

The **Ordinary Meeting** of
Bayside Council
will be held in the Rockdale Town Hall, Council Chambers,
Level 1, 448 Princes Highway, Rockdale
on Wednesday, 13 February 2019 at 7.00 pm

UNDER SEPARATE COVER ATTACHMENTS

8 REPORTS

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Bayside Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the period 10 Sep 2016 to 30 June 2017



Bayside Council

General Purpose Financial Statements for the period 10 Sep 2016 to 30 June 2017

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Bayside Council.
- (ii) Bayside Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

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

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

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

- (iii) All figures presented in these financial statements are presented in Australian currency.
 - (iv) These financial statements were authorised for issue by the Council on dd/mm/yy.
Council has the power to amend and reissue these financial statements.
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Bayside Council

General Purpose Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

Bayside Council was formed by way of the Local Government (Bayside) Proclamation 2016 which amalgamated the former Rockdale City Council and the former City of Botany Bay Council.

The former City of Botany Bay Council final reports (2015/16) were disclaimed by the Audit Office of NSW, due to the significant breakdowns in administrative, financial and governance internal controls as evidenced by the NSW Independent Commission Against Corruption (ICAC) Operation Ricco 2016.

Whilst significant work has been undertaken to develop and implement a new internal control environment and to address the ICAC report on the former City of Botany Bay Council within Bayside Council this cannot correct the past failings, nor address the disclaimed opinion by the Audit Office of NSW.

Due to the ongoing issues with the internal control environment over this reporting period, management of Bayside Council is unable to warrant the completeness and reliability of the financial statements as a whole as covered above.

Signed in accordance with a resolution of Council made on dd/mm/yy.

Bill Saravinovski
Mayor

Councillor
Councillor

Meredith Wallace
General Manager

Matthew Walker
Responsible accounting officer

Financial Statements 2017

Bayside Council

Income Statement

for the period 10 Sep 2016 to 30 June 2017

| \$ '000 | Notes | Actual 10/9/16 to 30/6/17 |
|--|-------|---------------------------------|
| Income from continuing operations | | |
| <i>Revenue:</i> | | |
| Rates and annual charges | 3a | 19,822 |
| User charges and fees | 3b | 15,561 |
| Interest and investment revenue | 3c | 6,754 |
| Other revenues | 3d | 16,502 |
| Grants and contributions provided for operating purposes | 3e,f | 19,132 |
| Grants and contributions provided for capital purposes | 3e,f | 51,796 |
| <i>Other income:</i> | | |
| Net gains from the disposal of assets | 5 | 347 |
| Net share of interests in joint ventures and associates using the equity method | 19 | 560 |
| Total income from continuing operations | | 130,474 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 4a | 52,534 |
| Borrowing costs | 4b | 257 |
| Materials and contracts | 4c | 35,158 |
| Depreciation and amortisation | 4d | 16,797 |
| Impairment | 4d | — |
| Other expenses | 4e | 14,949 |
| Total expenses from continuing operations | | 119,695 |
| Operating result from continuing operations | | 10,779 |
| Discontinued operations | | |
| Net profit/(loss) from discontinued operations | 24 | — |
| Net operating result for the period | | 10,779 |
| Gain on local government amalgamation | | |
| Assets and liabilities transferred from former councils | 29 | 1,591,780 |
| Net result for the period | | 1,602,559 |
| Net operating result attributable to Council | | 1,602,559 |
| Net operating result attributable to non-controlling interests | | — |
| Net operating result for the period before grants and contributions provided for capital purposes | | (41,017) |

This statement should be read in conjunction with the accompanying notes.

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Financial Statements 2017

Bayside Council

Statement of Comprehensive Income
for the period 10 Sep 2016 to 30 June 2017

| \$ '000 | Notes | Actual 10/9/16 to 30/6/17 |
|---|-------|---------------------------------|
| Net result for the year (as per Income Statement) | | 1,602,559 |
| Other comprehensive income: | | |
| Nil | | |
| Total comprehensive income for the period | | 1,602,559 |
| Total comprehensive income attributable to Council | | 1,602,559 |
| Total comprehensive income attributable to non-controlling interests | | — |

This statement should be read in conjunction with the accompanying notes.

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Financial Statements 2017

Bayside Council

Statement of Financial Position
as at 30 June 2017

| \$ '000 | Notes | Actual 2017 |
|---|-------|------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 6a | 51,619 |
| Investments | 6b | 227,746 |
| Receivables | 7 | 18,685 |
| Inventories | 8 | 208 |
| Other | 8 | 685 |
| Non-current assets classified as 'held for sale' | 22 | 2,190 |
| Total current assets | | 301,133 |
| Non-current assets | | |
| Investments | 6b | 55,388 |
| Receivables | 7 | — |
| Infrastructure, property, plant and equipment | 9 | 1,304,129 |
| Investments accounted for using the equity method | 19 | 4,401 |
| Investment property | 14 | — |
| Intangible assets | 25 | 3,487 |
| Total non-current assets | | 1,367,405 |
| TOTAL ASSETS | | 1,668,538 |
| LIABILITIES | | |
| Current liabilities | | |
| Payables | 10 | 29,378 |
| Income received in advance | 10 | 786 |
| Borrowings | 10 | 1,101 |
| Provisions | 10 | 23,672 |
| Total current liabilities | | 54,937 |
| Non-current liabilities | | |
| Payables | 10 | — |
| Borrowings | 10 | 4,912 |
| Provisions | 10 | 6,130 |
| Total non-current liabilities | | 11,042 |
| TOTAL LIABILITIES | | 65,979 |
| Net assets | | 1,602,559 |
| EQUITY | | |
| Retained earnings | 20 | 1,602,559 |
| Revaluation reserves | 20 | — |
| Other reserves | 20 | — |
| Council equity interest | | 1,602,559 |
| Non-controlling equity interests | | — |
| Total equity | | 1,602,559 |

This statement should be read in conjunction with the accompanying notes.

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Financial Statements 2017

Bayside Council

Statement of Changes in Equity
for the period 10 Sep 2016 to 30 June 2017

| 10/9/16 to 30/6/17 | | | Retained earnings | Asset revaluation reserve (Refer 20b) | Other reserves (Refer 20b) | Council interest | Non-controlling interest | Total equity |
|---|--------|--|-------------------|--|-------------------------------|------------------|--------------------------|--------------|
| \$ '000 | Notes | | | | | | | |
| Opening balance | | | — | — | — | — | — | — |
| a. Correction of prior period errors | 20 (c) | | — | — | — | — | — | — |
| b. Changes in accounting policies (prior year effects) | 20 (d) | | — | — | — | — | — | — |
| Revised opening balance | | | — | — | — | — | — | — |
| c. Net result for the year | | | 1,602,559 | — | — | 1,602,559 | — | 1,602,559 |
| d. Other comprehensive income | | | — | — | — | — | — | — |
| Other comprehensive income | | | — | — | — | — | — | — |
| Nil | | | — | — | — | — | — | — |
| Total comprehensive income (c&d) | | | 1,602,559 | — | — | 1,602,559 | — | 1,602,559 |
| Equity – balance at end of the reporting period | | | 1,602,559 | — | — | 1,602,559 | — | 1,602,559 |

This statement should be read in conjunction with the accompanying notes.

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Financial Statements 2017

Bayside Council

Statement of Cash Flows

for the period 10 Sep 2016 to 30 June 2017

| | | Actual 10/9/16 to 30/6/17 |
|--|-------|---------------------------------|
| \$ '000 | Notes | |
| Cash flows from operating activities | | |
| Receipts: | | |
| Rates and annual charges | | 66,775 |
| User charges and fees | | 16,159 |
| Investment and interest revenue received | | 6,520 |
| Grants and contributions | | 72,193 |
| Bonds, deposits and retention amounts received | | 1,537 |
| Other | | 17,413 |
| Payments: | | |
| Employee benefits and on-costs | | (52,808) |
| Materials and contracts | | (41,011) |
| Borrowing costs | | (229) |
| Other | | (13,985) |
| Net cash provided (or used in) operating activities | 11b | 72,564 |
| Cash flows from investing activities | | |
| Receipts: | | |
| Sale of investment securities | | 93,381 |
| Sale of real estate assets | | 12,566 |
| Sale of infrastructure, property, plant and equipment | | 1,684 |
| Payments: | | |
| Purchase of investment securities | | (182,660) |
| Purchase of infrastructure, property, plant and equipment | | (81,063) |
| Net cash provided (or used in) investing activities | | (156,092) |
| Cash flows from financing activities | | |
| Receipts: | | |
| Nil | | |
| Payments: | | |
| Repayment of borrowings and advances | | (990) |
| Net cash flow provided (used in) financing activities | | (990) |
| Net increase/(decrease) in cash and cash equivalents | | (84,518) |
| Plus: cash and cash equivalents – beginning of year | 11a | – |
| Plus: cash transferred on amalgamation of councils | 29 | 136,137 |
| Cash and cash equivalents – end of the year | 11a | 51,619 |
| Additional Information: | | |
| plus: Investments on hand – end of year | 6b | 283,134 |
| Total cash, cash equivalents and investments | | 334,753 |

Please refer to Note 11 for additional cash flow information

This statement should be read in conjunction with the accompanying notes.

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Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

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n/a – not applicable

Bayside Council

Notes to the Financial Statements for the period 10 September 2016 to 30 June 2017

Note 1. Summary of significant accounting policies

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

(a) Basis of preparation

The Local Government (Bayside) Proclamation 2016 ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of 2 former councils:

- Rockdale City Council
- City of Botany Bay Council

to Bayside Council as at 10 September 2016.

Pursuant to the Proclamation, financial statements have been prepared for the period commencing on the date of establishment of Bayside Council, being 10 September 2016 and ending on 30 June 2017.

Future reporting periods will be from 1 July to 30 June of the relevant years.

Assets and liabilities of Former Rockdale City Council and Former City of Botany Bay have been recognised by the Bayside Council fair value

Bayside Council has as a result of a comprehensive revaluation recognised former councils' assets at their fair value] as at the date of transfer 10 September 2016.

The fair value of the net assets has been shown as a gain on local government amalgamation in the income statement and further information is provided in Note 29.

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

(i) New and amended standards adopted by Council

There have been no new accounting standards adopted in this year's financial statements which

have had any material impact on reported financial position, performance or cash flows.

(ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(iii) Historical cost convention

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

(iv) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment,
- (iii) Estimated tip remediation provisions.

Significant judgements in applying the Council's accounting policies

- (i) Impairment of Receivables

Bayside Council

Notes to the Financial Statements for the period 10 September 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below.

Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

(i) Rates, annual charges, grants and contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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

Control over granted assets/contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was

expended on Council's operations during the current year.

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

(ii) User charges and fees

User charges and fees (including parking fees and fines) are recognised as revenue when the service has been provided or when the penalty has been applied, whichever first occurs.

(iii) Sale of infrastructure, property, plant and equipment

The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

(iv) Interest

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

(v) Rent

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

(vi) Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

(vii) Other income

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

(c) Principles of consolidation

(i) The Consolidated Fund

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

Bayside Council

Notes to the Financial Statements for the period 10 September 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

- General purpose operations

(ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (NSW) (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these reports.

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(iii) County Councils

Council is not a member of any county councils.

(iv) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Joint ventures/associates

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

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

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

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

(d) Leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

(e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Bayside Council

Notes to the Financial Statements for the period 10 September 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(g) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Inventory held for distribution

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

(iii) Land held for resale/capitalisation of borrowing costs

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

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

(h) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss

Bayside Council

Notes to the Financial Statements
for the period 10 September 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

(i) Investments and other financial assets**Classification**

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which that are classified as non-current assets.

Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the Statement of Financial Position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for

impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, that are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

Bayside Council

Notes to the Financial Statements for the period 10 September 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order (the Order) arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed; however, they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

Bayside Council

Notes to the Financial Statements
for the period 10 September 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(j) Fair value estimation – financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

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

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

- Operational land
- Buildings – specialised/non-specialised
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Swimming pools
- Other open space/recreational assets
- Other infrastructure

Internally valued:

- Community land
- Land under roads

As approximated by depreciated historical cost:

- Plant and equipment
- Land improvements
- Other structures
- Other assets

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

For all other asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Land is not depreciated.

Bayside Council

Notes to the Financial Statements

for the period 10 September 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated long and short average useful lives as follows:

Plant and equipment

| | |
|-------------------------------------|----------|
| - Office equipment | 5 years |
| - Office furniture | 10 years |
| - Computer equipment | 4 years |
| - Vehicles | 7 years |
| - Heavy plant/road making equipment | 7 years |
| - Other plant and equipment | 7 years |

Other equipment

| | |
|------------------------|----------------|
| - Playground equipment | 5 to 15 years |
| - Benches, seats etc. | 10 to 20 years |

Buildings

| | |
|------------------------------|----------|
| - Buildings: Non-Specialised | 69 years |
| - Buildings: Specialised | 82 years |

Stormwater assets

| | |
|----------------------------|-----------------|
| - Drains | 87 years |
| - Culverts | 50 to 80 years |
| - Flood control structures | 80 to 100 years |

Transportation assets

| | |
|---------------------------|-----------------|
| - Sealed roads: surface | 25 to 35 years |
| - Sealed roads: structure | 85 to 140 years |
| - Unsealed roads | 20 years |
| - Bridge: concrete | 97 years |
| - Bridge: other | 50 years |

| | |
|------------------------------|----------|
| - Road pavements | 79 years |
| - Kerb, gutter and footpaths | 64 years |

Other infrastructure assets

| | |
|--|----------------|
| - Bulk earthworks | Infinite |
| - Swimming pools | 25 years |
| - Other open space/ recreational assets | 10 to 50 years |
| - Other infrastructure | 30 years |
| - Library Assets | 5 years |

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

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

(l) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

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

Council holds no investment properties.

