENDED 2022

FINDINGS IDENTIFIED DURING THE AUDIT

3. Payments made to suppliers not matched against the respective supplier invoices**Finding 2021/22**

Prior year issues remain unresolved.

Finding 2020/21 and 2019/20

Prior year issue remains unresolved.

Finding 2018/19

Our review of the creditors aged trial balances from 1 July 2018 to 28 February 2019 revealed that the payments made to suppliers were not matched against the respective supplier invoices in the creditor's module in the system, and thus, fully paid creditors were included as part of the creditors ageing.

Rating: Moderate (2020: Moderate)**Implication:**

In the absence of accurate creditors' ageing trial balance, there is increased risk that the Council may be using misleading data for decision making.

Recommendation:

We recommend that payments to creditors be matched against the relevant outstanding suppliers' invoices in the creditors' module in order to maintain an accurate creditor ageing trial balance and to evaluate the payable balances age-wise.

Management Comment:

The City's new ERP system will address this and match payments to suppliers' invoices. One Council will resolve this issue.

Responsible person: Manager Financial Services

Completion Date: July 2022

CITY OF NEDLANDS

PERIOD OF AUDIT: YEAR ENDED 2022

FINDINGS IDENTIFIED DURING THE AUDIT

4. Receipts of debtors not matched against the respective debtor invoices**Finding 2021/22**

Prior year issues remain unresolved.

Finding 2020/21 and 2019/20

Prior year issue remains unresolved.

Finding 2018/19

Our review of the sundry debtors aged trial balances from 1 July 2018 to 31 January 2019 revealed that receipts from debtors were not matched against the respective debtors invoices in the debtor's module in the system, and thus, debtors with a zero balance were included as part of the debtors ageing.

Rating: Moderate (2020: Moderate)**Implication:**

In the absence of accurate debtors ageing trial balance, there is increased risk that the Council may be using misleading data for decision making.

Recommendation:

We recommend that receipts from debtors be matched against the relevant outstanding debtor's invoices in the debtor's module in order to maintain an accurate debtor ageing trial balance and to evaluate the receivable balances age-wise.

Management Comment:

The implementation of ERP Finance System will address this finding. One Council will resolve this matching issue.

Responsible person:

Manager Financial Services

Completion Date:

Currently scheduled for Phase 3 of the ERP implementation (July 2024)

CITY OF NEDLANDS

PERIOD OF AUDIT: YEAR ENDED 2022

FINDINGS IDENTIFIED DURING THE AUDIT

5. No Aged Trial balance available for infringement debtors**Finding 2021/22**

Prior year issues remain unresolved.

Finding 2020/21 and 2019/20

Prior year issue remains unresolved.

Finding 2018/19

The current accounting system "Authority" is not capable of generating an aged trial balance report for infringement debtors.

Rating: Moderate (2020: Moderate)**Implication:**

The Council is unable to ascertain if there are any long outstanding amounts for infringement debtors and their collectability.

Recommendation:

We recommend that an aged trial balance report be developed for infringement debtors. All long outstanding debts if any, be reviewed and action taken to recover them at the earliest.

Management Comment:

The City's ERP system will produce trial balances and aged debtors' reports.

Responsible person:

Manager Financial Services

Completion Date:

Currently scheduled for Phase 3 of the ERP implementation (July 2024).

CITY OF NEDLANDS

PERIOD OF AUDIT: YEAR ENDED 2022

FINDINGS IDENTIFIED DURING THE AUDIT

6. Manual input of fees and charges on invoicing**Finding 2021/22**

Prior year issues remain unresolved.

Finding 2020/21

Prior year issue remains unresolved.

Finding 2019/20

The Council-approved schedule for fees and charges are not locked in the system and are manually input when invoicing.

Rating: Minor (2020: Minor)**Implication:**

There are risk of erroneous entry of the fees and charges upon invoicing which could result in incorrect charges to customers which might expose the City to reputational risks.

Recommendation

The City should ensure all categories of fees and charges are loaded onto the accounting system, reviewed in accordance with the approved schedule and locked for use in invoicing.

Alternatively, where this cannot be loaded onto the system and has to be entered manually, a level of review should be put in place to ensure the fees or charges entered agree to what has been approved by the Council.

Management Comment:

The implementation of ERP Finance System will address this finding. One Council has this capacity to enter fees & charges.

Responsible person:

Manager Financial Services

Completion Date:

July 2024 (as part of One Council phase 3)



City of Nedlands

Report to Audit & Risk Committee

For the year ended 30 June 2022



Introduction

To the Audit & Risk Committee of the City of Nedlands

We are pleased to have the opportunity to meet with you on 20 April 2023 to discuss the results of our audit of the City of Nedlands ("the City"), as at and for the year ended 30 June 2022.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan for the year ended 30 June 2022. We will be pleased to elaborate on the matters covered in this report when we meet.

