

A meeting of the
Extraordinary Risk & Audit Committee
will be held in the Level 2 Conference Room
Administration Building, Rockdale
on Thursday, 30 January 2020 at 6.30pm.

UNDER SEPARATE COVER ATTACHMENTS

4 REPORTS

4.1 Audited 2018/19 Financial Statements and Audit Report

4 Bayside Council - Audited Financial Statements - 2018-19 2

Bayside Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



Bayside Council

General Purpose Financial Statements for the year ended 30 June 2019

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Overview

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

444/446 Princes Highway
Rockdale NSW 2216

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

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

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

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.bayside.nsw.gov.au.

Financial Statements 2019

Bayside Council**General Purpose Financial Statements**
for the year ended 30 June 2019**Statement by Councillors and Management**
made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

Bayside Councils financial reports for 2016/17 and 2017/18 received a disclaimed audit opinion from its auditor, Audit Office of NSW. Council has completed significant work to address the underlying issues behind the disclaimer, including the implementation of internal control environment, revaluation of a number of asset classes and re-estimation of employee leave entitlements. However this work was focused on the correction of balances as at 30 June 2019 and could not correct the issues of the past, which are included in the opening balances, the reported operating result and cashflows.

Council recognised \$84.5m of stormwater drainage assets in Note 10(a). Council was unable to provide sufficient evidence to audit to support the completeness of the stormwater drainage assets recorded in the financial statements as at 30 June 2019.

Bayside Council has developed a detailed action plan to address these issues.

Apart from the issues raised above, the attached General Purpose Financial Statements have been prepared in accordance with:

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

Apart from the issues raised above, to the best of our knowledge and belief, these financial statements:

- present fairly the Council's financial position as at 30 June 2019,
- accord with Council's accounting and other records.

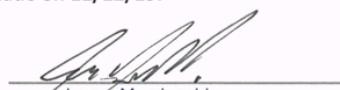
We are not aware of any other matter that would render these statements false or misleading in any way. Signed in accordance with a resolution of Council made on 11/12/19.



Joe Awada
Mayor
11/12/19



Meredith Wallace
General Manager
11/12/19



James Macdonald
Councillor
11/12/19



Matthew Walker
Responsible Accounting Officer
11/12/19

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Bayside Council

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual ¹ 2018
Income from continuing operations				
<i>Revenue:</i>				
115,173	Rates and annual charges	3a	116,974	110,441
18,100	User charges and fees	3b	16,572	20,203
8,397	Interest and investment revenue	3c	10,891	9,935
14,130	Other revenues	3d	16,438	14,744
7,611	Grants and contributions provided for operating purposes	3e,f	9,938	8,534
38,204	Grants and contributions provided for capital purposes	3e,f	35,227	66,289
<i>Other income:</i>				
–	Net share of interests in joint ventures and associates using the equity method	16	519	667
201,615	Total income from continuing operations		206,559	230,813
Expenses from continuing operations				
76,334	Employee benefits and on-costs	4a	68,434	68,203
217	Borrowing costs	4b	206	247
44,287	Materials and contracts	4c	50,504	52,142
22,866	Depreciation and amortisation	4d	24,886	21,440
16,310	Other expenses	4e	18,952	19,768
–	Net losses from the disposal of assets	5	2,242	15
–	Revaluation decrement / impairment of IPP&E	4d	1,359	–
160,014	Total expenses from continuing operations		166,583	161,815
41,601	Operating result from continuing operations		39,976	68,998
41,601	Net operating result for the year		39,976	68,998
41,601	Net operating result attributable to Council		39,976	68,998
<hr/>				
3,397	Net operating result for the year before grants and contributions provided for capital purposes		4,749	2,709

¹ The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

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Financial Statements 2019

Bayside Council

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		39,976	68,998
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10a	17,708	–
Total items which will not be reclassified subsequently to the operating result		17,708	–
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		17,708	–
Total comprehensive income for the year		57,684	68,998
Total comprehensive income attributable to Council		57,684	68,998

¹ The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

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Bayside Council

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalents	6a	57,610	54,171
Investments	6b	347,366	270,510
Receivables	7	15,903	17,949
Inventories	8	160	239
Other	8	397	551
Non-current assets classified as 'held for sale'	9	2,190	3,360
Total current assets		423,626	346,780
Non-current assets			
Investments	6b	16,242	70,510
Infrastructure, property, plant and equipment	10	1,341,939	1,312,396
Intangible assets	11	2,345	3,355
Investments accounted for using the equity method	16	5,587	5,068
Total non-current assets		1,366,113	1,391,329
TOTAL ASSETS		1,789,739	1,738,109
LIABILITIES			
Current liabilities			
Payables	12	26,545	32,019
Income received in advance	12	1,074	1,079
Borrowings	12	992	1,079
Provisions	13	24,430	24,443
Total current liabilities		53,041	58,620
Non-current liabilities			
Borrowings	12	2,877	3,854
Provisions	13	4,713	4,078
Total non-current liabilities		7,590	7,932
TOTAL LIABILITIES		60,631	66,552
Net assets		1,729,108	1,671,557
EQUITY			
Accumulated surplus	14	1,711,400	1,671,557
Revaluation reserves	14	17,708	-
Total equity		1,729,108	1,671,557

¹ The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

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Financial Statements 2019

Bayside Council

Statement of Changes in Equity
for the year ended 30 June 2019

\$ '000	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		1,671,557	–	1,671,557	1,602,559	–	1,602,559
Adoption of new accounting standards – not retrospective	14 (b)	(133)	–	(133)	–	–	–
Restated opening balance		1,671,424	–	1,671,424	1,602,559	–	1,602,559
Net operating result for the year prior to correction of errors and changes in accounting policies		39,976	–	39,976	68,998	–	68,998
Net operating result for the year		39,976	–	39,976	68,998	–	68,998
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10a	–	17,708	17,708	–	–	–
Other comprehensive income		–	17,708	17,708	–	–	–
Total comprehensive income (c&d)		39,976	17,708	57,684	68,998	–	68,998
Equity – balance at end of the reporting period		1,711,400	17,708	1,729,108	1,671,557	–	1,671,557

¹ The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 Financial Instruments: Recognition and Measurement

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

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Bayside Council

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
Receipts:				
114,559	Rates and annual charges		116,942	108,361
12,746	User charges and fees		18,002	20,445
8,397	Investment and interest revenue received		11,207	8,269
46,739	Grants and contributions		43,860	72,328
–	Bonds, deposits and retention amounts received		–	720
18,821	Other		25,054	30,005
Payments:				
(74,444)	Employee benefits and on-costs		(68,132)	(67,413)
(44,415)	Materials and contracts		(62,900)	(56,529)
(217)	Borrowing costs		(194)	(216)
(17,718)	Other		(19,878)	(25,245)
64,468	Net cash provided (or used in) operating activities	15b	62,119	90,725
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		135,635	90,068
1,236	Sale of infrastructure, property, plant and equipment		3,178	716
Payments:				
(27,689)	Purchase of investment securities		(158,304)	(147,916)
(54,576)	Purchase of infrastructure, property, plant and equipment		(37,972)	(29,940)
–	Purchase of intangible assets		(138)	–
(81,029)	Net cash provided (or used in) investing activities		(57,601)	(87,072)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(1,079)	Repayment of borrowings and advances		(1,079)	(1,101)
(1,079)	Net cash flow provided (used in) financing activities		(1,079)	(1,101)
(17,640)	Net increase/(decrease) in cash and cash equivalents		3,439	2,552
75,183	Plus: cash and cash equivalents – beginning of year	15a	54,171	51,619
57,543	Cash and cash equivalents – end of the year	15a	57,610	54,171
Additional Information:				
	plus: Investments on hand – end of year	6b	363,608	341,020
	Total cash, cash equivalents and investments		421,218	395,191

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

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Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

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Bayside Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

These financial statements were authorised for issue by Council on 11/12/2019.

Council has the power to amend and reissue these financial statements.

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

Basis of preparation

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

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 20 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 14.

(b) Historical cost convention

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

(c) 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.

Bayside Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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 infrastructure, property, plant and equipment – refer Note 10(a),
- (ii) estimated tip remediation provisions – refer Note 13,
- (iii) employee benefit provisions – refer Note 13.

Significant judgements in applying the Council's accounting policies

- (i) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

The Consolidated Fund had been included in the financial statements of the Council.

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

- General purpose operations

(b) The Trust Fund

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

Goods and Services Tax (GST)

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

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

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

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods. Council's assessment of the impact of the new standards, and interpretations relevant to them, is set out below:

Effective for annual reporting periods beginning on or after 1 July 2019

AASB 16 Leases

AASB 16 will result in most operating leases of an entity being brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low-value assets which may remain off the balance sheet.

The calculation of the lease liability will take into account appropriate discount rates, assumptions about the lease term, and increases in lease payments.

A corresponding right to use asset will be recognised, which will be amortised over the term of the lease.

Rent expense will no longer be shown. The profit and loss impact of the leases will be through the amortisation and interest charges.

AASB 15 Revenue from Contracts with Customers and associated amending standards.

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

AASB 1058 Income of NFP Entities

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions. Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives. In cases where the council enters into other transactions, the council recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standards (e.g. AASB 116 Property, Plant and Equipment).

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities

This Standard amends AASB 1, AASB 16, AASB 117, AASB 1049 and AASB 1058 to provide a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases

As per a NSW Office of Local Government recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements of AASB 10, and those in AASB 128 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Apart from those standards listed above, there are no other released standards (with future effective dates) that are expected to have a material impact on Council.

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

New accounting standards adopted during the year

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019. The standards which had an impact on reported position, performance or disclosures have been discussed in Note 14.

Bayside Council

Notes to the Financial Statements
for the year ended 30 June 2019

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)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Bayside will be a Vibrant Place	29,579	48,644	60,491	57,392	(30,912)	(8,748)	6,326	12,175	683,952	637,605
Our People will be Connected in a Smart City	4,678	6,873	23,394	19,773	(18,716)	(12,900)	2,192	2,213	173,617	171,853
Bayside will be green, leafy and sustainable	31,791	30,053	29,730	28,601	2,061	1,452	319	740	484,626	502,942
We will be a Prosperous Community	140,511	145,243	52,968	56,049	87,543	89,194	5,459	3,927	447,544	425,709
Total functions and activities	206,559	230,813	166,583	161,815	39,976	68,998	14,296	19,055	1,789,739	1,738,109

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

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:

Bayside will be a Vibrant Place

Built forms focus on efficient use of energy, are sympathetic to the natural landscape and make our area a great place to live. Neighbours, visitors and businesses are connected in dynamic urban environments.

Our People will be Connected in a Smart City

Knowledge sharing and collaboration ensures that we have the expertise and relationships to lead with integrity, adapt to change, connect vulnerable people to community and effectively respond in times of adversity and stress.

Bayside will be green, leafy and sustainable

The biodiversity of the area is protected and enhanced through collaborative partnerships. Vital habitats are supported to rehabilitate, thrive, adapt and recover from risks and climate events. The landscape will be preserved and regenerated to benefit a healthy environment now and in future.

We will be a Prosperous Community

Business innovation, technology, flourishing urban spaces and efficient transport will attract diverse business, skilled employees and generate home based business. Growth in services to the local community will generate employment support, a thriving community and livelihoods.