(m) Payables

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

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the

Bayside Council

Notes to the Financial Statements for the period 10 September 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

(o) Borrowing costs

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

(p) Provisions

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

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

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

(q) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Retirement benefit obligations

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

Bayside Council

Notes to the Financial Statements for the period 10 September 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the Statement of Financial Position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

Defined Contribution Plans

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

(r) Land under roads

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

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

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

(s) Self-insurance

Council does not self-insure.

(t) Intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

(u) Crown reserves

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

Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

(v) Rural fire service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire service assets including land, buildings, plant and vehicles.

Bayside Council

Notes to the Financial Statements

for the period 10 September 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(w) Goods and Services Tax (GST)

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

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

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

(x) New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

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

(y) Rounding of amounts

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

(z) Comparative figures

As new entity formed by Proclamation there are no comparatives disclosed in the 2016/17 financial reports for 2016/17.

(aa) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

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

| Functions/activities | Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b). | | | | |
|--|--|-------------------------------------|---|--|---|
| | Income from continuing operations | Expenses from continuing operations | Operating result from continuing operations | Grants included in income from continuing operations | Total assets held (current and non-current) |
| | Actual 10/9/16 to 30/6/17 | Actual 10/9/16 to 30/6/17 | Actual 10/9/16 to 30/6/17 | Actual 10/9/16 to 30/6/17 | Actual 2017 |
| Governance | – | 5,470 | (5,470) | – | 11,154 |
| Administration | 16,087 | 29,545 | (13,458) | 11,944 | 787,327 |
| Public order and safety | 4,034 | 5,052 | (1,018) | – | – |
| Health | 739 | 717 | 22 | – | – |
| Environment | 21,047 | 28,198 | (7,151) | 105 | 88,756 |
| Community services and education | 12,441 | 3,864 | 8,577 | 10,698 | – |
| Housing and community amenities | 2,549 | 9,363 | (6,814) | 568 | – |
| Recreation and culture | 26,601 | 23,075 | 3,526 | 397 | 283,122 |
| Mining, manufacturing and construction | 14,643 | 2,382 | 12,261 | – | – |
| Transport and communication | 18,553 | 7,351 | 11,202 | 1,032 | 493,778 |
| Economic affairs | 4,755 | 4,678 | 77 | – | – |
| Total functions and activities | 121,449 | 119,695 | 1,754 | 24,744 | 1,664,137 |
| Share of gains/(losses) in associates and joint ventures (using the equity method) | 560 | – | 560 | – | 4,401 |
| General purpose income ¹ | 8,465 | – | 8,465 | 3,217 | – |
| Operating result from continuing operations | 130,474 | 119,695 | 10,779 | 27,961 | 1,668,538 |

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

Bayside Council

Notes to the Financial Statements for the period 10 Sep 2016 to 30 June 2017

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

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

GOVERNANCE

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

ADMINISTRATION

Includes corporate support and other support services, engineering works, and any Council policy compliance.

PUBLIC ORDER AND SAFETY

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

COMMUNITY SERVICES AND EDUCATION

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

HOUSING AND COMMUNITY AMENITIES

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

RECREATION AND CULTURE

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

MINING, MANUFACTURING AND CONSTRUCTION

Includes building control, quarries and pits, mineral resources, and abattoirs.

TRANSPORT AND COMMUNICATION

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

ECONOMIC AFFAIRS

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

Financial Statements 2017

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 3. Income from continuing operations

| | Actual 10/9/16 to 30/6/17 |
|--|---------------------------------|
| \$ '000 | Notes |
| (a) Rates and annual charges | |
| Ordinary rates | |
| Residential | 189 |
| Business | (1,107) |
| Total ordinary rates | (918) |
| Special rates | |
| Local area rates | 13 |
| Infrastructure levy | (1) |
| Total special rates | 12 |
| Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611) | |
| Domestic waste management services | 20,620 |
| Stormwater management services | (11) |
| Section 611 charges | 119 |
| Total annual charges | 20,728 |
| TOTAL RATES AND ANNUAL CHARGES | 19,822 |

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

Financial Statements 2017

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

| | Actual 10/9/16 to 30/6/17 |
|---|---------------------------------|
| \$ '000 | Notes |
| (b) User charges and fees | |
| Specific user charges (per s.502 – specific 'actual use' charges) | |
| Waste management services (non-domestic) | 922 |
| Waste management services (non-rateable) | 20 |
| Total user charges | 942 |
| Other user charges and fees | |
| (i) Fees and charges – statutory and regulatory functions (per s.608) | |
| Private works – section 67 | 467 |
| Section 149 certificates (EPA Act) | 311 |
| Section 603 certificates | 190 |
| Town planning | 49 |
| Building consents and construction certificates | 231 |
| Building inspections | 50 |
| Development and planning consent fees | 1,685 |
| Health inspection and approvals fee | 1,130 |
| Other | 45 |
| Total fees and charges – statutory/regulatory | 4,158 |
| (ii) Fees and charges – other (incl. general user charges (per s.608)) | |
| Leaseback fees – Council vehicles | 325 |
| Library and art gallery | 67 |
| Parking fees | 5 |
| Restoration charges | 1,514 |
| Sundry sales | 3 |
| Swimming centres | 463 |
| Engineering inspections and other fees | 126 |
| Street furniture advertising fee | 187 |
| Permits and inspection fees | 33 |
| Design review panel | 94 |
| Advertising | 510 |
| Hire and usage fees | 539 |
| B/A school fees | 478 |
| Long Day Care | 1,083 |
| Golf course | 267 |
| Meals on wheels | 125 |
| Contract services | 4,562 |
| Other | 80 |
| Total fees and charges – other | 10,461 |
| TOTAL USER CHARGES AND FEES | 15,561 |

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Financial Statements 2017

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

| | Actual 10/9/16 to 30/6/17 |
|---|---------------------------------|
| \$ '000 | Notes |
| (c) Interest and investment revenue (including losses) | |
| Interest | |
| – Interest on overdue rates and annual charges (incl. special purpose rates) | 362 |
| – Interest earned on investments (interest and coupon payment income) | 6,204 |
| Fair value adjustments | |
| – Fair valuation movements in investments (at fair value or held for trading) | 188 |
| <u>TOTAL INTEREST AND INVESTMENT REVENUE</u> | <u>6,754</u> |
| Interest revenue is attributable to: | |
| Unrestricted investments/financial assets: | |
| Overdue rates and annual charges (general fund) | 362 |
| General Council cash and investments | 3,525 |
| Restricted investments/funds – external: | |
| Development contributions | |
| – Section 94 | 2,867 |
| <u>Total interest and investment revenue recognised</u> | <u>6,754</u> |
| (d) Other revenues | |
| Rental income – other council properties | 1,395 |
| Ex gratia rates | 2,279 |
| Fines – parking | 3,385 |
| Fines – other | 731 |
| Legal fees recovery – other | 193 |
| Commissions and agency fees | 3 |
| Diesel rebate | 32 |
| Insurance claim recoveries | 4,804 |
| Sales – general | 211 |
| Other credit card service fee | 58 |
| Contract Rebates | 2,766 |
| Rental income – halls and community facilities | 102 |
| Rental income – parks and sporting facilities | 259 |
| Other | 284 |
| <u>TOTAL OTHER REVENUE</u> | <u>16,502</u> |

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Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

| | 10/9/16 to 30/6/17 Operating | 10/9/16 to 30/6/17 Capital |
|---|------------------------------------|----------------------------------|
| \$ '000 | | |
| (e) Grants | | |
| General purpose (untied) | | |
| Financial assistance – general component | 2,961 | – |
| Pensioners' rates subsidies – general component | 256 | – |
| Total general purpose | 3,217 | – |
| Specific purpose | | |
| Pensioners' rates subsidies: | | |
| – Domestic waste management | 105 | – |
| Aged care | 35 | – |
| Community care | 1,663 | – |
| Heritage and cultural | 38 | – |
| Library | 70 | – |
| Library – per capita | 289 | – |
| Street lighting | 568 | – |
| Transport (roads to recovery) | – | – |
| Transport (other roads and bridges funding) | 143 | 81 |
| RTA roads and traffic | 470 | 290 |
| Other – road safety | – | 48 |
| New Council Implementation Funding | 10,000 | – |
| Stronger Communities Funding | 1,000 | 9,000 |
| Other | 823 | 121 |
| Total specific purpose | 15,204 | 9,540 |
| Total grants | 18,421 | 9,540 |
| Grant revenue is attributable to: | | |
| – Commonwealth funding | 5,020 | – |
| – State funding | 12,578 | 9,338 |
| – Other funding | 823 | 202 |
| | 18,421 | 9,540 |

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

| \$ '000 | Notes | 10/9/16 to 30/6/17 Operating | 10/9/16 to 30/6/17 Capital |
|--|-------|------------------------------------|----------------------------------|
| (f) Contributions | | | |
| Developer contributions: | | | |
| (s93 & s94 – EP&A Act, s64 of the LGA): | | | |
| S 93F – contributions using planning agreements | | – | 767 |
| S 94 – contributions towards amenities/services | | – | 34,991 |
| S 94A – fixed development consent levies | | – | 5,994 |
| Total developer contributions | 17 | – | 41,752 |
| Other contributions: | | | |
| Other | | 711 | 504 |
| Total other contributions | | 711 | 504 |
| Total contributions | | 711 | 42,256 |
| TOTAL GRANTS AND CONTRIBUTIONS | | 19,132 | 51,796 |

| \$ '000 | Actual 10/9/16 to 30/6/17 |
|--|---------------------------------|
| (g) Unspent grants and contributions | |
| Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner: | |
| Unexpended at the close of the previous reporting period (former Councils) | 177,201 |
| Add: grants and contributions recognised in the current period but not yet spent: | 61,667 |
| Less: grants and contributions recognised in a previous reporting period now spent: | (6,481) |
| Net increase (decrease) in restricted assets during the period | 55,186 |
| Unexpended and held as restricted assets | 232,387 |
| Comprising: | |
| – Specific purpose unexpended grants | 20,095 |
| – Developer contributions | 212,292 |
| | 232,387 |

Financial Statements 2017

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 4. Expenses from continuing operations

| | Actual 10/9/16 to 30/6/17 |
|--|---------------------------------|
| \$ '000 | Notes |
| (a) Employee benefits and on-costs | |
| Salaries and wages | 40,782 |
| Travel expenses | 34 |
| Employee leave entitlements (ELE) | 7,089 |
| Superannuation | 1,386 |
| Superannuation – defined contribution plans | 2,038 |
| Superannuation – defined benefit plans | 1,342 |
| Workers' compensation insurance | 1,819 |
| Fringe benefit tax (FBT) | 124 |
| Training costs (other than salaries and wages) | 268 |
| Occupational health and safety | 48 |
| Other | 38 |
| Total employee costs | 54,968 |
| Less: capitalised costs | (2,434) |
| TOTAL EMPLOYEE COSTS EXPENSED | 52,534 |
| Number of 'full-time equivalent' employees (FTE) at year end | 703 |
| (b) Borrowing costs | |
| (i) Interest bearing liability costs | |
| Interest on loans | 229 |
| Total interest bearing liability costs expensed | 229 |
| (ii) Other borrowing costs | |
| Interest applicable on interest free (and favourable) loans to Council | 28 |
| Total other borrowing costs | 28 |
| TOTAL BORROWING COSTS EXPENSED | 257 |

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Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

| | Actual 10/9/16 to 30/6/17 |
|--|---------------------------------|
| \$ '000 | Notes |
| (c) Materials and contracts | |
| Raw materials and consumables | 4,175 |
| Contractor and consultancy costs | 28,281 |
| Auditors remuneration ⁽¹⁾ | 824 |
| Legal expenses: | |
| – Legal expenses: planning and development | 947 |
| – Legal expenses: other | 738 |
| Computer maintenance | 1,684 |
| Roads, parks and property maintenance | 2,505 |
| Recycling contract | 2,013 |
| Waste collection and disposal | 13,485 |
| Other | 1 |
| Total materials and contracts | 54,653 |
| Less: capitalised costs | (19,495) |
| TOTAL MATERIALS AND CONTRACTS | 35,158 |

1. Auditor remuneration

a. During the year, the following fees were incurred for services provided by the Auditor-General:

(i) Audit and other assurance services

| | |
|---|------------|
| – Audit and review of financial statements: Auditor-General | 650 |
| – Audit and review of financial statements: former City of Botany Bay Council | 131 |
| Remuneration for audit and other assurance services | 781 |
| Total Auditor-General remuneration | 781 |

b. During the year, the following fees were incurred for services provided by the other Council's Auditors:

(i) Audit and other assurance services

| | |
|--|------------|
| – Audit and review of financial statements: PWC (former Rockdale City Council) | 43 |
| Remuneration for audit and other assurance services | 43 |
| Total remuneration of other Council's Auditors | 43 |
| Total Auditor remuneration | 824 |