Our audit is substantially complete. We draw your attention to the important notice on page 14 of this report, which explains:

- the purpose of this report; and
- limitations on work performed;
- restrictions on distribution of this report.

We would like to thank management for their assistance during the audit process.

Punitha Perumal
OAG Director

John Ward
KPMG Partner



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Executive summary

Key focus areas

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Audit misstatements

Please refer to page 9 for details on the corrected and uncorrected audit misstatements identified.

Outstanding matters

In order to finalise our work, we require the following:

- Receipt of signed financial statements declaration and certification
- Receipt of signed management representation letter
- Subsequent events procedures
- Final clearance comments of the Audit & Risk Committee of matters contained in this report.

Fraud

We have not identified any instances of material fraud through our audit procedures.



Audit Focus Areas

01 Existence and valuation of Property, plant & equipment

Summary

Our audit response to the existence and valuation of property, plant & equipment comprises a fully substantive approach.

We consider this an audit focus area due to:

- Valuation methodology and assumptions can be complex and judgmental
- Significant volume of individual assets

Balance	FY22	FY21
Property, plant & equipment	\$107,509,452	\$151,569,167

Property, plant & equipment balance for the year ended 30 June 2022 has reduced to \$107.5 million. The reduction is primarily the result of the fair value assessment for land & buildings completed at 30 June 2022, which resulted in a revaluation decrement of \$54.8 million for land.

Management undertook a reconciliation process to ensure that all land and buildings owned by the City had been recognised as assets. This process identified buildings worth \$143,495 that had not been recognised previously. These assets have been recorded in the property, plant & equipment balance as at 30 June 2022.

Our controls approach

None planned

Our substantive approach

- Performed a roll forward of the fixed asset register for FY2022.
- Considered management's fair value assessment for land & buildings held at 30 June 2022, including the involvement of valuation specialists to assess the independent valuations completed for these assets for the year ended 30 June 2022.
- Assessed the completeness of the land & buildings assets that were revalued at year end.
- Performed substantive analytical procedures over the depreciation expense for the year.

Conclusion

Based on the audit procedures performed, no reportable misstatements are noted.



Audit Focus Areas

02 Existence and valuation of Infrastructure Assets

Summary

Our audit response to the existence and valuation of infrastructure assets comprises a fully substantive approach.

We consider this an audit focus area due to:

- Valuation methodology and assumptions can be complex and judgmental
- Significant volume of individual assets

Balance	FY22	FY21
Infrastructure	\$92,586,194	\$92,642,614

The infrastructure balance of \$92.6 million is consistent with the FY2021 balance, with the additions of \$3.1 million being offset by depreciation of \$3.2 million. No revaluation was undertaken for the year ended 30 June 2022, with fair value considered to materially approximate fair value.

Our controls approach

None planned

Our substantive approach

- Performed a roll forward of the infrastructure asset register for FY2022.
- Considered the previous internal valuations for the City's infrastructure assets.
- On a sample basis, selected infrastructure asset additions confirming their existence and agreeing to supporting documentation.
- Considered management's fair value assessment for infrastructure assets held at 30 June 2022.
- Performed substantive analytical procedures over the depreciation expense for the year.

Conclusion

Based on the audit procedures performed, no reportable misstatements are noted.

We would like to highlight the following in relation to fair value assessments of PPE and Infrastructure for future consideration.

Local government entities report Infrastructure Assets at fair value. Under AASB 13 *Fair Value Measurement*, the City should be determining whether there are trigger events that would indicate movement in the value of these assets on an annual basis as required under Australian Accounting Standards.

In a non-revaluation year, where indicators exist a robust fair value assessment should be performed capturing the requirements of AASB 13 Fair Value Movements. Where these assessments have not been performed or are not of a sufficient robustness a significant management letter finding will be reported.



Audit Focus Areas

03 Revenue - rates, fees, charges, operating grants and subsidies

Summary

Our audit response to the revenue – rates, fees, charges, operating grants and subsidies comprises controls and substantive testing.

We consider this an audit focus area due to:

- High volume of transactions and varying revenue/income streams that management are required to process accurately

Balance	FY22	FY21
Rates	\$25,305,927	\$24,724,235
Fees and charges	\$7,678,159	\$7,699,409
Operating grants and subsidies	\$2,451,096	\$2,162,126

Our controls approach

- Council approval of rates and charges for FY22.