Bayside Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	54,149	51,579
Farmland	7	7
Business	20,400	18,559
Less: pensioner rebates (mandatory)	(1,446)	(1,525)
Rates levied to ratepayers	73,110	68,620
Pensioner rate subsidies received	795	838
Total ordinary rates	73,905	69,458
Special rates		
Parking	102	99
Main street	102	99
Infrastructure levy	11,189	10,880
Local area rates	514	503
Community safety levy	434	421
Rates levied to ratepayers	12,341	12,002
Total special rates	12,341	12,002
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	29,637	27,943
Stormwater management services	1,288	1,222
Section 611 charges	126	124
Less: pensioner rebates (mandatory)	(718)	(693)
Annual charges levied	30,333	28,596
Pensioners' subsidies:		
– Domestic waste management	395	385
Total annual charges	30,728	28,981
TOTAL RATES AND ANNUAL CHARGES	116,974	110,441

NB: Council has amended comparative values due to changes on how pensioner rebates and subsidies are disclosed.

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

Accounting policy for rates and annual charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

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.

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Waste management services (non-domestic)	1,156	1,108
Waste management services (non-rateable)	108	103
Total specific user charges	1,264	1,211
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Private works – section 67	–	493
Section 10.7 certificates (EP&A Act)	369	362
Section 603 certificates	198	221
Town planning	339	286
Building consents and construction certificates	270	259
Building inspections	100	146
Development and planning consent fees	1,980	2,445
Health inspection and approvals fee	1,582	1,484
Other	261	294
Total fees and charges – statutory/regulatory	5,099	5,990
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Leaseback fees – Council vehicles	449	466
Library and art gallery	97	87
Parking fees	40	19
Restoration charges	3,978	2,072
Sundry sales	44	55
Swimming centres	431	394
Engineering inspections and other fees	214	171
Street furniture advertising fee	428	295
Permits and inspection fees	233	236
Design review panel	91	99
Advertising	–	67
Hire and usage fees	–	169
B/A school fees	471	496
Long day care	1,637	1,922
Golf course	232	183
Meals on wheels	74	125
Contract services	1,718	5,881
Other	72	265
Total fees and charges – other	10,209	13,002
TOTAL USER CHARGES AND FEES	16,572	20,203

Accounting policy for user charges and fees

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

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	492	506
– Cash and investments	10,480	9,391
Fair value adjustments		
– Movements in investments at fair value through profit and loss	(81)	38
TOTAL INTEREST AND INVESTMENT REVENUE	10,891	9,935
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	492	506
General Council cash and investments	2,937	3,858
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	7,455	5,571
Restricted investments/funds – internal:		
Internally restricted assets	7	–
Total interest and investment revenue recognised	10,891	9,935

Accounting policy for interest and investment revenue

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Other revenues			
Rental income – other council properties		2,589	3,002
Ex gratia rates		4,620	3,524
Fines – parking		4,819	4,206
Fines – other		922	874
Legal fees recovery – other		241	714
Commissions and agency fees		4	113
Diesel rebate		93	155
Insurance claims recoveries		1,008	537
Sales – general		902	734
Other credit card service fee		81	100
Contract rebates		58	–
Rental income – halls and community facilities		393	370
Rental income – parks and sporting facilities		199	327
Recoveries under management agreement		266	–
Other		243	88
TOTAL OTHER REVENUE		<u>16,438</u>	<u>14,744</u>

Accounting policy for other revenue

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

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

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

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

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

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019 Operating	2018 Operating	2019 Capital	2018 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	3,741	3,356	–	–
Financial assistance – local roads component	1,213	337	–	–
Total general purpose	4,954	3,693	–	–
Specific purpose				
Aged care	296	491	–	–
Child care	1,869	736	–	–
Community care	–	1,068	–	–
Environmental programs	188	260	153	67
Heritage and cultural	–	–	88	38
Library	88	109	–	–
Library – per capita	315	303	–	–
LIRS subsidy	18	–	–	–
Street lighting	592	629	–	–
Traffic route subsidy	–	14	–	–
Transport (roads to recovery)	–	–	2,651	–
Transport (other roads and bridges funding)	–	354	–	26
RTA roads and traffic	–	14	1,343	568
Other – road safety	–	–	46	53
Parks	54	94	708	10,498
Consolidated LEP Development	750	–	–	–
Other	165	40	18	–
Total specific purpose	4,335	4,112	5,007	11,250
Total grants	9,289	7,805	5,007	11,250
Grant revenue is attributable to:				
– Commonwealth funding	1,874	3,701	3,238	1,408
– State funding	7,415	4,014	1,692	9,842
– Other funding	–	90	77	–
	9,289	7,805	5,007	11,250

NB: Comparatives amended due to the pensioner rates subsidy being disclosed in rates and annual charges.

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2019 Operating	2018 Operating	2019 Capital	2018 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.4 – contributions using planning agreements		–	–	164	10,427
S 7.11 – contributions towards amenities/services		–	–	25,010	38,157
S 7.12 – fixed development consent levies		–	–	1,642	4,760
Total developer contributions – cash		–	–	26,816	53,344
Non-cash contributions					
S 7.4 – contributions using planning agreements		–	–	–	407
Total developer contributions – non-cash		–	–	–	407
Total developer contributions	24	–	–	26,816	53,751
Other contributions:					
Cash contributions					
Community and Environmental Contribution		500	–	–	–
Doing It Differently		60	–	–	–
Communit Nursery		67	–	–	–
Other		22	729	194	159
Total other contributions – cash		649	729	194	159
Non-cash contributions					
Dedications		–	–	2,210	1,129
Stratum land		–	–	1,000	–
Total other contributions – non-cash		–	–	3,210	1,129
Total other contributions		649	729	3,404	1,288
Total contributions		649	729	30,220	55,039
TOTAL GRANTS AND CONTRIBUTIONS		9,938	8,534	35,227	66,289

Accounting policy for grants and contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed below.

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*.

While Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and, accordingly, would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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.

Bayside Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	13,453	18,806
Add: operating grants recognised as income in the current period but not yet spent	3,019	12,227
Less: operating grants recognised in a previous reporting period now spent	(11,352)	(17,580)
Unexpended and held as restricted assets (operating grants)	<u>5,120</u>	<u>13,453</u>
Capital grants		
Unexpended at the close of the previous reporting period	9,439	1,289
Add: capital grants recognised as income in the current period but not yet spent	1,013	9,304
Less: capital grants recognised in a previous reporting period now spent	(859)	(1,154)
Unexpended and held as restricted assets (capital grants)	<u>9,593</u>	<u>9,439</u>
Contributions		
Unexpended at the close of the previous reporting period	264,118	212,292
Add: contributions recognised as income in the current period but not yet spent	34,271	58,915
Less: contributions recognised in a previous reporting period now spent	(11,585)	(7,089)
Unexpended and held as restricted assets (contributions)	<u>286,804</u>	<u>264,118</u>

Developer contributions have been collected to deliver works outlined in the plans or under agreement and these will be expended in a future period. Refer to the Developer Contributions note for further details.

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	52,476	51,679
Travel expenses	41	61
Employee leave entitlements (ELE)	8,518	9,119
Superannuation – defined contribution plans	4,827	4,680
Superannuation – defined benefit plans	1,158	1,057
Workers' compensation insurance	2,561	2,631
Fringe benefit tax (FBT)	247	130
Training costs (other than salaries and wages)	473	515
Occupational health and safety	176	64
Other	167	250
Total employee costs	70,644	70,186
Less: capitalised costs	(2,210)	(1,983)
TOTAL EMPLOYEE COSTS EXPENSED	68,434	68,203
Number of 'full-time equivalent' employees (FTE) at year end	767	701
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	848	824

Accounting policy for employee benefits and on-costs

Employee benefit expenses are recorded when the service has been provided by the employee.

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available, therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Contingent Assets and Liabilities note for more information.

	2019	2018
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans	191	226
Total interest bearing liability costs expensed	191	226
(ii) Other borrowing costs		
Interest applicable on interest free (and favourable) loans to Council	15	21
Total other borrowing costs	15	21
TOTAL BORROWING COSTS EXPENSED	206	247

Accounting policy for borrowing costs

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

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	6,871	8,638
Contractor and consultancy costs	55,117	47,016
Auditors remuneration ⁽²⁾	641	391
Legal expenses:		
– Legal expenses: planning and development	628	1,056
– Legal expenses: other	1,789	1,898
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	86	–
Computer maintenance	2,136	2,670
Recycling contract	2,491	2,495
Waste collection and disposal	17,159	16,255
Other	32	35
Total materials and contracts	86,950	80,454
Less: capitalised costs	(36,446)	(28,312)
TOTAL MATERIALS AND CONTRACTS	50,504	52,142

Operating leases

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

1. Operating lease payments are attributable to:

Other	86	–
	86	–

2. Auditor remuneration

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

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

Audit and review of financial statements	641	391
Remuneration for audit and other assurance services	641	391
Total Auditor-General remuneration	641	391
Total Auditor remuneration	641	391

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		3,060	2,401
Office equipment		244	320
Furniture and fittings		100	110
Land improvements (depreciable)		–	657
Infrastructure:			
– Buildings		3,738	3,686
– Other structures		193	2,431
– Roads		8,638	7,185
– Bridges		94	82
– Footpaths		1,524	1,605
– Other road assets		503	–
– Stormwater drainage		1,393	1,629
– Swimming pools		86	196
– Other open space/recreational assets		3,579	–
– Other infrastructure		40	–
Other assets:			
– Library books		562	579
Reinstatement, rehabilitation and restoration assets:			
Intangible assets	11	1,132	559
Total depreciation and amortisation costs		<u>24,886</u>	<u>21,440</u>
Impairment / revaluation decrement of IPP&E			
Fair Value Impairment Community Land		1,359	–
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		<u>1,359</u>	<u>–</u>
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E		<u>26,245</u>	<u>21,440</u>

Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 11 for intangible assets.

Depreciation is capitalised where in-house assets have contributed to new assets.

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

(d) Depreciation, amortisation and impairment of intangible assets and IPP&E (continued)

Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E

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.

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

\$ '000	2019	2018
(e) Other expenses		
Advertising	699	809
Bad and doubtful debts	68	424
Bank charges	142	206
Contributions/levies to other levels of government		
– Department of planning levy	906	801
– Emergency services levy (includes FRNSW, SES, and RFS levies)	2,262	2,327
Councillor expenses – mayoral fee	67	50
Councillor expenses – councillors' fees	386	301
Councillors' expenses (incl. mayor) – other (excluding fees above)	116	41
Donations, contributions and assistance to other organisations (Section 356)	281	680
Electricity and heating	1,846	1,659
Insurance	2,075	2,264
Postage	384	374
Printing and stationery	812	874
Street lighting	3,002	2,505
Subscriptions and publications	324	260
Telephone and communications	714	801
Food and beverages	211	342
Fees and charges	1,041	1,001
Property expenses	766	580
Motor vehicle expenses	2,060	2,058
External hire charges	245	632
Other	625	779
Total other expenses	19,032	19,768
Less: capitalised costs	(80)	–
TOTAL OTHER EXPENSES	18,952	19,768

Accounting policy for other expenses

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

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5. Gain or loss from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
Plant and equipment	10		
Proceeds from disposal – plant and equipment		1,663	716
Less: carrying amount of plant and equipment assets sold/written off		(1,475)	(640)
Net gain/(loss) on disposal		188	76
Infrastructure	10		
Less: carrying amount of infrastructure assets sold/written off		(2,775)	(79)
Net gain/(loss) on disposal		(2,775)	(79)
Investments	6b		
Proceeds from disposal/redemptions/maturities – investments		135,635	90,068
Less: carrying amount of investments sold/redeemed/matured		(135,635)	(90,068)
Net gain/(loss) on disposal		–	–
Non-current assets classified as 'held for sale'	9		
Proceeds from disposal – non-current assets 'held for sale'		1,515	–
Less: carrying amount of 'held for sale' assets sold/written off		(1,170)	–
Net gain/(loss) on disposal		345	–
Intangible assets			
Less: carrying amount of Intangible assets assets sold/written off		–	(12)
Net gain/(loss) on disposal		–	(12)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(2,242)	(15)

Accounting policy for disposal of assets

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

The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents			
Cash on hand and at bank		6,025	6,181
Cash-equivalent assets			
– Deposits at call		23,585	47,990
– Managed funds		28,000	–
Total cash and cash equivalents		57,610	54,171

Accounting policy for 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.