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Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

| \$ '000 | Notes | Actual 10/9/16 to 30/6/17 |
|---|-------|---------------------------------|
| (d) Depreciation, amortisation and impairment | | |
| Plant and equipment | | 1,696 |
| Office equipment | | 280 |
| Furniture and fittings | | 109 |
| Land improvements (depreciable) | | 460 |
| Infrastructure: | | |
| – Buildings – non-specialised | | 917 |
| – Buildings – specialised | | 1,780 |
| – Other structures | | 1,750 |
| – Roads | | 5,893 |
| – Bridges | | 66 |
| – Footpaths | | 1,261 |
| – Stormwater drainage | | 1,301 |
| – Swimming pools | | 135 |
| Other assets | | |
| – Library books | | 577 |
| – Other | | – |
| Intangible assets | 25 | 572 |
| Total gross depreciation and amortisation costs | | 16,797 |
| Less: capitalised costs | | – |
| Total depreciation and amortisation costs | | 16,797 |
| Impairment | | |
| Nil | | |
| TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED | | 16,797 |

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Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

| | | Actual |
|--|-------|---------------|
| | | 10/9/16 |
| \$ '000 | Notes | to 30/6/17 |
| (e) Other expenses | | |
| Advertising | | 592 |
| Bad and doubtful debts | | 152 |
| Bank charges | | 84 |
| Contributions/levies to other levels of government | | 64 |
| – Department of planning levy | | 289 |
| – Emergency services levy (includes FRNSW, SES, and RFS levies) | | 389 |
| – NSW fire brigade levy | | 1,305 |
| Councillor expenses – councillors' fees | | 8 |
| Councillors' expenses (incl. mayor) – other (excluding fees above) | | 5 |
| Donations, contributions and assistance to other organisations (Section 356) | | 612 |
| Electricity and heating | | 984 |
| Insurance | | 1,716 |
| Postage | | 279 |
| Printing and stationery | | 744 |
| Street lighting | | 2,122 |
| Subscriptions and publications | | 266 |
| Telephone and communications | | 781 |
| Food and beverages | | 430 |
| Fees and charges | | 762 |
| Property expenses | | 676 |
| Motor vehicle expenses | | 1,680 |
| External hire charges | | 356 |
| Other | | 653 |
| TOTAL OTHER EXPENSES | | 14,949 |

Note 5. Gains or losses from the disposal of assets

| | | |
|--|--|------------|
| Plant and equipment | | |
| Proceeds from disposal – plant and equipment | | 1,684 |
| Less: carrying amount of plant and equipment assets sold/written off | | (1,337) |
| Net gain/(loss) on disposal | | 347 |
| Financial assets | | |
| Proceeds from disposal/redemptions/maturities – financial assets | | 93,381 |
| Less: carrying amount of financial assets sold/redeemed/matured | | (93,381) |
| Net gain/(loss) on disposal | | – |
| NET GAIN/(LOSS) ON DISPOSAL OF ASSETS | | 347 |

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 6a. – Cash assets and Note 6b. – investments

| | | 2017 Actual Current | 2017 Actual Non-current |
|--|-------|---------------------------|-------------------------------|
| \$ '000 | Notes | | |
| Cash and cash equivalents (Note 6a) | | | |
| Cash on hand and at bank | | 16,572 | – |
| Cash-equivalent assets ¹ | | | |
| – Deposits at call | | 35,047 | – |
| Total cash and cash equivalents | | 51,619 | – |
| Investments (Note 6b) | | | |
| – Long term deposits | | 227,746 | – |
| – NCD's, FRN's (with maturities > 3 months) | | – | 55,388 |
| Total investments | | 227,746 | 55,388 |
| TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS | | 279,365 | 55,388 |

¹ Those investments where time to maturity (from date of purchase) is < 3 mths.

**Cash, cash equivalents and investments were
classified at year end in accordance with
AASB 139 as follows:**

Cash and cash equivalents

a. 'At fair value through the profit and loss'

| | |
|---------------|----------|
| 51,619 | – |
|---------------|----------|

Investments

a. 'At fair value through the profit and loss'

– 'Held for trading'

| | |
|--------|---|
| 55,388 | – |
|--------|---|

b. 'Held to maturity'

| | |
|---------|--------|
| 172,358 | 55,388 |
|---------|--------|

Investments

| | |
|----------------|---------------|
| 227,746 | 55,388 |
|----------------|---------------|

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

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Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

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

| | 2017 Actual Current | 2017 Actual Non-current |
|---|---------------------------|-------------------------------|
| \$ '000 | | |
| Total cash, cash equivalents and investments | 279,365 | 55,388 |
| attributable to: | | |
| External restrictions (refer below) | 212,783 | 55,388 |
| Internal restrictions (refer below) | 65,382 | – |
| Unrestricted | 1,200 | – |
| | 279,365 | 55,388 |

| 10/9/16 to 30/6/17 | Transferred from former Councils | Transfers to restrictions | Transfers from restrictions | Closing balance |
|--------------------|--|------------------------------|-----------------------------------|--------------------|
| \$ '000 | | | | |

Details of restrictions

External restrictions – included in liabilities

Nil

External restrictions – other

| | | | | | |
|--------------------------------------|-----|----------------|---------------|-----------------|----------------|
| Developer contributions – general | (D) | 175,064 | 42,837 | (5,609) | 212,292 |
| Specific purpose unexpended grants | (F) | 2,137 | 18,830 | (872) | 20,095 |
| Domestic waste management | (G) | 12,181 | 16,254 | (19,923) | 8,512 |
| Stormwater management | (G) | 2,878 | 986 | (1,188) | 2,676 |
| Local area funds | | 12,759 | 738 | (233) | 13,264 |
| Infrastructure levy reserve | | 7,229 | 5,460 | (3,798) | 8,891 |
| Community safety levy | | 530 | 267 | (238) | 559 |
| Mascot main street | | 701 | – | – | 701 |
| Mascot parking rate | | 1,181 | – | – | 1,181 |
| External restrictions – other | | 214,660 | 85,372 | (31,861) | 268,171 |
| Total external restrictions | | 214,660 | 85,372 | (31,861) | 268,171 |

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Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

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

| 10/9/16 to 30/6/17 \$ '000 | Transferred from former Councils | Transfers to restrictions | Transfers from restrictions | Closing balance |
|--|--|------------------------------|-----------------------------------|--------------------|
| Internal restrictions | | | | |
| Infrastructure replacement | 100 | – | – | 100 |
| Employees leave entitlement | 6,154 | – | (1,287) | 4,867 |
| Carry over works | – | 3,642 | – | 3,642 |
| Deposits, retentions and bonds | 2,000 | – | – | 2,000 |
| Plant and equipment | 1,050 | 4,500 | (525) | 5,025 |
| Office equipment and it reserve | 2,059 | 1,270 | (1,472) | 1,857 |
| Open space and s94 obligations | 1,508 | 100 | – | 1,608 |
| Public liability claims | 346 | 160 | (66) | 440 |
| Workers compensation | 116 | – | – | 116 |
| Council election | 570 | 140 | – | 710 |
| Strategic priorities | 39,212 | 10,766 | (15,518) | 34,460 |
| Street lighting hardware | 597 | – | (297) | 300 |
| Brighton bath amenities building | 2,421 | 450 | – | 2,871 |
| Arncliffe youth centre | 2,970 | – | – | 2,970 |
| Financial Assistance Grants in Advance | – | 2,960 | – | 2,960 |
| Contribution to Works | – | 312 | – | 312 |
| Asset replacement | 200 | – | – | 200 |
| Church Ave road widening | 200 | – | – | 200 |
| Domestic waste management | 122 | – | – | 122 |
| Mascot oval | 80 | – | – | 80 |
| O'Riordan St cables | 210 | – | – | 210 |
| Public works | 224 | – | – | 224 |
| Childrens Services | 108 | – | – | 108 |
| Total internal restrictions | 60,247 | 24,300 | (19,165) | 65,382 |
| TOTAL RESTRICTIONS | 274,907 | 109,672 | (51,026) | 333,553 |

D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))

G Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 7. Receivables

| \$ '000 | Notes | 2017 | |
|---|-------|----------------------|-----------------|
| | | Current | Non-current |
| Purpose | | | |
| Rates and annual charges | | 6,615 | — |
| Interest and extra charges | | 876 | — |
| User charges and fees | | 2,603 | — |
| Accrued revenues | | | |
| – Interest on investments | | 1,289 | — |
| – Other income accruals | | 1,268 | — |
| Government grants and subsidies | | 466 | — |
| Net GST receivable | | 1,472 | — |
| Other levels of government | | — | — |
| Other debtors (Insurance Settlement) | | 4,800 | — |
| Other debtors (enter details...) | | — | — |
| Other debtors (enter details...) | | — | — |
| Other debtors | | 14 | — |
| Total | | 19,403 | — |
| Less: provision for impairment | | | |
| Rates and annual charges | | (89) | — |
| Interest and extra charges | | (66) | — |
| User charges and fees | | (111) | — |
| Other debtors | | (452) | — |
| Total provision for impairment – receivables | | (718) | — |
| <u>TOTAL NET RECEIVABLES</u> | | <u>18,685</u> | <u>—</u> |
| Externally restricted receivables | | | |
| Domestic waste management | | 1,795 | — |
| Parking (Mascot) | | 38 | — |
| Stormwater management | | 121 | — |
| – Local Area Rates | | 46 | — |
| – Mascot Main Street | | 39 | — |
| – Unexpended Grants | | 434 | — |
| Total external restrictions | | 2,473 | — |
| Internally restricted receivables | | | |
| Nil | | | |
| Unrestricted receivables | | 16,212 | — |
| <u>TOTAL NET RECEIVABLES</u> | | <u>18,685</u> | <u>—</u> |

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 8. Inventories and other assets

| \$ '000 | Notes | 2017 | |
|--|-------|-------------------|-----------------|
| | | Current | Non-current |
| (a) Inventories | | | |
| (i) Inventories at cost | | | |
| Stores and materials | | 184 | — |
| Trading stock | | 24 | — |
| Total inventories at cost | | 208 | — |
| (ii) Inventories at net realisable value (NRV) | | | |
| Nil | | | |
| <u>TOTAL INVENTORIES</u> | | <u>208</u> | <u>—</u> |
| (b) Other assets | | | |
| Prepayments | | 685 | — |
| <u>TOTAL OTHER ASSETS</u> | | <u>685</u> | <u>—</u> |

Externally restricted assets

There are no restrictions applicable to the above assets.

(i) Other disclosures**(a) Inventory write downs**

There were no amounts recognised as an expense relating to the write down of inventory balances held during the year.

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.

Financial Statements 2017

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

| Asset class | IPP&E transferred from former Councils as at 10/9/2016 | | | Asset movements during the reporting period | | | | | | as at 30/6/2017 | | |
|---|---|--|---------------------------|---|-------------------------|--------------------------------|-------------------------|------------------------------|---|-----------------------------|--|---------------------------|
| | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount | Additions renewals | Additions new assets | Carrying value of disposals | Depreciation expense | Adjustments and transfers | Tfns from/(to) 'held for sale' category | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount |
| \$ '000 | | | | | | | | | | | | |
| Capital work in progress | 2,337 | – | 2,337 | 6,923 | 586 | – | – | | – | 9,846 | – | 9,846 |
| Plant and equipment | 13,473 | 5,272 | 8,201 | 3,931 | – | (1,337) | (1,696) | | – | 14,967 | 5,868 | 9,099 |
| Office equipment | 1,455 | 498 | 957 | 93 | – | – | (280) | | – | 1,547 | 777 | 770 |
| Furniture and fittings | 1,468 | 825 | 643 | 10 | 14 | – | (109) | | – | 1,492 | 934 | 558 |
| Land: | | | | | | | | | | | | |
| – Operational land | 328,596 | – | 328,596 | – | – | – | – | | (2,190) | 326,406 | – | 326,406 |
| – Community land | 154,979 | – | 154,979 | 50 | – | – | – | | – | 155,029 | – | 155,029 |
| – Land under roads (post 30/6/08) | 1,085 | – | 1,085 | 467 | – | – | – | | – | 1,552 | – | 1,552 |
| Land improvements – depreciable | 27,392 | 7,790 | 19,602 | 644 | – | – | (460) | | – | 28,036 | 8,250 | 19,786 |
| Infrastructure: | | | | | | | | | | | | |
| – Buildings – non-specialised | 69,286 | 25,658 | 43,628 | 1,607 | – | – | (917) | | – | 70,895 | 26,577 | 44,318 |
| – Buildings – specialised | 155,891 | 35,863 | 120,028 | 10,844 | – | – | (1,780) | (7,173) | – | 159,562 | 37,643 | 121,919 |
| – Other structures | 49,765 | 15,058 | 34,707 | 1,089 | 46 | – | (1,750) | 1,716 | – | 52,616 | 16,808 | 35,808 |
| – Roads | 481,460 | 116,016 | 365,444 | 2,829 | – | – | (5,893) | 678 | – | 484,966 | 121,908 | 363,058 |
| – Bridges | 7,992 | 876 | 7,116 | – | – | – | (66) | | – | 7,992 | 942 | 7,050 |
| – Footpaths | 95,731 | 41,863 | 53,868 | 1,833 | – | – | (1,261) | | – | 97,564 | 43,124 | 54,440 |
| – Bulk earthworks (non-depreciable) | 61,056 | – | 61,056 | – | – | – | – | | – | 61,056 | – | 61,056 |
| – Stormwater drainage | 137,291 | 51,677 | 85,614 | 214 | 1,265 | – | (1,301) | | – | 138,770 | 52,978 | 85,792 |
| – Swimming pools | 1,663 | 133 | 1,530 | – | – | – | (135) | 4,779 | – | 6,442 | 268 | 6,174 |
| Other assets: | | | | | | | | | | | | |
| – Library books | 2,634 | 935 | 1,699 | 346 | – | – | (577) | | – | 2,980 | 1,512 | 1,468 |
| TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP. | 1,593,554 | 302,464 | 1,291,090 | 30,880 | 1,911 | (1,337) | (16,225) | – | (2,190) | 1,621,718 | 317,589 | 1,304,129 |