Our substantive approach

- Reviewed the City's rates policy for FY22.
- For a sample of rates revenue, recalculated the rates charged and ensured the correct rates were used, rates were accurately charged and the rates were received by the City.
- Agreed a sample of fees and charges to supporting documentation and bank statements.
- Focused cut-off testing fee & charges revenue around financial year end to ensure revenue was recorded in the correct period.
- Agreed operating and capital grants received to the grant agreement and bank statements.
- Reviewed the City's assessment of the impact of the standards AASB 15 and AASB 1058 for a sample of grants.

Conclusion

Based on the audit procedures performed, no reportable misstatements are noted.



Audit Focus Areas

04 Cash and cash equivalents

Summary

Our audit response to cash and cash equivalents comprises a fully substantive approach.

We consider this an audit focus area due to:

- High volume of transactions of significant value

Balance	FY22	FY21
Cash and cash equivalents	\$6,159,497	\$15,827,346
Term deposits	\$12,101,784	\$4,281,982

Our controls approach

- None planned.

Our substantive approach

- Reviewed the year end bank reconciliations and agreed to bank confirmations.
- Vouched term deposits to confirmations and considered appropriateness of classification.

Conclusion

Based on the audit procedures performed, no reportable misstatements are noted.



Audit Misstatements

We assess audit misstatements under the income statement method. The income statement method considers the effect of uncorrected prior-period misstatements from an income statement perspective and uncorrected misstatements are quantified as the amount by which the current period income statement is misstated, after considering the reversing and correcting effects of uncorrected prior-period misstatements.

Corrected misstatements

There were no corrected audit misstatements.

Uncorrected misstatements

Matter	Accounts impacted	Amount (\$000s)
During the 2022 audit, it was identified that there were PPE assets that had not been recognised. These assets should have been recognised previously but were only recorded in year ended 30 June 2022.	<u>1 July 2021</u> Dr PPE - buildings Cr Revaluation surplus	143 (143)

Omissions and Errors in Presentation and Disclosures

We have not identified any material omissions or errors in presentation and disclosures in the financial report.

In the course of our review of the financial statements we made a number of recommendations in relation to presentation matters which management have incorporated into financial statements.



Auditor's Independence

We have strict rules and protocols to maintain our independence from City of Nedlands, including annual training and an annual staff declaration.

Safeguard

Non-audit services did not involve partners or staff acting in a managerial or decision making capacity, or involve the processing or originating of transactions.

Non-audit services were only provided where we were satisfied that they did not impact on our auditor independence.

Partners and staff involved in the provision of non-audit services obtained approval from the lead engagement partner to deliver the service.

Breaches

The APESB Code of Ethics for Professional Accountants ("the Code") requires us to communicate to you any breaches of the independence requirements of the Code.

On the rare instance of a significant breach of the Code, we will report our conclusions to you on the actions to be taken, or already taken within three working days. We will report less significant breaches in the Year-end Report to the Audit Risk Committee.

We confirm that as at the date of this report, no such breaches have been identified.

Non audit services

No non-audit services have been performed during or subsequent to the year ended 30 June 2022, other than audits in relation to Roads to Recovery grant acquittal, Local Roads and Community Infrastructure grant acquittal and Pensioner Deferments acquittal audit.

Conclusion

We confirm that, as at the date of this report, we have complied with the ethical requirements regarding independence.

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**Required
Communications**

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**Matters identified
during the audit**

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3






Important Notice

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Required communications with the Committee

Type	Response
Our draft management representation letter	 We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 30 June 2022.
Related parties	 There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by those charged with governance	 There were no matters to report arising from the audit that, in our professional judgement, are significant to the oversight of the financial reporting process.
Control deficiencies	 Refer to page 13 for management letter points identified.
Modifications to auditor's report	 None.
Actual or suspected fraud, non-compliance with laws or regulations or illegal acts	 No actual or suspected fraud management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements was identified during the audit.

Type	Response
Significant difficulties	 No significant difficulties were encountered during the audit.
Disagreements with management or scope limitations	 The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	This is to be completed once the preparation of the annual report is completed.
Breaches of independence	 No matters to report. The engagement team and the firm have complied with relevant ethical requirements regarding independence.
Accounting practices	 Over the course of our audit, we have evaluated the appropriateness of City of Nedlands' accounting policies, accounting estimates and financial statement disclosures. In general, we believe that these are appropriate. We have identified a number of management letter points relating that impact the Finance function.
Significant matters discussed or subject to correspondence with management	 The significant matters arising from the audit were discussed with management and included within this Report.



Matters identified during the audit

The findings below have been reported in the management letter for the year ended 30 June 2022.