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Designated at fair value on initial recognition'	29,355	16,242	–	58,602
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	318,000	–	270,510	11,908
c. 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	11	–	–	–
Total investments	<u>347,366</u>	<u>16,242</u>	<u>270,510</u>	<u>70,510</u>
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	<u>404,976</u>	<u>16,242</u>	<u>324,681</u>	<u>70,510</u>

NB comparative modified to designated at fair value on initial recognition

Financial assets at fair value through the profit and loss

Long term deposits	–	–	–	58,602
NCD's, FRN's (with maturities > 3 months)	29,355	16,242	–	–
Total	<u>29,355</u>	<u>16,242</u>	<u>–</u>	<u>58,602</u>

Financial assets at amortised cost / held to maturity (2018)

Long term deposits	318,000	–	270,510	–
NCD's, FRN's (with maturities > 3 months)	–	–	–	11,908
Total	<u>318,000</u>	<u>–</u>	<u>270,510</u>	<u>11,908</u>

Financial assets at fair value through other comprehensive income / available for sale financial assets (2018)

Listed equity securities	11	–	–	–
Total	<u>11</u>	<u>–</u>	<u>–</u>	<u>–</u>

(i) Financial assets designated as at fair value through other comprehensive income

Fair value at 30/06/19	Dividend income recognised during 1/7/18 – 30/6/19
11	–
<u>11</u>	<u>–</u>

At 1 July 2018, Council designated the investments shown below as financial assets as at fair value through other comprehensive income because these financial assets represent investments that the Council intends to hold for the long-term for strategic purposes. In 2018, these investments were classified as available for sale.

IAG Shares issued on demutualisation	11	–
Total	<u>11</u>	<u>–</u>

No strategic investments were disposed of during 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments. Dividends received were less than \$1,000.

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Accounting policy for investments

Accounting policy under AASB 9 – applicable from 1 July 2018

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument. On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial Assets

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

Classification

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

- amortised cost
- fair value through profit and loss
- fair value through other comprehensive income – equity instrument

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

Fair value through other comprehensive income – equity instruments

Council has a strategic investment in an entity over which they do not have significant influence nor control. Council has made an irrevocable election to classify this equity investment as fair value through other comprehensive income as it is not held for trading purposes.

This investment is carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in Other Comprehensive Income Statement.

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs and NCDs in the Statement of Financial Position.

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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.

(a) 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 held at fair value with changes in value taken through profit or loss at each reporting period.

(b) 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. Assets in this category are measured at amortised cost.

(c) 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. 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. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

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. Investments 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.

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.

Impairment of financial assets

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.

Impairment of available for sale investments

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.

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	404,976	16,242	324,681	70,510
attributable to:				
External restrictions (refer below)	330,780	16,242	255,382	70,510
Internal restrictions (refer below)	73,273	–	68,330	–
Unrestricted	923	–	969	–
	404,976	16,242	324,681	70,510

\$ '000	2019	2018
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Details of restrictions

External restrictions – other

Developer contributions – general	286,804	264,118
Specific purpose unexpended grants	11,425	17,979
Domestic waste management	13,394	11,203
Stormwater management	4,377	3,735
Local area funds	13,343	13,689
Infrastructure levy reserve	14,517	12,345
Community safety levy	868	743
Mascot main street	903	800
Mascot parking rate	1,382	1,280
Advertising SEPP64	9	–
External restrictions – other	347,022	325,892
Total external restrictions	347,022	325,892

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
Internal restrictions		
Infrastructure replacement	100	100
Employees leave entitlement	6,307	5,341
Carry over works	1,082	2,715
Deposits, retentions and bonds	2,000	2,000
Plant and equipment	6,646	5,066
Office equipment and IT reserve	4,266	3,167
Open space and s94 obligations	1,809	1,709
Public liability claims	587	610
Workers compensation	695	430
Council election	860	500
Strategic priorities	29,753	30,603
Street lighting hardware	554	554
Brighton bath amenities building	3,699	3,322
Arcliffe youth centre	2,962	3,031
Financial assistance grants in advance	2,522	2,273
Contribution to works	374	437
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	31	108
Audit & Legal	4,817	5,328
Business Improvements and Efficiencies	1,781	–
Community and Environmental Projects	507	–
Ramsgate Civic Upgrade	1,510	–
Internal Borrowings - against consolidated internal restrictions	(625)	–
Total internal restrictions	73,273	68,330
TOTAL RESTRICTIONS	420,295	394,222

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	7,541	–	7,477	–
Interest and extra charges	980	–	924	–
User charges and fees	3,750	–	4,407	–
Accrued revenues				
– Interest on investments	2,640	–	2,874	–
– Other income accruals	–	–	25	–
Government grants and subsidies	766	–	2,648	–
Net GST receivable	1,377	–	642	–
Other debtors	–	–	20	–
Total	17,054	–	19,017	–
Less: provision for impairment				
Rates and annual charges	(126)	–	(94)	–
Interest and extra charges	(128)	–	(71)	–
User charges and fees	(22)	–	(10)	–
Other debtors	(875)	–	(893)	–
Total provision for impairment – receivables	(1,151)	–	(1,068)	–
TOTAL NET RECEIVABLES	15,903	–	17,949	–
Externally restricted receivables				
Domestic waste management	1,957	–	1,883	–
Parking	1	–	2	–
Stormwater management	105	–	109	–
Other				
– Local Area Rates	48	–	37	–
– Mascot Main Street	1	–	2	–
– Unexpended Grants	766	–	2,640	–
– Community Safety	32	–	31	–
– Infrastructure Levy	702	–	641	–
Total external restrictions	3,612	–	5,345	–
Unrestricted receivables	12,291	–	12,604	–
TOTAL NET RECEIVABLES	15,903	–	17,949	–

NB adjustments made to prior year comparatives for restricted receivables

	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	1,068	718
Amount restated through opening retained earnings on adoption of AASB 9	133	–
+ new provisions recognised during the year	34	421
– amounts already provided for and written off this year	(84)	(71)
Balance at the end of the year	1,151	1,068

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Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

Receivables are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating expected credit loss (ECL), the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the expected credit loss (ECL) for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

For non-rates debtors, Council uses the presumption that an asset which is more than 60 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 1 year past due, whichever occurs first.

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

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectable 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 60 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable 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.

Rates and annual charges outstanding are secured against the property.

Bayside Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	135	–	223	–
Trading stock	25	–	16	–
Total inventories at cost	160	–	239	–
TOTAL INVENTORIES	160	–	239	–
(b) Other assets				
Prepayments	397	–	551	–
TOTAL OTHER ASSETS	397	–	551	–

Externally restricted assets

There are no restrictions applicable to the above assets.

Accounting policy**Raw materials and stores, work in progress and finished goods**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Land held for resale/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.

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9. Non-current assets classified as held for sale (and disposal groups)

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
(i) Non-current assets and disposal group assets				
Non-current assets 'held for sale'				
Land	2,190	–	3,360	–
Total non-current assets 'held for sale'	2,190	–	3,360	–
TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'	2,190	–	3,360	–

(ii) Details of assets and disposal groups

Asset held for sale relate to several parcels of land with adjoining owners and subject to negotiation.

\$ '000	Assets 'held for sale'	
	2019	2018
(iii) Reconciliation of non-current assets 'held for sale'		
Opening balance	3,360	2,190
Less: carrying value of assets/operations sold	(1,170)	–
Balance still unsold after 12 months:	2,190	2,190
Plus new transfers in:		
– Assets 'held for sale'	–	1,170
Closing balance of 'held for sale' non-current assets and operations	2,190	3,360

Accounting policy for non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as assets arising from employee benefits; financial assets; and investment property that is carried at fair value.

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 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.

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10(a). Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2018			Asset movements during the reporting period								as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Other movements WIP Expensed	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	10,552	–	10,552	7,515	–	–	–	–	(8,911)	(696)	–	8,460	–	8,460
Plant and equipment	19,221	7,555	11,666	7,561	–	(1,475)	(3,060)	–	–	–	–	23,385	8,693	14,692
Office equipment	1,449	916	533	71	–	–	(244)	–	–	–	–	1,520	1,160	360
Furniture and fittings	1,034	589	445	–	–	–	(100)	–	–	–	–	1,034	689	345
Land:														
– Operational land	322,862	–	322,862	–	1,000	–	–	–	–	–	–	323,862	–	323,862
– Community land	157,920	–	157,920	–	4,203	–	–	(1,359)	–	–	–	160,764	–	160,764
– Land under roads (post 30/6/08)	2,183	–	2,183	–	618	–	–	–	–	–	–	2,801	–	2,801
Land improvements – non-depreciable	643	–	643	465	–	–	–	–	–	–	–	1,108	–	1,108
Infrastructure:														
– Buildings	237,738	66,862	170,876	2,945	–	(2,688)	(3,738)	–	5,517	–	–	241,807	68,895	172,912
– Other structures	6,858	2,182	4,676	44	–	–	(193)	–	2	–	3,744	14,072	5,799	8,273
– Roads	452,360	116,315	336,045	3,419	2,387	–	(8,638)	–	205	–	–	454,423	121,005	333,418
– Bridges	9,122	1,331	7,791	128	–	–	(94)	–	10	–	–	9,260	1,425	7,835
– Footpaths	102,925	45,546	57,379	3,164	–	–	(1,524)	–	454	–	–	106,204	46,731	59,473
– Other road assets	35,422	12,162	23,260	215	19	–	(503)	–	3	–	–	35,630	12,636	22,994
– Bulk earthworks (non-depreciable)	62,930	–	62,930	–	175	(87)	–	–	–	–	–	63,018	–	63,018
– Stormwater drainage	139,934	54,736	85,198	573	20	–	(1,393)	–	126	–	–	140,654	56,130	84,524
– Swimming pools	6,856	463	6,393	–	–	–	(86)	–	–	–	–	6,857	550	6,307
– Other open space/recreational assets	70,365	22,949	47,416	6,652	267	–	(3,579)	–	2,594	–	13,114	93,784	27,320	66,464
– Other infrastructure	3,231	1,076	2,155	–	–	–	(40)	–	–	–	850	3,733	768	2,965
Other assets:														
– Library books	2,581	1,108	1,473	453	–	–	(562)	–	–	–	–	2,558	1,194	1,364
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,646,186	333,790	1,312,396	33,205	8,689	(4,250)	(23,754)	(1,359)	–	(696)	17,708	1,694,934	352,995	1,341,939

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

Opening balances have been restated to reflect the reclassification of assets into additional categories.