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

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

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Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

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

| \$ '000 Class of asset | Actual 2017 | | |
|--|--------------------------|-------------------------------------|------------------------|
| | Gross carrying amount | Accumulated depn. and impairment | Net carrying amount |
| Domestic waste management Plant and equipment | 2,580 | 1,532 | 1,048 |
| Total DWM | 2,580 | 1,532 | 1,048 |
| TOTAL RESTRICTED I,PP&E | 2,580 | 1,532 | 1,048 |

Note 9c. Infrastructure, property, plant and equipment – current year
impairments

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 10a. Payables, borrowings and provisions

| \$ '000 | Notes | 2017 | |
|---|-------|---------------|---------------|
| | | Current | Non-current |
| Payables | | | |
| Goods and services – operating expenditure | | 2,265 | – |
| Accrued expenses: | | | |
| – Salaries and wages | | 943 | – |
| – Other expenditure accruals | | 6,754 | – |
| Security bonds, deposits and retentions | | 17,829 | – |
| Builders service and plan first levy payable | | 348 | – |
| Other | | 1,239 | – |
| Total payables | | 29,378 | – |
| Income received in advance | | | |
| Payments received in advance | | 786 | – |
| Total income received in advance | | 786 | – |
| Borrowings | | | |
| Loans – secured ¹ | | 1,101 | 4,912 |
| Total borrowings | | 1,101 | 4,912 |
| Provisions | | | |
| Employee benefits: | | | |
| Annual leave | | 7,754 | – |
| Sick leave | | 1,278 | – |
| Long service leave | | 11,923 | 608 |
| Gratuities | | 373 | – |
| Sub-total – aggregate employee benefits | | 21,328 | 608 |
| Public liability under excess | | – | 296 |
| Reparation of city of botany bay financial controls | | – | – |
| Remediation Provision | | – | 3,322 |
| Land disposal tax | | – | 1,904 |
| Onerous Contracts | | – | – |
| Settlement and legal costs | | 1,707 | – |
| Other | | 637 | – |
| Total provisions | | 23,672 | 6,130 |
| TOTAL PAYABLES, BORROWINGS AND PROVISIONS | | 54,937 | 11,042 |

(i) Liabilities relating to restricted assets

There are no restricted assets (external or internal) applicable to the above liabilities.

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 10a. Payables, borrowings and provisions (continued)

\$ '000

(ii) Current liabilities not anticipated to be settled within the next twelve months

Nil

Note 10b. Description of and movements in provisions

| Class of provision | 2016 Opening balance (former Councils) | 10/9/16 to 30/6/17 | | | | Closing balance as at 30/6/17 |
|--|--|--------------------------|-----------------------------|--|-------------------------------|-------------------------------------|
| | | Additional provisions | Decrease due to payments | Remeasurement effects due to discounting | Unused amounts reversed | |
| Annual leave | 8,222 | 1,145 | (2,636) | 1,315 | (291) | 7,755 |
| Sick leave | 1,565 | — | (131) | 30 | (186) | 1,278 |
| Long service leave | 11,925 | 214 | (1,345) | 1,737 | — | 12,531 |
| Gratuities | 368 | — | — | 7 | (3) | 372 |
| Onerous Contracts | 4,339 | — | — | — | (4,339) | — |
| Settlement and legal costs | 2,398 | 291 | (381) | — | — | 2,308 |
| Preparation of Financial Statements | 1,925 | — | (1,925) | — | — | — |
| Public Liability under excess | 296 | — | — | — | — | 296 |
| Other | — | 5,263 | — | — | — | 5,263 |
| TOTAL | 31,038 | 6,912 | (6,418) | 3,089 | (4,819) | 29,802 |

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Self insurance provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as a result of Council's being a self insurer up to certain levels of excess.
- c. Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 11. Statement of cash flows – additional information

| \$ '000 | Notes | Actual 2017 |
|--|-------|----------------|
| (a) Reconciliation of cash assets | | |
| Total cash and cash equivalent assets | 6a | 51,619 |
| Less bank overdraft | 10 | – |
| Balance as per the Statement of Cash Flows | | 51,619 |
| (b) Reconciliation of net operating result to cash provided from operating activities | | |
| Net result from Income Statement | | 10,779 |
| Adjust for non-cash items: | | |
| Depreciation and amortisation | | 16,797 |
| Net losses/(gains) on disposal of assets | | (347) |
| Non-cash capital grants and contributions | | (1,782) |
| Losses/(gains) recognised on fair value re-measurements through the P&L: | | |
| – Investments classified as 'at fair value' or 'held for trading' | | (188) |
| Amortisation of premiums, discounts and prior period fair valuations | | |
| – Interest exp. on interest-free loans received by Council (previously fair valued) | | 28 |
| Share of net (profits) or losses of associates/joint ventures | | (560) |
| +/- Movement in operating assets and liabilities and other cash items: | | |
| Decrease/(increase) in receivables | | 43,302 |
| Increase/(decrease) in provision for doubtful debts | | 153 |
| Decrease/(increase) in inventories | | 166 |
| Decrease/(increase) in other assets | | 1,488 |
| Increase/(decrease) in payables | | 148 |
| Increase/(decrease) in other accrued expenses payable | | 1,187 |
| Increase/(decrease) in other liabilities | | 2,629 |
| Increase/(decrease) in employee leave entitlements | | (144) |
| Increase/(decrease) in other provisions | | (1,092) |
| Net cash provided from/(used in) operating activities from the Statement of Cash Flows | | 72,564 |
| (c) Non-cash investing and financing activities | | |
| S94 contributions 'in kind' | | 1,782 |
| Total non-cash investing and financing activities | | 1,782 |
| (d) Financing arrangements | | |
| (i) Unrestricted access was available at balance date to the following lines of credit: | | |
| Amounts utilised as at balance date: | | |
| – Bank overdraft facilities | | 890 |
| – Credit cards/purchase cards | | 160 |
| Total financing arrangements utilised | | 1,050 |
| (ii) Secured loan liabilities | | |
| Loans are secured by a mortgage over future years rate revenue only. | | |

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 12. Commitments for expenditure

| \$ '000 | Notes | Actual 2017 |
|--|-------|----------------|
| (a) Capital commitments (exclusive of GST) | | |
| Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities: | | |
| Property, plant and equipment | | |
| Buildings | | 6,798 |
| Plant and equipment | | 1,276 |
| Infrastructure Works | | 16,791 |
| Information Management | | 4,206 |
| Other | | 258 |
| Total commitments | | 29,329 |
| These expenditures are payable as follows: | | |
| Within the next year | | — |
| Later than one year and not later than 5 years | | 25,479 |
| Later than 5 years | | 3,850 |
| Total payable | | 29,329 |
| Sources for funding of capital commitments: | | |
| Unrestricted general funds | | 29,329 |
| Total sources of funding | | 29,329 |
| Details of capital commitments | | |
| Completion of Council's capital works program which has commenced. | | |
| (b) Finance lease commitments | | |
| Nil | | |
| (c) Operating lease commitments (non-cancellable) | | |
| a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable: | | |
| Within the next year | | 28 |
| Later than one year and not later than 5 years | | 2 |
| Total non-cancellable operating lease commitments | | 30 |
| b. Non-cancellable operating leases include the following assets: | | |
| Contingent rentals may be payable depending on the condition of items or usage during the lease term. | | |
| Conditions relating to operating leases: | | |
| — All operating lease agreements are secured only against the leased asset. | | |
| — No lease agreements impose any financial restrictions on Council regarding future debt etc. | | |

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 13a. Statement of performance measurement – indicators (consolidated)

| \$ '000 | Amounts 2017 | Indicator 2017 | Benchmark |
|--|-----------------|-------------------|------------------------|
| Local government industry indicators – consolidated | | | |
| 1. Operating performance ratio | | | |
| Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses | (42,112) | -54.28% | >0.00% |
| Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions | 77,583 | | |
| 2. Own source operating revenue ratio | | | |
| Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions | 58,451 | 45.18% | >60.00% |
| Total continuing operating revenue ⁽¹⁾ | 129,379 | | |
| 3. Unrestricted current ratio | | | |
| Current assets less all external restrictions ⁽²⁾ | 85,877 | 1.56x | >1.5x |
| Current liabilities less specific purpose liabilities ^(3, 4) | 54,937 | | |
| 4. Debt service cover ratio | | | |
| Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation | (25,058) | -20.09x | >2x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | 1,247 | | |
| 5. Rates, annual charges, interest and extra charges outstanding percentage | | | |
| Rates, annual and extra charges outstanding | 7,336 | 9.86% | < 5% |
| Rates, annual and extra charges collectible | 74,401 | | Metro <10% Rural |
| 6. Cash expense cover ratio | | | |
| Current year's cash and cash equivalents plus all term deposits | 279,365 | 30.75 mths | > 3 mths |
| Payments from cash flow of operating and financing activities | 9,085 | | |

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Bayside Council

Notes to the Financial Statements for the period 10 Sep 2016 to 30 June 2017

Note 14. Investment properties

\$ '000

Council has not classified any land or buildings as 'investment properties'.

Note 15. Financial risk management

Risk management

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

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

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

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

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

Fair value is determined as follows:

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

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

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

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

| | Increase of values/rates | | Decrease of values/rates | |
|--|--------------------------|--------|--------------------------|---------|
| | Profit | Equity | Profit | Equity |
| 10/9/16 to 30/6/17 | | | | |
| Possible impact of a 10% movement in market values | 5,539 | 5,539 | (5,539) | (5,539) |
| Possible impact of a 1% movement in interest rates | 2,289 | 2,289 | (2,289) | (2,289) |
| 2016 | | | | |
| Possible impact of a 10% movement in market values | 3,298 | 3,298 | (3,298) | (3,298) |
| Possible impact of a 1% movement in interest rates | 2,653 | 2,653 | (2,653) | (2,653) |

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages the payment of debt.

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

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

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

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

A profile of Council's receivables credit risk at balance date follows:

(i) Ageing of receivables – %

Current (not yet overdue)

Overdue

| 2017 Rates and annual charges | 2017 Other receivables |
|--|------------------------------|
| 47% | 72% |
| 53% | 28% |
| 100% | 100% |

(ii) Ageing of receivables – value

Rates and annual charges

Other receivables

Current

Current

< 1 year overdue

0 – 30 days overdue

1 – 2 years overdue

31 – 60 days overdue

2 – 5 years overdue

61 – 90 days overdue

> 5 years overdue

> 91 days overdue

| Rates and annual charges | Other receivables |
|--------------------------------|----------------------|
| 2,477 | 9,811 |
| 3,483 | 411 |
| 562 | 407 |
| 466 | 546 |
| 368 | 872 |
| 7,356 | 12,047 |

(iii) Movement in provision for impairment of receivables

Balance at the beginning of the year (former Councils)

+ new provisions recognised during the year

Balance at the end of the year

2017

565

153

718

page 45

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

| \$ '000 | Subject to no maturity | payable in: | | | | | | Total cash outflows | Actual carrying values |
|-----------------------------|------------------------------|-------------|---------|---------|---------|---------|---------|---------------------------|------------------------------|
| | | ≤ 1 Year | 1-2 Yrs | 2-3 Yrs | 3-4 Yrs | 4-5 Yrs | > 5 Yrs | | |
| 10/9/16 to 30/6/17 | | | | | | | | | |
| Trade/other payables | 17,829 | 11,549 | — | — | — | — | — | 29,378 | 29,378 |
| Loans and advances | — | 1,366 | 1,294 | 1,159 | 843 | 843 | 508 | 6,013 | 6,013 |
| Total financial liabilities | 17,829 | 12,915 | 1,294 | 1,159 | 843 | 843 | 508 | 35,391 | 35,391 |
| 2016 | | | | | | | | | |
| Trade/other payables | 16,292 | 9,550 | — | — | — | — | — | 25,842 | 25,842 |
| Loans and advances | — | 1,483 | 1,366 | 1,294 | 1,159 | 843 | 2,343 | 8,488 | 6,975 |
| Total financial liabilities | 16,292 | 11,033 | 1,366 | 1,294 | 1,159 | 843 | 2,343 | 34,330 | 32,817 |

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities and interest rate structures.

The following interest rates were applicable to Council's borrowings at balance date:

| | 2017 | |
|--|-------------------|--------------------------|
| | Carrying value | Average interest rate |
| Trade/other payables | 29,378 | 0.00% |
| Loans and advances – fixed interest rate | 6,013 | 3.56% |
| | <u>35,391</u> | |

Note 16. Material budget variations

In accordance with the Supplementary Code 25, this note is not required for new Councils.

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are 'restricted' in their future use.