Identified in the current year

Description	Rating
Fair value of Infrastructure Assets – Frequency of Valuations	S

Matters outstanding from prior year

Description	Rating
Capitalisation of Infrastructure Assets	M
Payments made to suppliers not matched against the respective supplier invoices.	M
Receipts from debtors not matched against the respective debtor invoices.	M
No aged trial balance available for Infringement Debtors.	M
Manual Input of Fees and Charges on Invoicing	L

Ratings



Significant



Moderate



Minor



Important notice

This report is presented under the terms of our audit engagement letter.

- Circulation of this report is restricted.
- The content of this report is based solely on the procedures necessary for our audit.

Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of the City of Nedlands (the “City”), prepared in accordance with the Australian Accounting Standards [‘AASBs’] (as they apply to local governments and not for profit entities) and the Local Government Act 1995 and accompanying regulations at and for the year ended 30 June 2022.

This Report has been prepared for those charged with governance, whom we consider to be the Audit & Risk Committee, in order to communicate matters of interest as required by ASAs (including ASA 260 Communication with Those Charged with Governance), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. The Audit & Risk Committee should not assume that reports from us indicate that there are no additional matters they should be aware of in meeting their responsibilities.

This report summarises the key issues identified during our audit but does not repeat matters previously communicated to you.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the City’s financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Restrictions on distribution

The report is provided on the basis that it is only for the information of those charged with governance of the City, and that it will not be quoted, referred to or shared publically, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.



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Ms Caroline Spencer
Auditor General
Office of the Auditor General
7th Floor, Albert Facey House
469 Wellington Street
PERTH WA 6000

Dear Ms Spencer,

REPRESENTATION LETTER IN RESPECT OF THE CITY OF NEDLANDS'S ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

This representation letter is provided in connection with your audit of the City of Nedlands's annual financial report for the year ended 30 June 2022 for the purpose of expressing an opinion as to whether the annual financial report is fairly presented in accordance with the Local Government Act 1995 (the Act), the Local Government (Financial Management) Regulations 1996 and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

We submit the following representations for the year ended 30 June 2022 after making appropriate enquiries and according to the best of our knowledge and belief. This representation covers all material items in each of the categories listed below.

1. GENERAL

- (a) We have fulfilled our responsibilities for the preparation and fair presentation of the annual financial report in accordance with the *Local Government Act 1995* (the Act), the *Local Government (Financial Management) Regulations 1996* and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.
- (b) We have advised your auditors of all material contentious methods used in the presentation of the financial report.
- (c) There have been no changes in accounting policies or application of those policies that would have a material effect on the financial report, except as disclosed in Note 1 to the financial report.
- (d) The prior period comparative information in the financial report has not been restated.



- (e) Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We confirm the disclosures related to accounting estimates are complete and appropriate.
- (f) We have established and maintained an adequate internal control structure and adequate financial records as we have determined are necessary to facilitate the preparation of the financial report that is free from material misstatement, whether due to fraud or error.
- (g) We have provided your auditors with:
 - (i) Access to all information of which we are aware that is relevant to the preparation of the financial report, such as records, documentation and other matters.
 - (ii) Additional information that your auditors have requested for the purpose of the audit.
 - (iii) Unrestricted access to staff and councillors of the City from whom your auditors determined it necessary to obtain audit evidence.
- (h) All transactions have been recorded in the accounting and other records and are reflected in the financial report.
- (i) All internal audit reports and reports resulting from other management reviews, including legal issues and legal opinions which have the capacity to be relevant to the fair presentation of the financial report including, where relevant, minutes of meetings, have been brought to your auditors' attention and made available to them.
- (j) We have advised your auditors of all known instances of non-compliance or suspected non-compliance with laws and regulations, and all known data or security breaches whose effects should be considered when preparing the financial report.
- (k) We have provided to your auditors the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
- (l) No frauds or suspected frauds affecting the City involving:
 - (i) Management;
 - (ii) Employees who have significant roles in internal control; or
 - (iii) Othershave occurred to the knowledge of management of the City of Nedlands.



- (m) To our knowledge no allegations of fraud or suspected fraud affecting the City's financial report has been communicated to us by employees, former employees, analysts, regulators or others.
- (n) We have disclosed to your auditors all known actual or possible litigation and claims whose effects should be considered when preparing the financial report, and they have been accounted for and disclosed in accordance with Australian Accounting Standards.

2. FAIR VALUE MEASUREMENTS AND DISCLOSURES

We confirm that where assets and liabilities are recorded at fair value, the value attributed to these assets and liabilities is the fair value.

We confirm that the carrying amount of each physical non-current asset does not materially differ from its fair value at the end of the reporting period. Significant fair value assumptions, including those with high estimation uncertainty, are reasonable.