Council acquired parcels land for open space purchased in market transactions and these were subject to impairment testing in accordance with the accounting standards at 30 June 2019.

Bayside Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 10(a). Infrastructure, property, plant and equipment

Asset class	as at 30/6/2017			Asset movements during the period 1 July 2017 to 30 June 2018								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Other movements WIP Expensed	Transfers from/(to) 'held for sale' category	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	9,846	–	9,846	10,310	–	–	–	(8,413)	–	(1,192)	–	10,552	–	10,552
Plant and equipment	14,967	5,868	9,099	5,596	–	(629)	(2,401)	–	–	–	–	19,221	7,555	11,666
Office equipment	1,547	777	770	89	–	(7)	(320)	–	–	–	–	1,449	916	533
Furniture and fittings	1,492	934	558	–	–	(4)	(110)	–	–	–	–	1,034	589	445
Land:														
– Operational land	326,406	–	326,406	–	–	–	–	–	(2,375)	–	(1,170)	322,862	–	322,862
– Community land	155,029	–	155,029	–	515	–	–	–	2,375	–	–	157,920	–	157,920
– Land under roads (post 30/6/08)	1,552	–	1,552	–	630	–	–	–	–	–	–	2,183	–	2,183
Land improvements – non-depreciable	–	–	–	511	–	–	–	132	–	–	–	643	–	643
Land improvements – depreciable	28,036	8,250	19,786	164	1,789	–	(657)	155	280	–	–	30,369	8,851	21,518
Infrastructure:														
– Buildings	230,457	64,220	166,237	4,578	1,883	–	(3,686)	1,864	–	–	–	237,738	66,862	170,876
– Other structures	52,616	16,808	35,808	–	1,930	–	(2,431)	1,474	(280)	–	–	55,377	18,877	36,500
– Roads	484,966	121,908	363,058	1,765	283	–	(7,177)	2,679	(1,729)	–	–	487,150	128,272	358,878
– Bridges	7,992	942	7,050	–	–	–	(82)	–	–	–	–	7,992	1,023	6,969
– Footpaths	97,564	43,124	54,440	412	169	–	(1,613)	1,409	–	–	–	99,354	44,538	54,816
– Bulk earthworks (non-depreciable)	61,056	–	61,056	23	–	(79)	–	202	1,729	–	–	62,930	–	62,930
– Stormwater drainage	138,770	52,978	85,792	147	390	–	(1,629)	498	–	–	–	139,934	54,736	85,198
– Swimming pools	6,442	268	6,174	414	–	–	(196)	–	–	–	–	6,856	463	6,393
Other assets:														
– Library books	2,980	1,512	1,468	585	–	–	(579)	–	–	–	–	2,581	1,108	1,473
– Other	–	–	–	–	41	–	–	–	–	–	–	41	–	41
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,621,718	317,589	1,304,129	24,594	7,630	(719)	(20,881)	–	–	(1,192)	(1,170)	1,646,186	333,790	1,312,396

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

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

Increases in the carrying amounts arising on revaluation are credited to the 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.

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land is not depreciated. 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 the Council will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	4 to 10	Playground equipment	5 to 15
Office furniture	10	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 7	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings	10 to 100
Other plant and equipment	5 to 8		
		Stormwater assets	
		Drains	60 to 100
		Culverts	60 to 100
		Flood control structures	60 to 100
Transportation assets		Other infrastructure assets	
Sealed roads: surface	35	Swimming pools	80
Sealed roads: structure	100	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	5 to 100
Bridge: other	80	Other infrastructure	80
Road pavements	100 to 120		
Kerb, gutter and footpaths	40 to 100	Library Assets	5

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

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment (continued)

Land under roads

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

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

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

Crown reserves

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

Rural Fire Service assets

Under section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all 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".

Note 10(b). Externally restricted infrastructure, property, plant and equipment

\$ '000	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Domestic waste management						
Plant and equipment	3,438	919	2,519	2,307	615	1,692
Total DWM	3,438	919	2,519	2,307	615	1,692
TOTAL RESTRICTED IPP&E	3,438	919	2,519	2,307	615	1,692

Note 10(c). Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	2019	2018
Impairment losses recognised in the Income Statement:			
Council acquired community land and at year end tested against VG rates		(1,359)	–
Total impairment losses		(1,359)	–
IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L	4(d)	(1,359)	–

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Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Intangible assets

\$ '000	2019	2018
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values at 1 July		
Gross book value	5,294	5,842
Accumulated amortisation	(1,939)	(2,355)
Net book value – opening balance	3,355	3,487
Movements for the year		
– Purchases	122	439
– Amortisation charges	(1,132)	(559)
– Gross book value written off	(1,682)	(987)
– Accumulated amortisation charges written off	1,682	975
Closing values at 30 June		
Gross book value	3,733	5,294
Accumulated amortisation	(1,388)	(1,939)
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹	2,345	3,355

¹ The net book value of intangible assets represent:

– software includes capitalised development costs being an internally generated intangible assets

2,345	3,355
2,345	3,355

Accounting policy for intangible assets**IT development and software**

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and services, 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 two to ten 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.

Bayside Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 12. Payables and borrowings

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	2,375	–	6,041	–
Accrued expenses:				
– Borrowings	7	–	10	–
– Salaries and wages	1,228	–	1,049	–
– Other expenditure accruals	6,025	–	5,889	–
Security bonds, deposits and retentions	16,707	–	18,549	–
Builders service and plan first levy payable	124	–	153	–
Other	79	–	328	–
Total payables	26,545	–	32,019	–
Income received in advance				
Payments received in advance	1,074	–	1,079	–
Total income received in advance	1,074	–	1,079	–
Borrowings				
Loans – secured ¹	992	2,877	1,079	3,854
Total borrowings	992	2,877	1,079	3,854
TOTAL PAYABLES AND BORROWINGS	28,611	2,877	34,177	3,854

(a) Payables and borrowings relating to restricted assets

There are no restricted assets (external or internal) applicable to the above payables and borrowings

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 19.

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings (continued)

\$ '000	2019	2018
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(b) Current payables and borrowings not anticipated to be settled within the next twelve months

The following payables and borrowings, even though classified as current, are not expected to be settled in the next 12 months.

Payables – security bonds, deposits and retentions	17,336	16,669
	17,336	16,669

(c) Changes in liabilities arising from financing activities

Class of borrowings	2019		Non-cash changes			2019
	Opening balance as at 1/7/18	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/19
Loans – secured	4,933	(1,079)	–	–	15	3,869
TOTAL	4,933	(1,079)	–	–	15	3,869

Class of borrowings	2018		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	6,013	(1,101)	–	–	21	4,933
TOTAL	6,013	(1,101)	–	–	21	4,933

(d) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

	2019	2018
Bank overdraft facilities ⁽¹⁾	890	890
Credit cards/purchase cards	60	60
Total financing arrangements	950	950
Drawn facilities as at balance date:		
– Bank overdraft facilities	–	890
– Credit cards/purchase cards	3	56
Total drawn financing arrangements	3	946
Undrawn facilities as at balance date:		
– Bank overdraft facilities	890	–
– Credit cards/purchase cards	57	4
Total undrawn financing arrangements	947	4

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

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings (continued)

Security over loans

All loans secured over future cash flows from Councils general purpose revenues.

Leased liabilities are secured by the underlying leased assets.

Accounting policy for payables and borrowings

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Council comprise trade payables, bank and other loans.

Payables

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

Borrowings

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

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

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

Bayside Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 13. Provisions

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	7,748	–	8,232	–
Sick leave	1,221	–	1,230	–
Long service leave	12,816	1,239	12,736	367
Gratuities	336	–	341	–
Sub-total – aggregate employee benefits	22,121	1,239	22,539	367
Other provisions:				
Public liability under excess	–	201	–	296
Other (Remediation Provision)	405	3,273	–	3,415
Other (Land Disposal Tax)	1,904	–	1,904	–
Sub-total – other provisions	2,309	3,474	1,904	3,711
TOTAL PROVISIONS	24,430	4,713	24,443	4,078
(a) Provisions relating to restricted assets				
	2019		2018	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Domestic waste management	1,129	3,295	536	3,415
Provisions relating to externally restricted assets	1,129	3,295	536	3,415
Internally restricted assets				
Other (Land Disposal Tax)	1,904	–	1,904	–
Provisions relating to internally restricted assets	1,904	–	1,904	–
Total provisions relating to restricted assets	3,033	3,295	2,440	3,415
Total provisions relating to unrestricted assets	21,397	1,418	22,003	663
TOTAL PROVISIONS	24,430	4,713	24,443	4,078
(b) Current provisions not anticipated to be settled within the next twelve months				
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.				
Provisions – employees benefits			15,551	19,158
			15,551	19,158

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2019	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	8,232	1,230	13,103	–	341	22,906
Additional provisions	3,233	64	1,252	–	11	4,560
Amounts used (payments)	(3,965)	(92)	(1,071)	–	–	(5,128)
Remeasurement effects	318	19	1,168	–	(16)	1,489
Unused amounts reversed	(70)	–	(397)	–	–	(467)
Total ELE provisions at end of year	7,748	1,221	14,055	–	336	23,360

2018	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	7,754	1,278	12,531	–	373	21,936
Additional provisions	4,138	328	2,488	–	40	6,994
Amounts used (payments)	(3,836)	(116)	(1,477)	–	(82)	(5,511)
Remeasurement effects	275	66	(8)	–	10	343
Unused amounts reversed	(99)	(326)	(431)	–	–	(856)
Total ELE provisions at end of year	8,232	1,230	13,103	–	341	22,906

2019	Other provisions		Total
	Other		
At beginning of year	5,615		5,615
Changes to provision:			
Additional provisions	90		90
Amounts used (payments)	(95)		(95)
Remeasurement effects	173		173
Total other provisions at end of year	5,783		5,783

2018	Other provisions		Total
	Settlement and legal costs	Other	
At beginning of year	2,308	5,559	7,867
Changes to provision:			
Additional provisions	42	–	42
Amounts used (payments)	(2,350)	–	(2,350)
Remeasurement effects	–	56	56
Total other provisions at end of year	–	5,615	5,615

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

Nature and purpose of non-employee benefit provisions

Asset remediation

Council has as a result of past operating activities, various sites situated within its LGA, that will require it to undertake restoration and remediation works.

Council has legal/public obligations to make restore, rehabilitate and reinstate Kendall Street Reserve and Crawford Road, and has included a total provision of \$3,561K for these works.

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

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

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

On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

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

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

Provisions for close-down and restoration, and environmental clean-up costs – tips and quarries

Restoration

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

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

Rehabilitation

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

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

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

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

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

Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments and decrements in the revaluation of non-current assets.

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

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

The Council has adopted AASB 9 *Financial Instruments* for the first time in the current year with a date of initial adoption of 1 July 2017.

As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

– AASB 101 *Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the income statement. In the prior year, this information was presented as part of other expenses.