SUMMARY OF CONTRIBUTIONS AND LEVIES

| PURPOSE | S94 Funds transferred from former Councils | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|---|--|--|--------------|-------------------------|-------------------------|------------------------------|--------------------------|--|
| | | Cash | Non-cash | | | | | |
| Drainage | 5,550 | 238 | – | 98 | – | – | 5,886 | – |
| Traffic facilities | 34,905 | 2,147 | – | 603 | (1,403) | – | 36,252 | – |
| Open space | 68,441 | 17,861 | – | 1,135 | (1,359) | – | 86,078 | 6 |
| Community facilities | 14,086 | 2,104 | – | 233 | (1,553) | – | 14,870 | – |
| Car parking | 967 | – | – | 13 | – | – | 980 | – |
| Drainage pollution control | 2,512 | 285 | – | 34 | – | – | 2,831 | (6) |
| Traffic and electricity facilities | 120 | – | – | – | – | – | 120 | – |
| Ramsgate commercial centre | 1,437 | 19 | – | 19 | – | – | 1,475 | – |
| Town centre program | 3,420 | 825 | – | 50 | – | – | 4,295 | – |
| Wolli creek | 9,050 | 3,564 | – | 144 | (1) | – | 12,757 | – |
| Bonar street precinct | 4,497 | 15 | 1,265 | 60 | – | – | 4,572 | – |
| Administration | 8 | 17 | – | – | (8) | – | 17 | – |
| Other | 24,903 | 6,650 | – | 475 | (353) | – | 31,675 | – |
| S94 contributions – under a plan | 169,896 | 33,725 | 1,265 | 2,864 | (4,677) | – | 201,808 | – |
| S94A levies – under a plan | 3,131 | 5,995 | – | – | (932) | – | 8,194 | – |
| Total S94 revenue under plans | 173,027 | 39,720 | 1,265 | 2,864 | (5,609) | – | 210,002 | – |
| S94 not under plans | 11 | – | – | – | – | – | 11 | – |
| S93F planning agreements | 2,026 | 250 | 517 | 3 | – | – | 2,279 | – |
| Total contributions | 175,064 | 39,970 | 1,782 | 2,867 | (5,609) | – | 212,292 | – |

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Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN S94 (former Botany)

| PURPOSE | S94 Funds transferred from former Councils | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|----------------------|--|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
| | | Cash | Non-cash | | | | | |
| Drainage | 5,550 | 238 | – | 98 | – | – | 5,886 | – |
| Traffic facilities | 33,996 | 1,389 | – | 597 | (1,403) | – | 34,579 | – |
| Open space | 30,879 | 5,769 | – | 589 | (545) | – | 36,692 | – |
| Community facilities | 9,054 | 1,577 | – | 164 | (1,296) | – | 9,499 | – |
| Other | 3,373 | 4,421 | – | 98 | (8) | – | 7,884 | – |
| Total | 82,852 | 13,394 | – | 1,546 | (3,252) | – | 94,540 | – |

CONTRIBUTION PLAN - MASCOT PRECINCT (former Botany)

| PURPOSE | S94 Funds transferred from former Councils | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|--------------|--|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
| | | Cash | Non-cash | | | | | |
| Other | 21,474 | 2,090 | – | 377 | (345) | – | 23,596 | – |
| Total | 21,474 | 2,090 | – | 377 | (345) | – | 23,596 | – |

CONTRIBUTION PLAN S94 PLAN 2016-2031 (former Botany)

| PURPOSE | S94 Funds transferred from former Councils | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|----------------------|--|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
| | | Cash | Non-cash | | | | | |
| Traffic facilities | 909 | 758 | – | 6 | – | – | 1,673 | – |
| Open space | 3,360 | 2,875 | – | 28 | – | – | 6,263 | – |
| Community facilities | 1,076 | 10 | – | 15 | – | – | 1,101 | – |
| Other | 56 | 139 | – | – | – | – | 195 | – |
| Total | 5,401 | 3,782 | – | 49 | – | – | 9,232 | – |

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Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Car Parking (Former Rockdale City Council)

| PURPOSE | S94 Funds transferred from former Councils | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|--------------------------------------|--|---|----------|-------------------------------|-------------------------------|------------------------------------|--------------------------------|---|
| | | Cash | Non-cash | | | | | |
| West Arncliffe / Turrella Industrial | 11 | – | – | – | – | – | 11 | – |
| East Arncliffe Industrial Area | 41 | – | – | 1 | – | – | 42 | – |
| Rockdale - Industrial | 1 | – | – | – | – | – | 1 | – |
| Ramsgate Beach - Business | 572 | – | – | 8 | – | – | 580 | – |
| Bexley - Business | 46 | – | – | 1 | – | – | 47 | – |
| Kingsgrove - Business | 9 | – | – | – | – | – | 9 | – |
| Bexley North | 84 | – | – | 1 | – | – | 85 | – |
| Brighton - New | 32 | – | – | – | – | – | 32 | – |
| Rockdale - New | 171 | – | – | 2 | – | – | 173 | – |
| Total | 967 | – | – | 13 | – | – | 980 | – |

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Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Drainage Pollution Control (Former Rockdale City Council)

| PURPOSE | S94 Funds transferred from former Councils | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|-------------------|--|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
| | | Cash | Non-cash | | | | | |
| Wolli Creek | 52 | – | – | 1 | – | – | 53 | – |
| Bardwell Creek | 62 | – | – | 1 | – | – | 63 | – |
| Bonni Doon | 67 | – | – | 1 | – | – | 68 | – |
| Spring Street | 85 | – | – | 1 | – | – | 86 | – |
| Muddy Creek | 183 | – | – | 2 | – | – | 185 | – |
| Eve Street | 36 | – | – | – | – | – | 36 | – |
| Scarborough Ponds | 28 | – | – | – | – | – | 28 | – |
| Waradiel Creek | – | – | – | – | – | – | – | (6) |
| Bado-berong Creek | 5 | – | – | – | – | – | 5 | – |
| Goomun Creek | 9 | – | – | – | – | – | 9 | – |
| Whole of City | 1,985 | 285 | – | 28 | – | – | 2,298 | – |
| Total | 2,512 | 285 | – | 34 | – | – | 2,831 | (6) |

Community facilities (Former Rockdale City Council)

| PURPOSE | S94 Funds transferred from former Councils | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|------------------------------|--|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
| | | Cash | Non-cash | | | | | |
| General Community Facilities | 3,623 | 34 | – | 48 | – | – | 3,705 | – |
| Libraries | 29 | 452 | – | 2 | (257) | – | 226 | – |
| Child Care | 304 | 31 | – | 4 | – | – | 339 | – |
| Total | 3,956 | 517 | – | 54 | (257) | – | 4,270 | – |

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Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Open space (Former Rockdale City Council)

| PURPOSE | S94 Funds transferred from former Councils | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|--------------|--|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
| | | Cash | Non-cash | | | | | |
| Open space | 34,202 | 9,217 | – | 518 | (814) | – | 43,123 | 6 |
| Total | 34,202 | 9,217 | – | 518 | (814) | – | 43,123 | 6 |

Traffic and Electricity Facilities (Former Rockdale City Council)

| PURPOSE | S94 Funds transferred from former Councils | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|-----------------|--|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
| | | Cash | Non-cash | | | | | |
| Gertrude Street | 120 | – | – | – | – | – | 120 | – |
| Total | 120 | – | – | – | – | – | 120 | – |

Ramsgate Commercial Centre (Former Rockdale City Council)

| PURPOSE | S94 Funds transferred from former Councils | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|--------------|--|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
| | | Cash | Non-cash | | | | | |
| Ramsgate | 1,163 | – | – | 15 | – | – | 1,178 | – |
| Sans Souci | 274 | 19 | – | 4 | – | – | 297 | – |
| Total | 1,437 | 19 | – | 19 | – | – | 1,475 | – |

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Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Town Centre Program (Former Rockdale City Council)

| PURPOSE | S94 Funds transferred from former Councils | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|-------------------|--|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
| | | Cash | Non-cash | | | | | |
| Arncliffe | 145 | 37 | – | 2 | – | – | 184 | – |
| Bexley | 11 | 1 | – | – | – | – | 12 | – |
| Bexley North | 9 | 1 | – | – | – | – | 10 | – |
| Brighton Le Sands | 9 | 1 | – | – | – | – | 10 | – |
| Kogarah | 12 | – | – | – | – | – | 12 | – |
| Rockdale | 58 | 3 | – | 1 | – | – | 62 | – |
| Sans Souci | 73 | 2 | – | 1 | – | – | 76 | – |
| Wolli Creek | 2,280 | 631 | – | 34 | – | – | 2,945 | – |
| City Wide | 823 | 149 | – | 12 | – | – | 984 | – |
| Total | 3,420 | 825 | – | 50 | – | – | 4,295 | – |

Wolli Creek (Former Rockdale City Council)

| PURPOSE | S94 Funds transferred from former Councils | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|---------------------------------|--|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
| | | Cash | Non-cash | | | | | |
| Flood and Stormwater Management | 6,219 | 1,119 | – | 90 | – | – | 7,428 | – |
| Roadworks, Traffic and Parking | 955 | 1,869 | – | 25 | (1) | – | 2,848 | – |
| Pedestrian / Cycle | 1,776 | 375 | – | 26 | – | – | 2,177 | – |
| Administration | 100 | 201 | – | 3 | – | – | 304 | – |
| Total | 9,050 | 3,564 | – | 144 | (1) | – | 12,757 | – |

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Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Administration (Former Rockdale City Council)

| PURPOSE | S94 Funds transferred from former Councils | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|---------------------------------|--|---|----------|-------------------------------|-------------------------------|------------------------------------|--------------------------------|---|
| | | Cash | Non-cash | | | | | |
| Whole of city (except Ramsgate) | 8 | 17 | – | – | (8) | – | 17 | – |
| Total | 8 | 17 | – | – | (8) | – | 17 | – |

Bonar Street Precinct (Former Rockdale City Council)

| PURPOSE | S94 Funds transferred from former Councils | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|----------------------|--|---|--------------|-------------------------------|-------------------------------|------------------------------------|--------------------------------|---|
| | | Cash | Non-cash | | | | | |
| Administration | 61 | 15 | – | 1 | – | – | 77 | – |
| Local infrastructure | 4,436 | – | 1,265 | 59 | – | – | 4,495 | – |
| Total | 4,497 | 15 | 1,265 | 60 | – | – | 4,572 | – |

S94A LEVIES– UNDER A PLAN

S94A (Former Rockdale City Council)

| PURPOSE | S94 Funds transferred from former Councils | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|--------------|--|---|----------|-------------------------------|-------------------------------|------------------------------------|--------------------------------|---|
| | | Cash | Non-cash | | | | | |
| S94A Levies | 3,131 | 680 | – | 40 | (932) | – | 2,919 | – |
| Total | 3,131 | 680 | – | 40 | (932) | – | 2,919 | – |

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Financial Statements 2017

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94A LEVIES- UNDER A PLAN

S94A (Former City of Botany Bay Council)

| PURPOSE | S94 Funds transferred from former Councils | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|--------------|--|---|----------|-------------------------------|-------------------------------|------------------------------------|--------------------------------|---|
| | | Cash | Non-cash | | | | | |
| S94A Levies | – | 5,315 | – | 53 | – | – | 5,368 | – |
| Total | – | 5,315 | – | 53 | – | – | 5,368 | – |

S94 CONTRIBUTIONS – NOT UNDER A PLAN

(Former Rockdale City Council)

| PURPOSE | S94 Funds transferred from former Councils | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|--------------------------|--|---|----------|-------------------------------|-------------------------------|------------------------------------|--------------------------------|---|
| | | Cash | Non-cash | | | | | |
| Inter-allotment Drainage | 11 | – | – | – | – | – | 11 | – |
| Total | 11 | – | – | – | – | – | 11 | – |

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Financial Statements 2017

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94A LEVIES – UNDER A PLAN

CONTRIBUTION PLAN NUMBER (former Rockdale)

| PURPOSE | S94 Funds transferred from former Councils | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|--------------|--|---|----------|-------------------------------|-------------------------------|------------------------------------|--------------------------------|---|
| | | Cash | Non-cash | | | | | |
| S94A levies | 3,131 | – | – | – | – | – | 3,131 | – |
| Total | 3,131 | – | – | – | – | – | 3,131 | – |

S94 CONTRIBUTIONS – NOT UNDER A PLAN

(former Rockdale)

| PURPOSE | S94 Funds transferred from former Councils | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|--------------------------|--|---|----------|-------------------------------|-------------------------------|------------------------------------|--------------------------------|---|
| | | Cash | Non-cash | | | | | |
| Inter-allotment Drainage | 11 | – | – | – | – | – | 11 | – |
| Total | 11 | – | – | – | – | – | 11 | – |

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Bayside Council

Notes to the Financial Statements for the period 10 September 2016 to 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contributions plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

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

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

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

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

(ii) CivicRisk Metro (formerly Metro Pool)

Council is a member of CivicRisk Metro, a joint venture of seven local councils in New South Wales.

It was established in 1990 to allow sharing of public liability and professional indemnity risks of its member councils.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to

the pool and the result of insurance claims within each of the fund years.

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

(iii) CivicRisk Mutual (formerly United Independent Pools (UIP))

Council is a member of CivicRisk Mutual, a joint venture, incorporated in July 2005 by CivicRisk West (formerly West Pool) and CivicRisk Metro (formerly Metro Pool).

CivicRisk Mutual "pools" the Industrial Special Risk, commercial motor property damage, Councillors' Directors' and Officers'/Statutory Liability and Fidelity Guarantee/Crime/Cyber risks of its 17 member Councils. It also undertakes various other activities, including running risk management forums and the bulk purchase of certain other insurances.

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

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

(iv) StateCover Mutual Limited

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

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

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

Bayside Council

Notes to the Financial Statements for the period 10 September 2016 to 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised (continued)

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

(v) Other guarantees

Council has the following contract performance limited bank guarantee to:

Sydney Airport Corporation Ltd (\$400K)

2. Other liabilities

(i) Remediation

The Council as part of past Council operations may have remediation liabilities. While some provision has been made in the accounts for this, there is potential for further exposure to losses not already provided for.