We confirm the measurement methods, including related assumptions, used by management in determining fair values are appropriate and have been consistently applied.

We confirm that the fair value disclosures in the financial report are complete and appropriate.

3. GOING CONCERN

We confirm that the going concern basis of accounting is appropriate for the annual financial report.

4. CONTINGENT LIABILITIES

There are no material contingent liabilities at year end that have not been completely and adequately disclosed in the Notes to the financial report.

5. COMMITMENTS FOR CAPITAL AND OTHER EXPENDITURE

Other than those commitments reported in the Notes to the financial report, there were no significant commitments for capital or other expenditure contracts carrying over at year end.



6. FINANCIAL LIABILITY FOR CONTAMINATED SITES

We are aware of our obligations under the *Contaminated Sites Act 2003* and have reported to the Department of Water and Environmental Regulation, all land owned, vested or leased by the City that is known to be, or is suspected of being, contaminated. All actual liabilities or contingent liabilities, if any, have been recognised and/or disclosed in the financial report as appropriate.

7. RELATED ENTITIES

We acknowledge our responsibility under section 17(1) of the *Auditor General Act 2006* (as applied by section 7.12AL of the *Local Government Act 1995*) to give written notice to the Auditor General if any of the City's functions are being performed in partnership or jointly with another person or body, through the instrumentality of another person or body, and/or by means of a trust. We confirm that we have provided the Auditor General with details of all related entities in existence at 30 June 2022.

8. RELATED PARTIES

We have disclosed to your auditors the identity of the City's related parties, as defined in Australian Accounting Standards, of which we are aware, and all the related party relationships and transactions of which we are aware. These include the City's key management personnel (KMP) and their related parties, including their close family members and their controlled and jointly controlled entities.

We have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of Australian Accounting Standards.

9. KEY MANAGEMENT PERSONNEL COMPENSATION

We confirm the City's key management personnel (KMP) have not received any other money, consideration or benefit (except amounts being reimbursements for out of pocket expenses) which has not been included in the compensation disclosed in the Notes to the financial report.

10. SUBSEQUENT EVENTS

All events subsequent to the date of the financial report and up to the date of this letter for which Australian Accounting Standards require adjustment or disclosure, have been adjusted or disclosed.



11. INTERNAL CONTROL

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

12. INSURANCE

We have established procedures to assess the adequacy of insurance cover on all assets and insurable risks. We believe, where appropriate, assets and insurable risks are adequately covered by insurance.

13. RISK MANAGEMENT

We confirm that we have established and maintained a risk management framework that is appropriate to the City.

15. ACCOUNTING MISSTATEMENTS

The following uncorrected misstatements are noted:

Ref	Account balance	Dr/(Cr)	Misstatements
1	PPE – buildings	\$143,495	PPE – buildings assets that had not been correctly recognised in previous years were recorded in the balance sheet for the year ended 30 June 2022. These assets should have been recognised as at 1 July 2020, being the earliest date disclosed in the 30 June 2022 financial statements.
	Revaluation surplus	(\$143,495)	

16. ELECTRONIC PRESENTATION OF THE AUDITED ANNUAL FINANCIAL REPORT AND AUDITOR'S REPORT

- We acknowledge that we are responsible for the electronic presentation of the annual financial report.
- We will ensure that the electronic version of the audited annual financial report and the auditor's report presented on the City's website is the same as the final signed versions of the audited annual financial report and the auditor's report.
- We have clearly differentiated between audited and unaudited information in the construction of City's website and understand the risk of potential misrepresentation in the absence of appropriate controls.



- (d) We have assessed the security controls over the audited annual financial report and the auditor's report and are satisfied that procedures in place are adequate to ensure the integrity of the information provided.
- (e) We will ensure that where the auditor's report on the annual financial report is provided on the website, the annual financial report is also provided in full.

17. OTHER (UNAUDITED) INFORMATION IN THE ANNUAL REPORT

We will provide the final version of the annual report to you when available, to enable you to complete your required procedures.

A handwritten signature in blue ink, appearing to read 'Michael Cole'.

Michael Cole
Director Corporate Services
18 April 2023

A handwritten signature in blue ink, appearing to read 'Bill Parker'.

Bill Parker
Chief Executive Officer
18 April 2023

10. In Camera

Allocated time for Committee to discuss items with Auditors without Administration or Public present.

11. Date of Next Meeting

The date of the next meeting of the Audit & Risk Committee Meeting will be on Monday 22 May at 5.30pm.

12. Declaration of Closure

There being no further business, the Presiding Member will declare the meeting closed.