– AASB 7 *Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

Classification of financial assets

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

Measurement of equity instruments

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

Bayside Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000

(b) Changes in accounting policies due to adoption of new accounting standards – not-retrospective (continued)

Adjustments to the current year figures for the year ended 30 June 2019

	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
Statement of Financial Position			
Current Receivables	17,949	(133)	17,816
Total assets	17,949	(133)	17,816
Adjustment to retained earnings	1,671,557	(133)	1,671,424
Total equity	1,671,557	(133)	1,671,424

Transition adjustments

The impacts to reserves and retained earnings on adoption of AASB 9 at 1 July 2018 are shown below:

	Note	Available for sale investm- ent revaluation reserve	FVOCI reserve	Retained earnings	Non- -controlling interests	Total
Increase in expected credit losses for trade receivables	1	-	-	133	-	133

1 The application of AASB9 resulted in a re-measurement of the receivables provisions resulting in a decrease in net current receivables

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000

(b) Changes in accounting policies due to adoption of new accounting standards – not-retrospective (continued)

Transition adjustments

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at 1 July 2018.

Class	Classification under AASB 139	Classification under AASB 9	Carrying amount under AASB 139	Reclassification	Remeasurements	Carrying amount under AASB 9
Financial assets						
Trade and Other Receivables	Loans and Receivables	Amortised Cost	17,949	–	(133)	17,816
Cash & Cash Equivalents	Loans and Receivables	Amortised Cost	54,171	–	–	54,171
Term Deposits	Held to Maturity	Amortised Cost	282,418	–	–	282,418
Equity Securities	FVTPL - Held for Trading	FVOCI - Equity	8	–	–	8
Floating Rate Notes	FVTPL - Held for Trading	FVTPL	58,602	–	–	58,602
Total financial assets under AASB 9 at 1 July 2018			413,148	–	(133)	413,015

Notes to the table above

Reclassify investments from 'available for sale' to FVOCI–equity

Council previously classified investments as 'available for sale' with changes in value being taken through a financial asset reserve. On adoption of AASB 9, investments with a fair value of \$xx were reclassified from the 'available for sale investment revaluation reserve' to the 'financial asset at fair value through other comprehensive income reserve' since they are not held for trading.

Reclassification from FVTPL to FVOCI–equity

Certain equity instruments that were previously measured at FVTPL have been designated at FVOCI–equity since, on initial application of AASB 9, these instruments are not held for trading. Related fair value movements of \$0 were transferred from retained earnings to FVOCI reserve on adoption of AASB 9. The fair value movement that would have been recognised in profit or loss for the current year if the assets had not been reclassified is \$0.

Reclassification from 'held to maturity' to 'amortised cost'

Term deposits that would previously have been classified as 'held to maturity' are now classified at 'amortised cost'. Council intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of these assets.

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Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Statement of cash flows – additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	57,610	54,171
Balance as per the Statement of Cash Flows		57,610	54,171
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		39,976	68,998
Adjust for non-cash items:			
Depreciation and amortisation		24,886	21,440
Net losses/(gains) on disposal of assets		2,242	15
Non-cash capital grants and contributions		(3,210)	(1,536)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		81	(38)
– Revaluation decrements / impairments of IPP&E direct to P&L		1,359	–
– Other adjustments to receivables impairment provision AASB9		(133)	–
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued);		15	21
Share of net (profits)/losses of associates/joint ventures using the equity method		(519)	(667)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		1,963	386
Increase/(decrease) in provision for impairment of receivables		83	350
Decrease/(increase) in inventories		79	(31)
Decrease/(increase) in other current assets		154	134
Increase/(decrease) in payables		(3,666)	3,776
Increase/(decrease) in accrued interest payable		(3)	10
Increase/(decrease) in other accrued expenses payable		315	(759)
Increase/(decrease) in other liabilities		(2,125)	(93)
Increase/(decrease) in provision for employee benefits		454	970
Increase/(decrease) in other provisions		168	(2,251)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		62,119	90,725
(c) Non-cash investing and financing activities			
Developer contributions 'in kind'		–	407
Other dedications		3,210	1,129
Total non-cash investing and financing activities		3,210	1,536

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities

\$ '000

	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Joint ventures	519	667	5,587	5,068
Total	519	667	5,587	5,068

Joint arrangements

Joint ventures

The following information is provided for joint ventures that are individually material to the Council. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2019	2018
Civic Risk Mutual (United Independent Pools)	Joint Venture	Equity method	536	637
Civic Risk Mutual (Metropool)	Joint Venture	Equity method	4,758	4,431
Bayside Garden Centre	Joint Venture	Equity method	293	–
Total carrying amounts – material joint ventures			5,587	5,068

(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
Bayside Garden Centre	Wholesale & retail Nursery	Kogarah, NSW

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018	2019	2018
Civic Risk Mutual (United Independent Pools)		N/A	8%	8%	8%	8%	6%	6%
Civic Risk Mutual (Metropool)		N/A	33%	33%	33%	33%	17%	17%
Bayside Garden Centre			50%	0%	50%	0%	50%	0%

Bayside Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 16. Interests in other entities (continued)

\$ '000

Joint ventures (continued)

(d) Summarised financial information for joint ventures

Statement of financial position	Civic Risk Mutual (United Independent Pools)		Civic Risk Mutual (Metropool)	
	2019	2018	2019	2018
Current assets				
Cash and cash equivalents	1,813	1,158	49	15
Other current assets	7,215	5,759	10,106	8,114
Non-current assets	5,368	5,989	12,766	16,220
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	4,827	2,690	1,312	1,714
Other current liabilities	345	299	311	101
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	2,279	1,448	6,650	8,985
Net assets	6,945	8,469	14,648	13,549
Reconciliation of the carrying amount				
Opening net assets (1 July)	8,469	6,491	13,549	11,611
Profit/(loss) for the period	(1,524)	1,978	1,099	1,938
Closing net assets	6,945	8,469	14,648	13,549
Council's share of net assets (%)	7.7%	7.5%	32.5%	32.7%
Council's share of net assets (\$)	536	637	4,759	4,431
Statement of comprehensive income				
Income	11,320	9,426	2,116	2,115
Interest income	448	439	1,010	1,077
Other expenses	(13,292)	(7,887)	(2,030)	(1,254)
Profit/(loss) for period	(1,524)	1,978	1,096	1,938
Total comprehensive income	(1,524)	1,978	1,096	1,938
Share of income – Council (%)	6.6%	7.5%	29.8%	26.8%
Profit/(loss) – Council (\$)	(101)	149	327	519
Total comprehensive income – Council (\$)	(101)	149	327	519

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities (continued)

\$ '000

Joint ventures (continued)

(d) Summarised financial information for joint ventures (continued)

	Bayside Garden Centre	
	2019	2018
Statement of financial position		
Current assets		
Cash and cash equivalents	293	–
Other current assets	169	–
Non-current assets	158	–
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	7	–
Other current liabilities	46	–
Net assets	567	–
Reconciliation of the carrying amount		
Opening net assets (1 July)	514	–
Profit/(loss) for the period	87	–
Dividends paid	(34)	–
Closing net assets	567	–
Council's share of net assets (%)	51.7%	0.0%
Council's share of net assets (\$)	293	–
Statement of comprehensive income		
Income	1,124	–
Other expenses	(539)	–
Profit/(loss) for period	585	–
Total comprehensive income	585	–
Share of income – Council (%)	50.0%	0.0%
Profit/(loss) – Council (\$)	293	–
Total comprehensive income – Council (\$)	293	–

Accounting policy for joint arrangements

The Council has determined that it has only joint ventures.

Joint ventures

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

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

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

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Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Commitments

\$ '000	2019	2018
(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	9,131	140
Plant and equipment	771	2,657
Road infrastructure	3,255	–
Infrastructure Works	14,630	9,292
Information Management	260	580
Other	2	6
Total commitments	28,049	12,675
These expenditures are payable as follows:		
Within the next year	28,049	12,675
Total payable	28,049	12,675
Sources for funding of capital commitments:		
Unrestricted general funds	738	3,403
Section 7.11 and 64 funds/reserves	6,168	9,272
Externally restricted reserves	7,602	–
Internally restricted reserves	13,541	–
Total sources of funding	28,049	12,675

Details of capital commitments

Completion of Council's capital works program which has commenced.
5-9 Bryant Street was purchased May 2019. Settlement of property is July 2019

(b) 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	104	17
Later than one year and not later than 5 years	105	62
Total non-cancellable operating lease commitments	209	79

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

Office equipment.

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 year ended 30 June 2019

Note 18. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit plans

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

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

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

Description of the funding arrangements

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

The standard employer contributions were determined using the new entrant rate method, under which a contribution rate sufficient to fund the total benefits over the working lifetime of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each pooled employer is a share of the total additional contributions of \$40m per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

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

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(i) Defined benefit plans (continued)

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

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

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

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

The amount of employer contributions to the defined benefit section of the Scheme and recognised as an expense for the year ending 30 June 2019 was \$1.033m. The last valuation of the Scheme was performed by Mr Richard Boyfield (FIAA) on 31/12/2018, and covers the year ended 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$0.58m. Council's expected contribution to the plan for the next annual reporting period is \$1.04m.

The estimated employer reserves financial position for the pooled employees at 30 June 2019 is:

Employer reserves only*	\$ millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$1,041,459.64 as at 30 June 2019.

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

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

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

*Plus promotional increases

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

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(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 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.

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 a bank guarantee of \$400k related to its discontinued Airport Business Unit and is seeking its release.

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

LIABILITIES NOT RECOGNISED (continued):

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 the 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 contribution 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 weaknesses in the former City of Botany Bay Council's internal controls. The systematic 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.

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Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

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) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

(iv) 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.

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 year ended 30 June 2019

Note 19. Financial risk management

\$ '000

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.

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2019	2018	2019	2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	57,610	54,171	57,610	54,171
Receivables	15,903	17,949	15,903	17,949
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	318,000	282,418	318,000	282,418
Fair value through other comprehensive income				
Investments				
– 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	11	–	11	–
Fair value through profit and loss				
Investments				
– 'Designated at fair value on initial recognition'	45,597	58,602	45,597	58,602
Total financial assets	437,121	413,140	437,121	413,140
Financial liabilities				
Measured at amortised cost				
Payables	26,545	32,019	26,545	32,019
Loans/advances	3,869	4,933	3,869	4,933
Total financial liabilities	30,414	36,952	30,414	36,952

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.

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Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. 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 Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of investments may fluctuate due to changes in market prices, whether 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.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 10% movement in market values	4,560	4,560	(4,560)	(4,560)
Possible impact of a 1% movement in interest rates	31,800	31,800	(31,800)	(31,800)
2018				
Possible impact of a 10% movement in market values	5,860	5,860	(5,860)	(5,860)
Possible impact of a 1% movement in interest rates	2,824	2,824	(2,824)	(2,824)

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management (continued)

\$ '000

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

There are no significant concentrations of credit risk, other than Council has significant credit risk exposures in its local area given the nature of the business.

The level of outstanding receivables is monitored by finance and monitored for acceptable collection performance. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 – 2 years overdue	2 – 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	44	5,555	1,193	1,211	518	8,521
2018						
Gross carrying amount	45	5,605	1,692	586	473	8,401

Bayside Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 19. Financial risk management (continued)

\$ '000

(b) Credit risk (continued)

Receivables – non-rates and annual charges

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

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 – 30 days overdue	31 – 60 days overdue	61 – 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	6,581	125	53	101	1,673	8,533
2018						
Gross carrying amount	7,127	659	10	429	2,391	10,616

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. 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.