(ii) Third party claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services. Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

(iii) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

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

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

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

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

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

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

(v) ICAC investigation Operation Ricco

ICAC's investigation of allegations of fraud and corruption identified significant weakness in the former City of Botany Bay Council's internal controls. The systemic nature of the breakdown in governance may result in liabilities relating to past decisions or actions which are unknown at reporting date.

There is also potential future expenses relating to the legal recovery actions which may not be fully recoverable.

ASSETS NOT RECOGNISED:

(i) Legal recoveries of fraud

Legal recovery actions are being progressed against persons for recovery of monies identified by the ICAC Operation Ricco and by Council as fraud against the former City of Botany Bay Council. Outcomes cannot be reliably measured at time of reporting resulting in a contingent asset relating to legal recoveries and insurance settlements.

(ii) Legal actions

Council has provided for some legal settlements but is currently defending these legal claims which are potential contingent assets if successful.

(iii) Infringement notices/fines

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

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

Bayside Council

Notes to the Financial Statements

for the period 10 September 2016 to 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised (continued)

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

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

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 19. Interests in other entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Controlled entities (subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint ventures and associates

Note 19(b)

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint operations

Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated structured entities

Note 19(d)

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

| | Council's share of net income Actual 10/9/16 to 30/6/17 | Council's share of net assets Actual 2017 |
|----------------|--|---|
| Joint ventures | 560 | 4,401 |
| Total | 560 | 4,401 |

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint ventures and associates

Council has incorporated the following joint ventures and associates into its consolidated financial statements.

(a) Net carrying amounts – Council's share

| Name of entity | Nature of relationship | Measurement method | 2017 |
|--|------------------------|--------------------|--------------|
| Civic Risk Mutual (United Independent Pools) | Joint Venture | Equity Method | 489 |
| Civic Risk Mutual (Metropool) | Joint Venture | Equity Method | 3,912 |
| Total carrying amounts – material joint ventures and associates | | | 4,401 |

(b) Details

| Name of entity | Principal activity | Place of business |
|--|---------------------------------------|-------------------|
| Civic Risk Mutual (United Independent Pools) | Liability insurance & risk management | Penrith, NSW |
| Civic Risk Mutual (Metropool) | Liability insurance & risk management | Penrith, NSW |

(c) Relevant interests and fair values

| Name of entity | Quoted fair value 2017 | Interest in outputs 2017 | Interest in ownership 2017 | Proportion of voting power 2017 |
|--|------------------------|--------------------------|----------------------------|---------------------------------|
| Civic Risk Mutual (United Independent Pools) | N/A | 8% | 8% | 6% |
| Civic Risk Mutual (Metropool) | N/A | 34% | 34% | 14% |

(d) Summarised financial information for joint ventures and associates

| | Civic Risk Mutual (United Independent Pools) 2017 | Civic Risk Mutual (Metropool) 2017 |
|---|---|------------------------------------|
| Statement of financial position | | |
| Current assets | | |
| Cash and cash equivalents | 506 | 28 |
| Other current assets | 6,239 | 5,738 |
| Non-current assets | 5,889 | 18,168 |
| Current liabilities | | |
| Current financial liabilities (excluding trade and other payables and provisions) | 2,890 | 1,443 |
| Other current liabilities | 423 | 150 |
| Non-current liabilities | | |
| Non-current financial liabilities (excluding trade and other payables and provisions) | 2,830 | 10,730 |
| Net assets | 6,491 | 11,611 |

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Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates (continued)

(d) Summarised financial information for joint ventures and associates (cont'd)

| | Civic Risk Mutual (United Independent Pools) | Civic Risk Mutual (Metropool) |
|--|--|-------------------------------------|
| | 10/9/16 to 30/6/17 | 10/9/16 to 30/6/17 |
| Reconciliation of the carrying amount | | |
| Opening net assets (former Councils) | 7,585 | 11,054 |
| Profit/(loss) for the period | (796) | 2,189 |
| Other adjustments to equity | (298) | (1,632) |
| Closing net assets | 6,491 | 11,611 |
| Council's share of net assets (%) | 7.5% | 33.7% |
| Council's share of net assets (\$) | 489 | 3,912 |
| Statement of comprehensive income | | |
| Income | 8,302 | 2,781 |
| Interest income | 584 | 1,089 |
| Other expenses | (9,682) | (1,681) |
| Profit/(loss) from continuing operations | (796) | 2,189 |
| Profit/(loss) for period | (796) | 2,189 |
| Total comprehensive income | (796) | 2,189 |
| Share of income – Council (%) | 5.2% | 27.5% |
| Profit/(loss) – Council (\$) | (41) | 601 |
| Total comprehensive income – Council (\$) | (41) | 601 |

(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) Subsidiaries, joint arrangements and associates not recognised

None.

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

| \$ '000 | Notes | Actual 2017 |
|---|--------|-------------------------|
| (a) Retained earnings | | |
| Movements in retained earnings were as follows: | | |
| Balance at beginning of year (former Councils) | | — |
| a. Changes in accounting policies (prior period effects) | 20 (d) | — |
| c. Other comprehensive income (excl. direct to reserves transactions) | | — |
| b. Net result for the year | | 1,602,559 |
| e. Distributions to/(contributions from) non-controlling Interests | | — |
| f. Transfers between equity | | — |
| g. Other changes (disclosure required) | | — |
| Balance at end of the reporting period | | <u>1,602,559</u> |

(b) Revaluation reserves

Council has no reportable equity reserves.

(c) Correction of error/s relating to a previous reporting period

Council made no correction of errors during the current reporting period.

Note 21. Financial result and financial position by fund

Council utilises only a general fund for its operations.

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 22. 'Held for sale' non-current assets and disposal groups

| \$ '000 | 2017 Current | 2017 Non-current |
|--|-----------------|--|
| (i) Non-current assets and disposal group assets | | |
| Non-current assets 'held for sale' | | |
| Land | 2,190 | – |
| TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE' | 2,190 | – |
| <hr/> | | |
| | | Assets 'held for sale' 2017 |
| \$ '000 | | |
| (ii) Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations | | |
| Opening balance (former Councils) | – | – |
| Plus new transfers in: | | |
| – Assets 'held for sale' | | 2,190 |
| Closing balance of 'held for sale' non-current assets and operations | – | 2,190 |

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is dd/mm/yy.

Events that occur after the reporting period represent one of two types:

(i) Events that provide evidence of conditions that existed at the reporting period

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

(ii) Events that provide evidence of conditions that arose after the reporting period

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

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

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 24. Discontinued operations

\$ '000

(i) Discontinued operations

Subject to a post balance date event, Council will cease to operate the Airport Business Unit from 30/09/2018.

This operation provided maintenance services for Sydney Airport and the majority of operating staff will transition to the new operator or be absorbed in Council's general business operation. There will be no sale proceeds for this operation as it was a service delivery operation.

Note 25. Intangible assets

\$ '000

Actual
2017

Intangible assets represent identifiable non-monetary assets without physical substance.

Intangible assets are as follows:

Opening values (former Councils):

| | |
|---|--------------|
| Gross book value | 4,588 |
| Accumulated amortisation | (1,783) |
| Accumulated impairment | — |
| Net book value – opening balance (former Councils) | 2,805 |

Movements for the year

| | |
|------------------------|-------|
| – Purchases | 1,254 |
| – Amortisation charges | (572) |

Closing values:

| | |
|---------------------------------|---------|
| Gross book value (30/6) | 5,842 |
| Accumulated amortisation (30/6) | (2,355) |
| Accumulated impairment (30/6) | — |

TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹**3,487**¹. The net book value of intangible assets represent:

| | |
|---|--------------|
| – Software includes capitalised development costs being an internally generated intangible assets | 3,487 |
| | 3,487 |

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

Council has as a result of past operating activities has various sites situated within its LGA remediation the requirement to undertake restoration and remediation works.

Council has legal/public obligations to make restore, rehabilitate and reinstate a parcel of land and has included a provision for \$3,322k (Re Note 10a) for these works on land formerly under its care and control.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Specific uncertainties relating to the final costs and the assumptions made in determining the amounts of provisions include:

– Further testing is being completed to confirm the extent and type of works required.

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 27. Fair value measurement

\$ '000

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

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

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- Non-current assets classified as 'held for sale'

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

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

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

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

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

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:

| 10/9/16 to 30/6/17 | | Fair value measurement hierarchy | | | Total |
|--|--------------------------|----------------------------------|-------------------------------|---------------------------------|------------------|
| | | Level 1 | Level 2 | Level 3 | |
| | Date of latest valuation | Quoted prices in active mkts | Significant observable inputs | Significant unobservable inputs | |
| Recurring fair value measurements | | | | | |
| Financial assets | | | | | |
| Investments | | | | | |
| – 'Held for trading' | 30/06/17 | – | 55,388 | – | 55,388 |
| Total financial assets | | – | 55,388 | – | 55,388 |
| Financial liabilities | | | | | |
| Interest free loans | 30/06/17 | – | 418 | – | 418 |
| Total financial liabilities | | – | 418 | – | 418 |
| Infrastructure, property, plant and equipment | | | | | |
| Work in progress | 30/06/17 | – | 9,846 | – | 9,846 |
| Operational land | 10/09/16 | – | 326,406 | – | 326,406 |
| Plant and equipment | 30/06/17 | – | – | 9,099 | 9,099 |
| Office equipment | 30/06/17 | – | – | 770 | 770 |
| Furniture and fittings | 30/06/17 | – | – | 558 | 558 |
| Library books | 30/06/17 | – | – | 1,468 | 1,468 |
| Community land | 10/09/16 | – | – | 155,029 | 155,029 |
| Land improvements | 30/06/17 | – | – | 19,786 | 19,786 |
| Buildings (non-specialised) | 10/09/16 | – | – | 44,318 | 44,318 |
| Buildings (specialised) | 10/09/16 | – | – | 121,919 | 121,919 |
| Other structures | 30/06/17 | – | – | 35,808 | 35,808 |
| Roads | 10/09/16 | – | – | 363,058 | 363,058 |
| Bridges | 10/09/16 | – | – | 7,050 | 7,050 |
| Footpaths | 10/09/16 | – | – | 54,440 | 54,440 |
| Bulk Earthworks | 10/09/16 | – | – | 61,056 | 61,056 |
| Stormwater Drainage | 10/09/16 | – | – | 85,792 | 85,792 |
| Land under roads | 10/09/16 | – | – | 1,552 | 1,552 |
| Swimming Pools | 10/09/16 | – | – | 6,174 | 6,174 |
| Total infrastructure, property, plant and equipment | | – | 336,252 | 967,877 | 1,304,129 |

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Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:

| | | Fair value measurement hierarchy | | | |
|--|--------------------------|----------------------------------|-------------------------------|---------------------------------|-------|
| 10/9/16 to 30/6/17 | | Level 1 | Level 2 | Level 3 | Total |
| | Date of latest valuation | Quoted prices in active mkts | Significant observable inputs | Significant unobservable inputs | |
| Non-recurring fair value measurements | | | | | |
| Non-current assets classified as 'held for sale' | | | | | |
| Land | 10/09/16 | – | 2,190 | – | 2,190 |
| Total NCA's classified as 'held for sale' | | – | 2,190 | – | 2,190 |

| 2016 | Fair value measurement hierarchy | | | Total |
|---|---|--|--|-----------|
| | Level 1 Quoted prices in active mkts | Level 2 Significant observable inputs | Level 3 Significant unobservable inputs | |
| Recurring fair value measurements | | | | |
| Financial assets | | | | |
| Investments | | | | |
| – 'Designated at fair value on initial recognition' | – | – | 32,983 | 32,983 |
| Total financial assets | – | – | 32,983 | 32,983 |
| Infrastructure, property, plant and equipment | | | | |
| Work in Progress | – | 2,337 | – | 2,337 |
| Operational Land | – | 328,596 | – | 328,596 |
| Plant & Equipment | – | – | 8,201 | 8,201 |
| Office Equipment | – | – | 957 | 957 |
| Furniture & Fittings | – | – | 643 | 643 |
| Library Books | – | – | 1,699 | 1,699 |
| Community Land | – | – | 154,979 | 154,979 |
| Land Improvements | – | – | 19,602 | 19,602 |
| Buildings (non-specialised) | – | – | 43,628 | 43,628 |
| Buildings (specialised) | – | – | 120,028 | 120,028 |
| Other Structures | – | – | 34,707 | 34,707 |
| Roads | – | – | 365,444 | 365,444 |
| Bridges | – | – | 7,116 | 7,116 |
| Footpaths | – | – | 53,868 | 53,868 |
| Bulk Earthworks | – | – | 61,056 | 61,056 |
| Stormwater Drainage | – | – | 85,614 | 85,614 |
| Land Under Roads | – | – | 1,085 | 1,085 |
| Swimming Pools | – | – | 1,530 | 1,530 |
| Total infrastructure, property, plant and equipment | – | 330,933 | 960,157 | 1,291,090 |

(2) Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3)