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

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

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2019							
Trade/other payables	0.00%	16,707	9,838	-	-	26,545	26,545
Loans and advances	4.53%	-	301	2,045	1,523	3,869	3,869
Total financial liabilities		16,707	10,139	2,045	1,523	30,414	30,414
2018							
Trade/other payables	0.00%	18,549	13,470	-	-	32,019	32,019
Loans and advances	4.36%	-	132	2,348	2,453	4,933	4,933
Total financial liabilities		18,549	13,602	2,348	2,453	36,952	36,952

Loan agreement breaches

NIL.

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Material budget variations

\$ '000

Council's original financial budget for 18/19 was adopted by the Council on 27 June 2018 and is not required to be audited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 Variance*		
REVENUES					
Rates and annual charges	115,173	116,974	1,801	2%	F
User charges and fees	18,100	16,572	(1,528)	(8%)	U
Discontinuation of the Airport Business Unit was not included in original budget forecast.					
Interest and investment revenue	8,397	10,891	2,494	30%	F
Original forecast was conservative in terms of the interest rate applicable to investments, combined with process and procedure improvements in cash management in conjunction with a higher than estimated average investment portfolio.					
Other revenues	14,130	16,438	2,308	16%	F
Additional parking revenue, ex-gratia rates and recoveries of funds not included in budget forecast.					
Operating grants and contributions	7,611	9,938	2,327	31%	F
Payment of Financial Assistance Grant in advance.					
Capital grants and contributions	38,204	35,227	(2,977)	(8%)	U
Joint ventures and associates - net profits	–	519	519	0%	F
Council does not budget for movements in its joint ventures.					

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 Variance*		
EXPENSES					
Employee benefits and on-costs	76,334	68,434	7,900	10%	F
A number of positions were vacant during the year, with essential positions being covered by agency staff, which resulted in the actual employee costs being below budget. This is offset with agency costs being included in materials and contracts.					
Borrowing costs	217	206	11	5%	F
Materials and contracts	44,287	50,504	(6,217)	(14%)	U
Utilisation of agency staff and contractors to cover vacancies, offset with employee cost savings					
Depreciation and amortisation	22,866	24,886	(2,020)	(9%)	U
Other expenses	16,310	18,952	(2,642)	(16%)	U
Electricity and heating costs above budget estimate. Council's investment in upgrade of street lighting program was delayed by the provider and this resulted in higher street lighting charges than forecasted.					
STATEMENT OF CASH FLOWS					
Cash flows from operating activities	64,468	62,119	(2,349)	(3.6%)	U
Cash flows from investing activities	(81,029)	(57,601)	23,428	(28.9%)	F
There were unforeseen delays in a number of capital projects which resulted in less capital expenditure than forecast and changes to internal investment process resulted in less turnover of investment portfolio.					
Cash flows from financing activities	(1,079)	(1,079)	-	0.0%	F

Note 21. Discontinued operations

Discontinued operations

Council ceased to operate the Airport Business Unit from 30/09/2018. □

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

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. 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

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:

2019	Date of latest valuation	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'	30/06/19	–	45,597	–	45,597
– 'Financial assets at fair value through other comprehensive income'	30/06/19	11	–	–	11
Total financial assets		11	45,597	–	45,608
Infrastructure, property, plant and equipment					
Work in progress	30/06/19	–	8,460	–	8,460
Operational land	10/09/16	–	323,862	–	323,862
Plant and equipment	30/06/19	–	–	14,692	14,692
Office equipment	30/06/19	–	–	360	360
Furniture and fittings	30/06/19	–	–	345	345
Library books	30/06/19	–	–	1,364	1,364
Community land	10/09/16	–	–	160,764	160,764
Land improvements	10/09/16	–	–	1,108	1,108
Buildings	10/09/16	–	–	172,912	172,912
Other structures	30/06/19	–	–	8,273	8,273
Roads	10/09/16	–	–	333,418	333,418
Bridges	10/09/16	–	–	7,835	7,835
Footpaths	10/09/16	–	–	59,473	59,473
Bulk Earthworks	10/09/16	–	–	63,018	63,018
Stormwater Drainage	10/09/16	–	–	84,524	84,524
Land under roads	10/09/16	–	–	2,801	2,801
Swimming Pools	10/09/16	–	–	6,307	6,307
Other Road Assets	10/09/16	–	–	22,994	22,994
Other Infrastructure Assets	30/06/19	–	–	2,965	2,965
Openspace / recreation assets	30/06/19	–	–	66,464	66,464
Total infrastructure, property, plant and equipment		–	332,322	1,009,617	1,341,939
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

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Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Fair value measurement (continued)

\$ '000

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

2018	Date of latest valuation	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					
– 'Held for trading'	30/06/18	–	58,602	–	58,602
Total financial assets		–	58,602	–	58,602
Financial liabilities					
Interest free loans	30/06/18	–	312	–	312
Total financial liabilities		–	312	–	312
Infrastructure, property, plant and equipment					
Work in progress	30/06/18	–	10,552	–	10,552
Operational land	10/09/16	–	322,862	–	322,862
Plant and equipment	30/06/18	–	–	11,666	11,666
Office equipment	30/06/18	–	–	533	533
Furniture and fittings	30/06/18	–	–	445	445
Library books	30/06/18	–	–	1,473	1,473
Community land	10/09/16	–	–	157,920	157,920
Land improvements	10/09/16	–	–	643	643
Buildings	10/09/16	–	–	170,876	170,876
Other structures	10/09/16	–	–	4,677	4,677
Roads	10/09/16	–	–	336,045	336,045
Bridges	10/09/16	–	–	7,791	7,791
Footpaths	10/09/16	–	–	57,380	57,380
Bulk Earthworks	10/09/16	–	–	62,930	62,930
Stormwater Drainage	10/09/16	–	–	85,198	85,198
Land under roads	10/09/16	–	–	2,183	2,183
Swimming Pools	10/09/16	–	–	6,393	6,393
Openspace / recreation assets	10/09/16	–	–	47,415	47,415
Other Road Assets		–	–	23,259	23,259
Other Infrastructure		–	–	2,155	2,155
Total infrastructure, property, plant and equipment		–	333,414	978,982	1,312,396
Non-recurring fair value measurements					
Non-current assets classified as 'held for sale'					
Land	10/09/16	–	3,360	–	3,360
Total NCA's classified as 'held for sale'		–	3,360	–	3,360

(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 year ended 30 June 2019

Note 22. Fair value measurement (continued)

3) Valuation techniques used to derive level 2 and level 3 fair values

Where Council is unable to derive fair valuations using quoted market prices of identical assets (i.e. level 1 inputs), Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising Level 1, Level 2 and level 3 inputs are as follows:

Level 1 measurements

Financial assets

The Council's financial assets relates to its investments in short term deposits, held to maturity and floating rate notes linked to the relevant investment period's (mid) Bank Bill Swap rates (BBSW). Council receives indicative market valuation advice from the investment banks. The indicative valuations are based upon recent comparative market based evidence. The information included under 6(b) is considered sufficient to meet the Fair Value disclosures requirements hence additional information is not included under this note.

Level 2 measurements

Financial liabilities

Interest free loans

The Council's financial liabilities relate to interest free loans acquired in accordance with Local Government guidelines to fund infrastructure projects. The fair value of the 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 instruments, therefore placing the financial liabilities assets in Level 2. Valuation techniques remained the same for this reporting period.

Infrastructure, property, plant and equipment (IPPE)

Work in Progress (IPPE)

The Work in progress relating to IPPE assets are valued at cost in Council's books and reported at Fair Value in the notes due to the nature of the items. The cost of these assets are based on current invoices and contracts, which are based on observable inputs therefore placing the IPPE WIP in Level 2.

Operational Land

The Council engages external, independent and qualified valuers to determine the fair value of the Council's Operational Land.

The fair value of Operational Land has been determined by referencing it to current prices in an active market for similar properties. Where such information is not available, current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences are considered. Appropriate adjustments are also made for the inherent features of the property such as fire-prone, flood zonings and usability of the land.

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Fair value measurement (continued)

Operational land assets are categorised as Level 2 as determined by the valuation report provided by APV Valuers & Asset Management. Valuation techniques remained the same for this reporting period.

Operational land was last revalued at 10 September 2016.

Non-current assets classified as 'held for sale'

The Council's non-current asset held for sale is an operational land that is fair valued by APV Valuers and Asset Management as at 10 September 2016. Contracts for exchange is being negotiated. Asset held for sale will be therefore revalued to market value/contract value on conclusion of the sales agreement.

Non-current assets held for sale is categorised as Level 2 as determined by the valuation report provided by APV Valuers & Asset Management. Valuation techniques remained the same for this reporting period.

Level 3 measurements

Plant & Equipment, Office Equipment, and Furniture & Fittings

This asset category includes:

Plant & Equipment – Motor Vehicles, trucks, mowers
Office Equipment – Computer equipment
Furniture & Fittings – Chairs, desks, cabinets, display systems.

These assets are valued at cost in Council's books and reported at Fair Value in the notes due to the nature of the items. The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market therefore placing these assets in Level 3. Valuation techniques remained the same for this reporting period.

Library Books

This asset category comprises of assets such as library books, journals, magazines, CDs and DVDs.

The library books are reported at Fair Value in the notes however, due to the nature of these items they are valued at cost. There are no major variances between the fair value and carrying amount of these assets. The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life is based on internal factors which are unobservable in the market making it a level 3 asset. Valuation techniques remain the same for this reporting period.

Buildings – Specialised & Non-Specialised

The Council engages external, independent and qualified valuers to determine the fair value of the Council's buildings. Buildings were last revalued on 10 September 2016 and the fair values were determined by APV Valuers & Asset Management.

Gross Value of each building, which is obtained by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology. The valuation aspects are generally, but not limited to the location, size, condition, style and utility of the asset. Replacement cost, asset condition, remaining useful life and building components are some of the inputs used in fair value determination. The key unobservable input

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Fair value measurement (continued)

being the rate square metre has been benchmarked to construction costs of similar properties across the industry.

This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Further details relating to the rate per square metre has been provided below.

Community Land

The Council engages the Valuer General of New South Wales to determine the fair value of the Council's Community Land.

The fair value for Community Land has been determined using an Unimproved Capital Value, derived from the Valuer General's valuation performed for rating purposes, and applying to the total area. Given the nature of Community land, comparable sales data is generally not available. As the Valuer General's valuation considers land in all zoning, average unit derived from Valuer General's valuation is considered the most practicable approach to valuing Community Land.

This assets class is categorised as Level 3 as some of the inputs mentioned above require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Community land was last revalued at 1 July 2016.

Infrastructure assets

The Council engages external, independent and qualified valuers to determine the fair value of the Council's Infrastructure assets. All infrastructure assets were last revalued on 10 September 2016 and the fair values were determined by APV Valuers & Asset Management.

The key unobservable input to the valuation is the rate per square metre, for which, further details have been provided below.

Some infrastructure assets that are not valued by APV Valuers are performed internally by the Council's internal engineering team. The gross value of the infrastructure assets are determined by unit rate to total volume which is normally square metres, cubic metres or lineal metres.

The unit rates, which is a key unobservable input, is determined using rates stipulated in contracts with third party suppliers via tenders, internal service providers and industry publications.

Roads

The system adopted has a hierarchical structure in which all Roads are identified by name and number. Each road was then subdivided into a number of sections based on length, geometry and change of structure or traffic. Some roads may have only one section. The components within the road sections are as follows.

- ❖ Road Pavement
 - Pavement Structure
 - Road Wearing Course

Bayside Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 22. Fair value measurement (continued)

-
- ❖ Bridges & Culverts
 - ❖ Footpaths
 - ❖ Kerb & Gutter
 - ❖ Bollards
 - ❖ Retaining Walls
 - ❖ Fences & Railings
 - ❖ Seats
 - ❖ Traffic Facilities
 - ❖ Carpark
 - ❖ Cycleway Path
 - Cycleway markings
 - ❖ Street Furniture
 - Stainless steel bin covers
 - Tree guards
 - Planter box

Road Pavements, Footpaths, Cycleway and Kerb & Gutter were measured along the centre line and their corresponding width and condition were recorded. Similarly Traffic Facilities, Retaining Wall, Car park measured and determined area in square metres. Fence and Railing measured in linear metres. Street Furniture are considered as single items and valued as such.

Kerb and gutter assets are valued using condition and age based methodology. Kerb and gutter assets are categorised by their construction material and by the kerb type and are not componentised. Unit rates are based on other council valuations and previous Rockdale valuation. A common unit rate of \$180 per lineal metre has been applied across all material and kerb types.

Road pavement structure assets are valued using condition and age based methodology. Road pavements have been assigned a unit rate of \$75 per square metre. Pavement replacement costs are based on renewal practice consisting of removing approximately 50% of existing pavement layer and replacing it with structural asphalt. Unit rates are based primarily on recent construction rates used in Rockdale pavement renewal contracts. Unit rate has been expressed as a weighted average for all roads based on the proportion of local and regional roads which typically have different standards of pavement reconstruction to reflect the different usage. The methodology of determining the area of wearing course has changed since the 2010 valuation. This has resulted in an increase in wearing course by 19%.

Road wearing course assets are valued using condition and age based methodology. Road wearing surfaces have been assigned a unit rate of \$27 per square metre. Unit rates are based primarily on recent construction rates used in Rockdale pavement surfacing contracts. Unit rate has been expressed as a weighted average for all roads based on the proportion of local and regional roads, which typically have different requirements for wearing surface to reflect different usage. The methodology of determining the area of wearing course has changed since 2010 asset valuation. This has resulted in an increase in wearing course area by approximately 9%.

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Fair value measurement (continued)

This assets class is categorised as Level 3 as some of the inputs mentioned above require significant professional judgement and are therefore unobservable.

Bridges

Bridges and culverts are valued using condition and age based methodology. Road bridges are not categorised whilst culverts are categorised as to type (box culverts and pipe culverts). Bridge and culvert renewals will typically be a full rebuild rather than replacement of individual components, therefore an overall replacement rate is appropriate. Bridge unit rates are \$3,969 per square metre of deck area. Culvert unit rates are \$2,028 per square metre of footprint (plan) area. Bridge unit rates is based on breakdown provided by other council valuations and compared to Rawlinson's Australian Construction Handbook overall rate information. Culvert unit rates is based on per metre rates from Rawlinson's Australian Construction Handbook and converted to an equivalent footprint plan area rate including allowances for ancillary work.

Footpaths

Footpath assets are valued using condition and age based methodology. Footpaths are categorised by their construction material. Footpath assets are not componentised.

Unit rates are based on previous Rockdale valuation and other council valuations. Unit rates based on other council valuations and compared to Rawlinson's Australian Construction Handbook 2015. Unit rates for asphalt \$50 per square metre, concrete \$100 per square metre and pavers \$95 per square metre.

Stormwater Drainage

Similar to the roads asset, drainage asset system has a hierarchical structure in which all the drainage catchments have components such as pipes, pits, channels, culverts etc. In addition, Stormwater Quality Improvement Devices (SQID) such as Gross Pollution Traps, Trash racks, Litter baskets, Litter nets, Booms etc. are recorded. Pipes, channels and box culverts are measured in linear metres and pits as an item,

Stormwater drain assets have been valued using an age-based methodology.

Where applicable, actual costs for asset acquisition or work done are used to determine unit rates. When this information is not available local engineering knowledge and benchmark data contained in the NSW Reference Rates Manual (2014) has been applied.

This assets class is categorised as Level 3 as some of the inputs mentioned above require significant professional judgement and are therefore unobservable.

Land Under Roads

Land Under Roads identified as roads constructed post 30/6/2008 has been valued based on Municipal Average Land Rate discounted by 90%. Council has elected to only recognise land under roads for new roads constructed after 30/6/2008.

The Council uses Local Government Area rateable land values provided by the NSW Valuer-General to determine the fair value of the Council's Land Under Roads (LUR) assets.

The urban Average Rateable Value per hectare within each Local Government Area (LGA) is adjusted by an "open spaces ratio" to approximate fair value (unimproved and pre-subdivision land).

The urban Average Rateable Value by LGA is derived from data provided by the Valuer – General. Measurement of land area in situ under roads.

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Fair value measurement (continued)

This assets class is categorised as Level 3 as some of the inputs mentioned above require significant professional judgement and are therefore unobservable.

Swimming Pools

Assets within this class are comprised of swimming pools and associated structures.

The valuation of the swimming pools using cost approach was conducted by APV Valuers and Asset Management on 10 September 2016. Significant unobservable inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components, asset condition and residual value.

This asset class is categorised a Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgment and are therefore unobservable.

Intangible assets

Intangible assets are measured initially at cost and amortised on a systematic basis over their useful lives. After initial recognition, the Council measures an intangible asset at cost less accumulated amortisation and impairment losses. Significant unobservable inputs considered in the assessment these assets remaining useful life, pattern of consumption, technological obsolescence and thus residual value.

This asset class is categorised a Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgment and are therefore unobservable.

Open Space/Recreation Assets

Open space and recreational infrastructure assets are those that enables recreational, leisure and sporting opportunities at parks, reserves or sportsgrounds. This is a broad category and includes most infrastructure located in parks, reserves, sportsgrounds and sports facilities such as barbeques, barbeque shelters, bins, lighting, irrigation, electrical equipment, park furniture, park fixtures, retaining walls, landscape edging, bollards, fencing, signs, public art, playground equipment, fitness facilities, sports tracks, fields and courts.

The valuation of Open Space/Recreation Assets using a gross replacement value was conducted by Rapid Maps as at 30 June 2019. Significant unobservable inputs considered in the valuation of these assets are gross replacement value based on an appropriate unit rate, effective useful life, remaining useful life, and depreciated value.

This asset class is categorised a Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgment and are therefore unobservable.

Other Structures

Other Structures are those large and significant structures and shelters greater than 30m² but not those already included within the Buildings Class.

The valuation of Other Structures using a gross replacement value was conducted by Rapid Maps as at 30 June 2019. Significant unobservable inputs considered in the valuation of these assets are gross replacement value based on an appropriate unit rate, effective useful life, remaining useful life, and depreciated value.

Bayside Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 22. Fair value measurement (continued)

This asset class is categorised a Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgment and are therefore unobservable.

Other Infrastructure Assets

Other Infrastructure assets include jetties, boat ramps, sea walls, viewing decks, boardwalks and retaining wall within Parks and Reserves.

The valuation of Other Infrastructure Assets using a gross replacement value was conducted by Rapid Maps as at 30 June 2019. Significant unobservable inputs considered in the valuation of these assets are gross replacement value based on an appropriate unit rate, effective useful life, remaining useful life, and depreciated value.

This asset class is categorised a Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgment and are therefore unobservable.

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. 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
Opening balance – 1/7/17	9,099	770	559	1,468	11,896
Purchases (GBV)	5,596	89	–	585	6,270
Disposals (WDV)	(629)	(7)	(4)	–	(640)
Depreciation and impairment	(2,400)	(319)	(110)	(579)	(3,408)
Closing balance – 30/6/18	11,666	533	445	1,474	14,118
Purchases (GBV)	7,561	71	–	452	8,084
Disposals (WDV)	(1,475)	–	–	–	(1,475)
Depreciation and impairment	(3,060)	(244)	(100)	(562)	(3,966)
Closing balance – 30/6/19	14,692	360	345	1,364	16,761

	Community Land	Land improve- ments	Buildings	Oth Assets &Oth Infrast	Total
Opening balance – 1/7/17	155,029	19,786	166,237	2,155	343,207
Transfers from/(to) another asset class	2,375	(21,236)	–	(41)	(18,902)
Purchases (GBV)	516	2,750	8,325	41	11,632
Depreciation and impairment	–	(657)	(3,686)	–	(4,343)
Closing balance – 30/6/18	157,920	643	170,876	2,155	331,594
Purchases (GBV)	4,203	465	8,462	–	13,130
Disposals (WDV)	–	–	(2,688)	–	(2,688)
Depreciation and impairment	(1,359)	–	(3,738)	(40)	(5,137)
FV gains – other comprehensive income	–	–	–	850	850
Closing balance – 30/6/19	160,764	1,108	172,912	2,965	337,749

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Fair value measurement (continued)

\$ '000

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

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

	Other Structures	Roads & Other Road	Bridges	Footpaths	Total
Opening balance – 1/7/17	35,808	386,317	7,050	54,440	483,615
Transfers from/(to) another asset class	(32,103)	(24,555)	823	2,555	(53,280)
Purchases (GBV)	3,403	4,727	–	1,990	10,120
Depreciation and impairment	(2,431)	(7,185)	(82)	(1,605)	(11,303)
Closing balance – 30/6/18	4,677	359,304	7,791	57,380	429,152
Purchases (GBV)	45	6,249	138	3,617	10,049
Depreciation and impairment	(193)	(9,141)	(94)	(1,524)	(10,952)
FV gains – other comprehensive income	3,744	–	–	–	3,744
Closing balance – 30/6/19	8,273	356,412	7,835	59,473	431,993

	Bulk Earth Works & Land Under Roads	Stormwater Drainage	Open Space Recreational Assets	Swimming Pools	Total
Opening balance – 1/7/17	62,529	85,792	–	6,174	154,495
Transfers from/(to) another asset class	1,729	–	47,415	–	49,144
Purchases (GBV)	855	1,035	–	415	2,305
Depreciation and impairment	–	(1,629)	–	(196)	(1,825)
Closing balance – 30/6/18	65,113	85,198	47,415	6,393	204,119
Purchases (GBV)	793	719	9,514	–	11,026
Disposals (WDV)	(87)	–	–	–	(87)
Depreciation and impairment	–	(1,393)	(3,579)	(86)	(5,058)
FV gains – other comprehensive income	–	–	13,114	–	13,114
Closing balance – 30/6/19	65,819	84,524	66,464	6,307	223,114

(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 year ended 30 June 2019

Note 23. Related party transactions

 \$ '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:

Compensation:	2019	2018
Short-term benefits	2,385	2,810
Post-employment benefits	220	5
Other long-term benefits	55	538
Termination benefits	–	1,120
Total	2,660	4,473

Bayside Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 24. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	20,177	565	–	562	–	–	21,304	–
Roads	13,534	814	–	376	(750)	–	13,974	–
Traffic facilities	38,849	1,329	–	1,073	(975)	–	40,276	–
Parking	1,039	85	–	29	–	–	1,153	–
Open space	79,833	15,567	–	2,270	(7,606)	–	90,064	–
Community facilities	46,412	4,628	–	1,358	(418)	–	51,980	–
Other	39,160	2,022	–	1,102	(153)	–	42,131	–
S7.11 contributions – under a plan	239,004	25,010	–	6,770	(9,902)	–	260,882	–
S7.12 levies – under a plan	12,334	1,642	–	346	(707)	–	13,615	–
Total S7.11 and S7.12 revenue under plans	251,338	26,652	–	7,116	(10,609)	–	274,497	–
S7.11 not under plans	15	–	–	–	–	–	15	–
S7.4 planning agreements	12,765	164	–	339	(976)	–	12,292	–
Total contributions	264,118	26,816	–	7,455	(11,585)	–	286,804	–