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

| | Plant & Equipment | Office Equipment | Furniture & Fittings | Library Books | Total |
|--|----------------------|------------------------|---------------------------------|--------------------------|----------------|
| Balance on transfer from former Councils | 8,201 | 957 | 643 | 1,699 | 11,500 |
| Purchases (GBV) | 3,931 | 93 | 24 | 346 | 4,394 |
| Disposals (WDV) | (1,337) | – | – | – | (1,337) |
| Depreciation and impairment | (1,696) | (280) | (109) | (577) | (2,662) |
| Closing balance – 30/6/17 | 9,099 | 770 | 558 | 1,468 | 11,895 |
| | Community Land | Land Improvements | Buildings Non Specialised | Buildings Specialised | Total |
| Balance on transfer from former Councils | 154,979 | 19,602 | 43,628 | 120,028 | 338,237 |
| Purchases (GBV) | 50 | 644 | 1,607 | 10,844 | 13,145 |
| Depreciation and impairment | – | (460) | (917) | (1,780) | (3,157) |
| Closing balance – 30/6/17 | 155,029 | 19,786 | 44,318 | 129,092 | 348,225 |
| | Other Structures | Roads | Bridges | Footpaths | Total |
| Balance on transfer from former Councils | 34,707 | 365,444 | 7,116 | 53,868 | 461,135 |
| Purchases (GBV) | 1,135 | 2,829 | – | 1,833 | 5,797 |
| Depreciation and impairment | (1,750) | (5,893) | (66) | (1,261) | (8,970) |
| Closing balance – 30/6/17 | 34,092 | 362,380 | 7,050 | 54,440 | 457,962 |
| | Bulk Earthworks | Stormwater Drainage | Land Under Roads | Swimming Pools | Total |
| Balance on transfer from former Councils | 61,056 | 85,614 | 1,085 | 1,530 | 149,285 |
| Purchases (GBV) | – | 1,479 | 467 | – | 1,946 |
| Depreciation and impairment | – | (1,301) | – | (135) | (1,436) |
| Closing balance – 30/6/17 | 61,056 | 85,792 | 1,552 | 1,395 | 149,795 |

b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

Nil

(5). Highest and best use

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

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

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

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

| | Actual 10/9/16 to 30/6/17 |
|--------------------------|---------------------------------|
| Compensation: | |
| Short-term benefits | 1,660 |
| Post-employment benefits | — |
| Other long-term benefits | 108 |
| Termination benefits | 563 |
| Total | 2,331 |

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 29. Local Government amalgamation

\$ '000

Notes

The local government Bayside Proclamation ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of the former councils City of Botany Bay and Rockdale City Council to Bayside Council at 10 September 2016.

Gain on local government amalgamation

**Actual
10/9/16
to 30/6/17**

| | | |
|---|---|------------------|
| Assets and liabilities transferred from former councils | a | 1,509,301 |
| Accounting policy adjustments | b | 82,479 |
| | | 1,591,780 |

a. Assets and liabilities transferred from former councils**(i) Carrying amount of assets and liabilities transferred**

Assets and liabilities of:

Former Rockdale City Council
Former City of Botany Bay Council

have been recognised by the Council at both the carrying amount recorded by the former councils and fair value for major infrastructure assets and operating land asset classes.

Council believes the carrying amounts are not materially different from their fair values as at the date of transfer 10 September 2016.

The fair value of the net assets has been shown as a gain on local government amalgamation in the income statement and further information is provided on the next page.

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 29. Local Government amalgamation (continued)

\$ '000

a. Assets and liabilities transferred from former councils (continued)

(i) Carrying amount of assets and liabilities transferred (continued)

| | Former Botany Bay Council | Former Rockdale City Council | Gain on local government amalgamation |
|---|---------------------------------|------------------------------------|---|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 36,790 | 99,347 | 136,137 |
| Investments | 55,000 | 36,381 | 91,381 |
| Receivables | 23,102 | 51,284 | 74,386 |
| Inventories | 301 | 73 | 374 |
| Other | 563 | 1,483 | 2,046 |
| Total current assets | 115,756 | 188,568 | 304,324 |
| Non-current assets | | | |
| Investments | 34,883 | 18,100 | 52,983 |
| Receivables | — | 193 | 193 |
| Inventories | — | — | — |
| Infrastructure, property, plant and equipment | 378,786 | 912,304 | 1,291,090 |
| Investments accounted for using the equity method | 1,611 | 2,230 | 3,841 |
| Investment property | — | — | — |
| Intangible assets | 266 | 2,539 | 2,805 |
| Other | — | 127 | 127 |
| Total non-current assets | 415,546 | 935,493 | 1,351,039 |
| TOTAL ASSETS | 531,302 | 1,124,061 | 1,655,363 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables (excluding bank overdraft) | 15,500 | 10,676 | 26,176 |
| Income received in advance | — | — | — |
| Borrowings | — | 990 | 990 |
| Provisions | 11,572 | 13,403 | 24,975 |
| Total current liabilities | 27,072 | 25,069 | 52,141 |
| Non-current liabilities | | | |
| Payables | — | — | — |
| Borrowings | — | 5,985 | 5,985 |
| Provisions | 5,579 | 771 | 6,350 |
| Total non-current liabilities | 5,579 | 6,756 | 12,335 |
| TOTAL LIABILITIES | 32,651 | 31,825 | 64,476 |
| Net assets transferred | 498,651 | 1,092,236 | 1,590,887 |

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 29. Local Government amalgamation (continued)

\$ '000

(ii) Adjustments between former council carrying amount of assets and fair values recognised

The following adjustments were made to the carrying amount of the assets and liabilities received as part of the amalgamation in order to recognise them at fair value at the proclamation date.

| | Actual 2017 |
|--|----------------|
| Adjustments made to recognise net assets at fair value | |
| Write off of assets – below capitalisation threshold | (3,610) |
| Write off of assets – not owned by Council | (29,466) |
| Recognition of assets not previously recorded | 38,388 |
| Changes in asset values due to valuation process | 85,175 |
| Changes in liabilities due to methodology changes | (1,039) |
| Other adjustments to assets of former Councils | (8,621) |
| Cash adjustment due to timing difference | 165 |
| Other (Changes in receivable FAG) | (743) |
| Other (Joint Venture assets not previously recognised in ledger) | 2,230 |
| Other (enter details...) | – |
| Total adjustments | 82,479 |

(iii) Rates and Non-Reciprocal Grants income

The rates and non-reciprocal grants revenue for the period from 10 September 2016 to 30 June 2017 were recorded in the financial statements of the former councils in accordance with AASB 1004 Contributions.

The assets transferred to Council include a portion of rates and non-reciprocal grants that were received but related to the period after the former councils ceased to exist.

Bayside Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the period 10 Sep 2016 to 30 June 2017



SPFS 2017

Bayside Council

Special Purpose Financial Statements

for the period 10 Sep 2016 to 30 June 2017

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1. Statement by Councillors and Management

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2. Special Purpose Financial Statements:

Income Statement – Water Supply Business Activity

n/a

Income Statement – Sewerage Business Activity

n/a

Income Statement – Other Business Activities

3

Statement of Financial Position – Water Supply Business Activity

n/a

Statement of Financial Position – Sewerage Business Activity

n/a

Statement of Financial Position – Other Business Activities

4

3. Notes to the Special Purpose Financial Statements

5

4. Auditor's Report

Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.

(ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

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

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

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

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

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SPFS 2017

Bayside Council

Special Purpose Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

Bayside Council was formed by way of the Local Government (Bayside) Proclamation 2016 which amalgamated former Rockdale City Council and the former City of Botany Bay Council.

The former City of Botany Bay Council final reports (2015/16) were disclaimed by the Audit Office of NSW, due to the significant breakdowns in administrative, financial and governance internal controls as evidenced by the NSW Independent Commission Against Corruption (ICAC) Operation Ricco 2016.

Whilst significant work has been undertaken to develop and implement a new internal control environment and to address the ICAC report on the former City of Botany Bay Council within Bayside Council this cannot correct the past failings, nor address the disclaimed opinion by the Audit Office of NSW.

Due to the ongoing issues with the internal control environment over this reporting period, management of Bayside Council is unable to warrant the completeness and reliability of the Special Purpose Financial Reports.

Signed in accordance with a resolution of Council made on dd/mm/yy.

Bill Saravinovski
Mayor

Councillor
Councillor

Meredith Wallace
General Manager

Matthew Walker
Responsible accounting officer

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SPFS 2017

Bayside Council

Income Statement of Council's Other Business Activities
for the period 10 Sep 2016 to 30 June 2017

Contract
Services –
Airport
Category 1

| | Actual 10/9/16 to 30/6/17 |
|--|---------------------------------|
| \$ '000 | |
| Income from continuing operations | |
| Access charges | – |
| User charges | 4,660 |
| Fees | – |
| Interest | – |
| Grants and contributions provided for non-capital purposes | – |
| Profit from the sale of assets | – |
| Share of profit from equity accounted investment | – |
| Other income | – |
| Total income from continuing operations | 4,660 |
| Expenses from continuing operations | |
| Employee benefits and on-costs | 3,543 |
| Borrowing costs | – |
| Materials and contracts | 985 |
| Depreciation, amortisation and impairment | 50 |
| Loss on sale of assets | – |
| Calculated taxation equivalents | – |
| Debt guarantee fee (if applicable) | 5 |
| Share of loss from equity accounted investment | – |
| Other expenses | – |
| Total expenses from continuing operations | 4,583 |
| Surplus (deficit) from continuing operations before capital amounts | 77 |
| Grants and contributions provided for capital purposes | – |
| Surplus (deficit) from continuing operations after capital amounts | 77 |
| Surplus (deficit) from discontinued operations | – |
| Surplus (deficit) from all operations before tax | 77 |
| Less: corporate taxation equivalent (30%) [based on result before capital] | (23) |
| SURPLUS (DEFICIT) AFTER TAX | 54 |
| Plus Assets and liabilities transferred from former councils | – |
| Plus adjustments for amounts unpaid: | |
| – Taxation equivalent payments | – |
| – Debt guarantee fees | 5 |
| – Corporate taxation equivalent | 23 |
| Less: | |
| – Repaid to council | (82) |
| Closing retained profits | – |
| Return on capital % | 23.6% |
| Subsidy from Council | – |

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SPFS 2017

Bayside Council

Statement of Financial Position – Council's Other Business Activities
as at 30 June 2017Contract
Services –
Airport
Category 1

| | Actual 2017 |
|--|----------------|
| \$ '000 | |
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | – |
| Investments | – |
| Receivables | 1,171 |
| Inventories | – |
| Other | – |
| Non-current assets classified as held for sale | – |
| Total Current Assets | 1,171 |
| Non-current assets | |
| Investments | – |
| Receivables | – |
| Inventories | – |
| Infrastructure, property, plant and equipment | 326 |
| Investments accounted for using equity method | – |
| Investment property | – |
| Total non-current assets | 326 |
| TOTAL ASSETS | 1,497 |
| LIABILITIES | |
| Current liabilities | |
| Council General Fund Contribution | 1,235 |
| Payables | – |
| Income received in advance | – |
| Borrowings | – |
| Provisions | 121 |
| Total current liabilities | 1,356 |
| Non-current liabilities | |
| Payables | – |
| Borrowings | – |
| Provisions | 141 |
| Total non-current liabilities | 141 |
| TOTAL LIABILITIES | 1,497 |
| NET ASSETS | – |
| EQUITY | |
| Retained earnings | – |
| Revaluation reserves | – |
| Other reserves | – |
| Council equity interest | – |
| Non-controlling equity interest | – |
| TOTAL EQUITY | – |

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SPFS 2017

Bayside Council

Special Purpose Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Contents of the notes accompanying the financial statements

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| 3 | Sewerage Business Best-Practice Management disclosure requirements | n/a |

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Bayside Council

Notes to the Special Purpose Financial Statements

for the period 10 September 2016 to 30 June 2017

Note 1. Significant accounting policies

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

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

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

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

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

National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to

activities and provide a standard for disclosure requirements.

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

Declared business activities

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

Category 1

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

a. Contract Services - Airport

Category 2

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

Nil

Monetary amounts

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

(i) Taxation-equivalent charges

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

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

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

Bayside Council

Notes to the Special Purpose Financial Statements

for the period 10 September 2016 to 30 June 2017

Note 1. Significant accounting policies (continued)

Notional rate applied (%)**Corporate income tax rate – 30%**

Land tax – the first \$549,000 of combined land values attracts 0%. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,357,000 a premium marginal rate of 2.0% applies.

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

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

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

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

The rate applied of 30% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

Bayside Council

SPECIAL SCHEDULES
for the period 10 Sep 2016 to 30 June 2017



Bayside Council

Special Schedules

for the period 10 Sep 2016 to 30 June 2017

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Special Schedules¹

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| Special Schedule 2(a) | Statement of Long Term Debt (all purposes) | 4 |
| Special Schedule 7 | Report on Infrastructure Assets | 5 |
| Special Schedule 8 | Permissible Income Calculation | 8 |

¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
 - the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
 - the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Special Schedules 2017

Bayside Council

Special Schedule 1 – Net Cost of Services
 for the period 10 Sep 2016 to 30 June 2017

\$'000

| Function or activity | Expenses from continuing operations | Income from continuing operations | | Net cost of services |
|--|-------------------------------------|-----------------------------------|--------------|----------------------|
| | | Non-capital | Capital | |
| Governance | 5,470 | – | – | (5,470) |
| Administration | 29,545 | 15,325 | 762 | (13,458) |
| Public order and safety | | | | |
| Fire service levy, fire protection, emergency services | 370 | – | – | (370) |
| Beach control | 373 | – | 70 | (303) |
| Enforcement of local government regulations | 2,021 | 2,832 | – | 811 |
| Animal control | 785 | 112 | – | (673) |
| Other | 1,503 | 1,020 | – | (483) |
| Total public order and safety | 5,052 | 3,964 | 70 | (1,018) |
| Health | 717 | 739 | – | 22 |
| Environment | | | | |
| Noxious plants and insect/vermin control | – | – | – | – |
| Other environmental protection | 4,956 | 153 | 285 | (4,518) |
| Solid waste management | 20,301 | 20,620 | – | 319 |
| Street cleaning | 2,525 | – | – | (2,525) |
| Drainage | 416 | (11) | – | (427) |
| Stormwater management | – | – | – | – |
| Total environment | 28,198 | 20,762 | 285 | (7,151) |
| Community services and education | | | | |
| Administration and education | 906 | 53 | 9,000 | 8,147 |
| Social protection (welfare) | – | – | – | – |
| Aged persons and disabled | 502 | 368 | – | (134) |
| Children's services | 2,456 | 2,989 | 31 | 564 |
| Total community services and education | 3,864 | 3,410 | 9,031 | 8,577 |
| Housing and community amenities | | | | |
| Public cemeteries | – | – | – | – |
| Public conveniences | 1,726 | – | – | (1,726) |
| Street lighting | 2,122 | 568 | 121 | (1,433) |
| Town planning | 5,515 | 1,125 | – | (4,390) |
| Other community amenities | – | 13 | 722 | 735 |
| Total housing and community amenities | 9,363 | 1,706 | 843 | (6,814) |

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Special Schedules 2017

Bayside Council

Special Schedule 1 – Net Cost of Services (continued)
for the period 10 Sep 2016 to 30 June 2017

\$'000

| Function or activity | Expenses from continuing operations | Income from continuing operations | | Net cost of services |
|---|-------------------------------------|-----------------------------------|---------------|----------------------|
| | | Non-capital | Capital | |
| Recreation and culture | | | | |
| Public libraries | 3,542 | 473 | 451 | (2,618) |
| Museums | 44 | — | — | (44) |
| Art galleries | — | — | — | — |
| Community centres and halls | 428 | 196 | 2,337 | 2,105 |
| Performing arts venues | — | — | — | — |
| Other performing arts | — | — | — | — |
| Other cultural services | 104 | 6 | — | (98) |
| Sporting grounds and venues | 1,620 | 399 | — | (1,221) |
| Swimming pools | 9,931 | 463 | 311 | (9,157) |
| Parks and gardens (lakes) | 5,073 | 130 | 21,228 | 16,285 |
| Other sport and recreation | 2,333 | 607 | — | (1,726) |
| Total recreation and culture | 23,075 | 2,274 | 24,327 | 3,526 |
| Fuel and energy | — | — | — | — |
| Agriculture | — | — | — | — |
| Mining, manufacturing and construction | | | | |
| Building control | — | — | — | — |
| Other mining, manufacturing and construction | 2,382 | 14,643 | — | 12,261 |
| Total mining, manufacturing and const. | 2,382 | 14,643 | — | 12,261 |
| Transport and communication | | | | |
| Urban roads (UR) – local | 4,340 | 151 | 3,315 | (874) |
| Urban roads – regional | 12 | — | — | (12) |
| Sealed rural roads (SRR) – local | — | — | — | — |
| Sealed rural roads (SRR) – regional | — | — | — | — |
| Unsealed rural roads (URR) – local | — | — | — | — |
| Unsealed rural roads (URR) – regional | — | — | — | — |
| Bridges on UR – local | — | — | — | — |
| Bridges on SRR – local | — | — | — | — |
| Bridges on URR – local | — | — | — | — |
| Bridges on regional roads | — | — | — | — |
| Parking areas | 125 | 49 | 11,878 | 11,802 |
| Footpaths | 2,550 | — | 24 | (2,526) |
| Aerodromes | 4 | — | — | (4) |
| Other transport and communication | 320 | 2,026 | 1,110 | 2,816 |
| Total transport and communication | 7,351 | 2,226 | 16,327 | 11,202 |
| Economic affairs | | | | |
| Camping areas and caravan parks | — | — | — | — |
| Other economic affairs | 4,678 | 4,604 | 151 | 77 |
| Total economic affairs | 4,678 | 4,604 | 151 | 77 |
| Totals – functions | 119,695 | 69,653 | 51,796 | 1,754 |
| General purpose revenues ⁽¹⁾ | | 8,465 | | 8,465 |
| Share of interests – joint ventures and associates using the equity method | — | 560 | | 560 |
| NET OPERATING RESULT ⁽²⁾ | 119,695 | 78,678 | 51,796 | 10,779 |

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

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Special Schedules 2017

Bayside Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)
for the period 10 Sep 2016 to 30 June 2017

\$'000

| Classification of debt | Principal outstanding at beginning of the year (former Councils) | | | New loans raised during the year | Debt redemption during the year | | Transfers to sinking funds | Interest applicable for year | Principal outstanding at the end of the year | | |
|-----------------------------|--|--------------|--------------|----------------------------------|---------------------------------|---------------|----------------------------|------------------------------|--|--------------|--------------|
| | Current | Non-current | Total | | From revenue | Sinking funds | | | Current | Non-current | Total |
| Loans (by source) | | | | | | | | | | | |
| Commonwealth Government | – | – | – | – | – | – | – | – | – | – | – |
| NSW Treasury Corporation | 106 | 506 | 612 | – | 150 | – | – | – | 150 | 312 | 462 |
| Other State Government | – | – | – | – | – | – | – | – | – | – | – |
| Public subscription | – | – | – | – | – | – | – | – | – | – | – |
| Financial institutions | 1,056 | 5,379 | 6,435 | – | 840 | – | – | 229 | 951 | 4,644 | 5,595 |
| Other | – | – | – | – | – | – | – | – | – | – | – |
| Total loans | 1,162 | 5,885 | 7,047 | – | 990 | – | – | 229 | 1,101 | 4,956 | 6,057 |
| Other long term debt | | | | | | | | | | | |
| Ratepayers advances | – | – | – | – | – | – | – | – | – | – | – |
| Government advances | – | – | – | – | – | – | – | – | – | – | – |
| Finance leases | – | – | – | – | – | – | – | – | – | – | – |
| Deferred payments | – | – | – | – | – | – | – | – | – | – | – |
| Total long term debt | – | – | – | – | – | – | – | – | – | – | – |
| Total debt | 1,162 | 5,885 | 7,047 | – | 990 | – | – | 229 | 1,101 | 4,956 | 6,057 |

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

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Special Schedules 2017

Bayside Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

| Asset class | Asset category | Estimated cost to bring assets to satisfactory standard | Estimated cost to bring to the agreed level of service set by Council | 2016/17 Required maintenance ^a | 2016/17 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|------------------|----------------------------------|---|---|---|----------------------------|---------------------|------------------------------|---|--------------|--------------|-------------|-------------|
| | | | | | | | | 1 | 2 | 3 | 4 | 5 |
| Buildings | Buildings | | | | | | | | | | | |
| | Buildings – non-specialised | 614 | 3,860 | 905 | 265 | 44,318 | 70,895 | 32% | 35% | 26% | 6% | 1% |
| | Buildings – specialised | 2,975 | 12,980 | 2,926 | 1,711 | 121,919 | 159,562 | 34% | 32% | 27% | 6% | 1% |
| | Other | | | | | – | | | | | | |
| | Sub-total | 3,589 | 16,840 | 3,831 | 1,976 | 166,237 | 230,457 | 33.4% | 32.9% | 26.7% | 6.0% | 1.0% |
| Other structures | Other structures | 984 | 4,480 | 1,666 | 653 | 35,808 | 52,616 | 19% | 48% | 24% | 8% | 1% |
| | Other | | | | | | | | | | | |
| | Sub-total | 984 | 4,480 | 1,666 | 653 | 35,808 | 52,616 | 19.0% | 48.0% | 24.0% | 8.0% | 1.0% |
| Roads | Sealed roads & Other Road Assets | 2,729 | 15,249 | 2,727 | 2,437 | 363,058 | 484,966 | 41% | 36% | 19% | 4% | 0% |
| | Unsealed roads | | | | | | | | | | | |
| | Bridges | – | – | 29 | – | 7,050 | 7,992 | 49% | 51% | 0% | 0% | 0% |
| | Footpaths | 1,023 | 5,808 | 1,333 | 926 | 54,440 | 97,564 | 4% | 13% | 76% | 7% | 0% |
| | Other road assets | | | | | | | | | | | |
| | Bulk earthworks | | | | | 61,056 | 61,056 | 100% | | | | 0% |
| | Other | | | | | – | | | | | | |
| | Sub-total | 3,752 | 21,057 | 4,089 | 3,363 | 485,604 | 651,578 | 41.1% | 29.4% | 25.5% | 4.0% | 0.0% |

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Special Schedules 2017

Bayside Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

| Asset class | Asset category | Estimated cost to bring assets to satisfactory standard | Estimated cost to bring to the agreed level of service set by Council | 2016/17 Required maintenance ^a | 2016/17 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|--------------------------------|---------------------------|---|---|---|----------------------------|---------------------|------------------------------|---|--------------|--------------|-------------|--------------|
| | | | | | | | | 1 | 2 | 3 | 4 | 5 |
| Stormwater drainage | Stormwater drainage | 956 | 2,963 | 394 | 514 | 85,792 | 138,770 | 4% | 36% | 58% | 1% | 1% |
| | Other | | | | | – | | | | | | |
| | Sub-total | 956 | 2,963 | 394 | 514 | 85,792 | 138,770 | 4.0% | 36.0% | 58.0% | 1.0% | 1.0% |
| Open space/recreational assets | Swimming pools | – | – | 64 | 106 | 6,174 | 6,442 | 70% | 5% | 5% | 5% | 15% |
| | Other | | | | | | | | | | | |
| | Sub-total | – | – | 64 | 106 | 6,174 | 6,442 | 70.0% | 5.0% | 5.0% | 5.0% | 15.0% |
| | TOTAL – ALL ASSETS | 9,281 | 45,340 | 10,044 | 6,612 | 779,615 | 1,079,863 | 33.8% | 31.7% | 29.7% | 4.3% | 0.5% |

Notes:

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

Infrastructure asset condition assessment 'key'

| | | |
|---|-----------|---------------------------------------|
| 1 | Excellent | No work required (normal maintenance) |
| 2 | Good | Only minor maintenance work required |
| 3 | Average | Maintenance work required |
| 4 | Poor | Renewal required |
| 5 | Very poor | Urgent renewal/upgrading required |

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Special Schedules 2017

Bayside Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the period 10 Sep 2016 to 30 June 2017

| \$ '000 | Amounts 2017 | Indicator 2017 |
|--|-----------------|-------------------|
| Infrastructure asset performance indicators * consolidated | | |
| 1. Infrastructure renewals ratio | | |
| Asset renewals ⁽¹⁾ | 16,772 | 128.00% |
| Depreciation, amortisation and impairment | 13,103 | |
| 2. Infrastructure backlog ratio | | |
| Estimated cost to bring assets to a satisfactory standard | 9,281 | 1.26% |
| Net carrying amount of infrastructure assets | 738,345 | |
| 3. Asset maintenance ratio | | |
| Actual asset maintenance | 6,612 | 0.66 |
| Required asset maintenance | 10,044 | |
| 4. Cost to bring assets to agreed service level | | |
| Estimated cost to bring assets to an agreed service level set by Council | 45,340 | 4.20% |
| Gross replacement cost | ##### | |

Notes

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

⁽¹⁾ Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

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Special Schedules 2017

Bayside Council

Special Schedule 8 – Permissible Income Calculation
for the year ended 30 June 2018

| | | Calculation 2017/18 | Calculation 2017/18 | Calculation 2017/18 |
|---|---------------------------|---------------------------------|-------------------------------|------------------------|
| | | Former Rockdale City Council | Former Botany City Council | Total |
| Notional general income calculation ⁽¹⁾ | | | | |
| Last year notional general income yield | a | 48,505 | 27,564 | 76,069 |
| Plus or minus adjustments ⁽²⁾ | b | 506 | 67 | 573 |
| Notional general income | $c = (a + b)$ | 49,011 | 27,631 | 76,642 |
| Permissible income calculation | | | | |
| Special variation percentage ⁽³⁾ | d | 6.00% | 0.00% | |
| Or rate peg percentage | e | 1.80% | 1.80% | |
| Or crown land adjustment (incl. rate peg percentage) | f | 0.00% | 0.00% | |
| Less expiring special variation amount | g | – | – | – |
| Plus special variation amount | $h = d \times (c - g)$ | 2,941 | – | 2,941 |
| Or plus rate peg amount | $i = c \times e$ | – | 497 | 497 |
| Or plus Crown land adjustment and rate peg amount | $j = c \times f$ | – | – | – |
| Sub-total | $k = (c + g + h + i + j)$ | 51,952 | 28,128 | 80,080 |
| Plus (or minus) last year's carry forward total | l | 81 | (26) | 55 |
| Less valuation objections claimed in the previous year | m | – | – | – |
| Sub-total | $n = (l + m)$ | 81 | (26) | 55 |
| Total permissible income | $o = k + n$ | 52,033 | 28,102 | 80,135 |
| Less notional general income yield | p | 51,973 | 28,111 | 80,084 |
| Catch-up or (excess) result | $q = o - p$ | 60 | (9) | 51 |
| Plus income lost due to valuation objections claimed ⁽⁴⁾ | r | – | – | – |
| Less unused catch-up ⁽⁵⁾ | s | – | – | – |
| Carry forward to next year | $t = q + r - s$ | 60 | (9) | 51 |

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Bayside Council

Special Schedule 8 – Permissible Income Calculation (continued)
for the year ended 30 June 2018

\$'000

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.