Bayside Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - S94 CITY WIDE PLAN (former Botany)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	5,974	–	–	164	–	–	6,138	
Traffic facilities	36,128	1,253	–	1,000	(762)	–	37,619	
Open space	35,906	(2,031)	–	851	(2,181)	–	32,545	
Community facilities	9,964	1,517	–	297	(87)	–	11,691	
Other	9,955	1,043	–	294	–	–	11,292	
Total	97,927	1,782	–	2,606	(3,030)	–	99,285	–

CONTRIBUTION PLAN - MASCOT PRECINCT (former Botany)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	25,040	7	–	686	–	–	25,733	
Total	25,040	7	–	686	–	–	25,733	–

Bayside Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN S94 PLAN 2016-2031 (former Botany)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities	2,721	76	–	73	(213)	–	2,657	
Open space	17,241	15,301	–	697	(1,774)	–	31,465	
Community facilities	2,683	47	–	71	(238)	–	2,563	
Other	346	741	–	16	(153)	–	950	
Total	22,991	16,165	–	857	(2,378)	–	37,635	–

Rockdale Contributions Plan 2016 - Urban Renewal Area (Former Rockdale City Council)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	10,662	281	–	297	–	–	11,240	
Roads	13,534	814	–	376	(750)	–	13,974	
Community facilities	29,785	2,788	–	876	(93)	–	33,356	
Other	579	40	–	16	–	–	635	
Total	54,560	3,923	–	1,565	(843)	–	59,205	–

Bayside Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

Rockdale S94 Contributions Plan 2004 (Former Rockdale City Council)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	3,541	284	–	101	–	–	3,926	
Parking	1,039	85	–	29	–	–	1,153	
Open space	26,686	2,297	–	722	(3,651)	–	26,054	
Community facilities	3,980	276	–	114	–	–	4,370	
Other	1,702	155	–	48	–	–	1,905	
Total	36,948	3,097	–	1,014	(3,651)	–	37,408	–

Ramsgate Commercial Centre Development Contributions Plan 2006 (Former Rockdale City Council)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	1,538	36	–	42	–	–	1,616	
Total	1,538	36	–	42	–	–	1,616	–

Bayside Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

\$ '000

S7.12 LEVIES – UNDER A PLAN

S7.12 Levies

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S94A Levies	12,334	1,642	–	346	(707)	–	13,615	–
Total	12,334	1,642	–	346	(707)	–	13,615	–

S7.11 CONTRIBUTIONS – NOT UNDER A PLAN

(Former Rockdale City Council)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Inter-allotment Drainage	15	–	–	–	–	–	15	–
Total	15	–	–	–	–	–	15	–

S7.4 planning agreements

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	12,765	164	–	339	(976)	–	12,292	–
Total	12,765	164	–	339	(976)	–	12,292	–

Bayside Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses ⁽²⁾	<u>7,912</u>	4.63%	1.23%	-54.28%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>170,894</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>159,766</u>	77.51%	66.95%	45.18%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>206,121</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions	<u>89,234</u>	4.69x	3.87x	1.56x	> 1.5x
Current liabilities less specific purpose liabilities	<u>19,025</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>33,004</u>	25.68x	17.59x	-20.09x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>1,285</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>8,267</u>	6.64%	7.04%	9.86%	5%
Rates, annual and extra charges collectible	<u>124,512</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>375,610</u>	29.26 mths	30.6 mths	30.7 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<u>12,835</u>				

Notes

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

⁽²⁾ Excludes impairment/revaluation decrements, net loss on sale of assets and the net loss on share of interests in joint ventures and associates.

Bayside Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 25(b). Statement of performance measures – consolidated results (graphs)

<p>1. Operating performance ratio</p> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #27</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2018/19 result</p> <p>2018/19 ratio 4.63%</p> <p>Council continues recent trends in achieving a positive operating result. 2017 impacted by required accounting treatment for rates revenue.</p>
<p>2. Own source operating revenue ratio</p> <p>Benchmark: — Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #27</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2018/19 result</p> <p>2018/19 ratio 77.51%</p> <p>Council has diverse revenue stream and is not reliant on external funding sources. 2017 impacted by required accounting treatment for rates revenue.</p>
<p>3. Unrestricted current ratio</p> <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #27</p>	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2018/19 result</p> <p>2018/19 ratio 4.69x</p> <p>Council maintains working capital to fund its operations and in recent years provides a sound platform to develop future year budgets.</p>

Bayside Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 25(b). Statement of performance measures – consolidated results (graphs)

<p>4. Debt service cover ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>-20.1</td> </tr> <tr> <td>2018</td> <td>17.6</td> </tr> <tr> <td>2019</td> <td>25.7</td> </tr> </tbody> </table> <p>Benchmark: Minimum ≥ 2.00 Source for benchmark: Code of Accounting Practice and Financial Reporting #27</p>	Year	Ratio (x)	2017	-20.1	2018	17.6	2019	25.7	<p>Purpose of debt service cover ratio</p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p>Commentary on 2018/19 result</p> <p>2018/19 ratio 25.68x</p> <p>Council is currently reducing external debt and has capacity to fund its immediate requirements. 2017 impacted by required accounting treatment for rates revenue.</p>
Year	Ratio (x)									
2017	-20.1									
2018	17.6									
2019	25.7									
<p>5. Rates, annual charges, interest and extra charges outstanding percentage</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>10%</td> </tr> <tr> <td>2018</td> <td>7%</td> </tr> <tr> <td>2019</td> <td>7%</td> </tr> </tbody> </table> <p>Benchmark: Maximum $< 5.00\%$ Source for Benchmark: Code of Accounting Practice and Financial Reporting #27</p>	Year	Ratio %	2017	10%	2018	7%	2019	7%	<p>Purpose of rates and annual charges outstanding ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2018/19 result</p> <p>2018/19 ratio 6.64%</p> <p>Council's results are improving slightly and changes are being implemented to improve debt recovery practices.</p>
Year	Ratio %									
2017	10%									
2018	7%									
2019	7%									
<p>6. Cash expense cover ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (mths)</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>30.7</td> </tr> <tr> <td>2018</td> <td>30.6</td> </tr> <tr> <td>2019</td> <td>29.3</td> </tr> </tbody> </table> <p>Benchmark: Minimum ≥ 3.00 Source for benchmark: Code of Accounting Practice and Financial Reporting #27</p>	Year	Ratio (mths)	2017	30.7	2018	30.6	2019	29.3	<p>Purpose of cash expense cover ratio</p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p>Commentary on 2018/19 result</p> <p>2018/19 ratio 29.26 mths</p> <p>Council continues to maintain high level of liquidity and results are consistent over the years</p>
Year	Ratio (mths)									
2017	30.7									
2018	30.6									
2019	29.3									



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Bayside Council

To the Councillors of Bayside Council

Disclaimer of Opinion

I am required to audit the accompanying general purpose financial statements (the financial statements) of Bayside Council (the Council), which comprise the Statement by Councillors and Management, Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and Notes to the Financial Statements comprising a summary of significant accounting policies and other explanatory information.

I do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

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

Basis for Disclaimer of Opinion

In previous years, significant breakdowns in administrative, financial and governance internal controls materially and pervasively impacted the reliability of the Council's financial reporting.

Impact on opening balances at 1 July 2018

Councillors and Management declared, in the Statement required by Councillors and Management under section 413(2)(c) of the *Local Government Act 1993*, they were unable to warrant the completeness and reliability of the financial statements for the year ended 30 June 2018. As a result, I disclaimed my opinion on the financial statements for the year then ended.

The disclaimer of opinion on the financial statements for the year ended 30 June 2018 affected my ability to obtain sufficient appropriate audit evidence on the opening balances at 1 July 2018. I was also unable to determine whether any adjustments were necessary in the opening balances for the 2018-19 financial year. This impacts items in the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, Note 2(a): Council functions/activities – financial information, Note 3: Income from continuing operations, Note 4: Expenses from continuing operations, Note 5: Gain or loss from the disposal, replacement and de-recognition of assets, Note 10(a): Infrastructure, property, plant and equipment, Note 13(c): Description of and movements in provisions, Note 15: Statement of cash flows – additional information, Note 20: Material budget variations, Note 22(4): Fair value measurements using significant unobservable inputs (level 3), Note 23: Related party transactions, Note 24: Statement of developer contributions and Note 25(a): Statement of performance measures – consolidated results.

Stormwater drainage assets

Council discloses \$84.5 million of stormwater drainage assets in Note 10(a): Infrastructure, property, plant and equipment. I was unable to obtain sufficient appropriate audit evidence to support the completeness and accuracy of stormwater drainage assets recorded in the financial statements as at 30 June 2019, or determine the impact on the net operating result or total comprehensive income for the year ended 30 June 2019.

The pervasiveness of these issues mean I cannot express an opinion on the accompanying financial statements for the year ended 30 June 2019.

The Councillor's Responsibilities for the Financial Statements

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern unless the Council is dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

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

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

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

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

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



Aaron Green
Assistant Auditor-General

Delegate of the Auditor-General for New South Wales

16 January 2020
SYDNEY



Joe Awada
Mayor
Bayside Council
PO Box 21
ROCKDALE NSW 2216

Contact: Aaron Green
Phone no: 02 9275 7209
Our ref: D1928066/1689

16 January 2020

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2019
Bayside Council**

I have audited the general purpose financial statements of Bayside Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

I issued a disclaimer of opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

The following significant matters came to my attention during the audit:

- I disclaimed my opinion on the financial statements for the year ended 30 June 2018 which meant I was unable to obtain sufficient appropriate audit evidence on the opening balances at 1 July 2018. This impacts items in the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and related notes accompanying the financial statements for the year ended 30 June 2019.
- I was unable to obtain sufficient appropriate audit evidence to support the completeness and accuracy of stormwater drainage assets recorded in the financial statements.
- There was an inadequate system of internal controls to support accurate financial reporting and to mitigate the risk of fraud or error.
- Council did not maintain adequate accounting records as required by Section 412 of the *Local Government Act 1993*.

As a result, I was unable to obtain sufficient appropriate audit evidence to issue an opinion on the financial statements and have issued a disclaimer of opinion.

FINANCIAL INFORMATION AND PERFORMANCE RATIOS

I have not included commentary on Financial Information or Performance Ratios in this report for the reasons outlined above.

Other Matters

Legislative compliance

Council did not maintain adequate accounting records as required by Section 412 of the *Local Government Act 1993*. The Council's accounting records were not maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements. Council staff were unable to provide all accounting records and information relevant to the audit.



Aaron Green
Assistant Auditor-General

Delegate of the Auditor-General for New South Wales

cc: Meredith Wallace, General Manager
Jennifer Whitten, Chair of Audit and Risk Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Bayside Council

SPECIAL SCHEDULES
for the year ended 30 June 2019



Bayside Council

Special Schedules for the year ended 30 June 2019

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Bayside Council

Special Schedule 2 – Permissible income for general rates
for the year ended 30 June 2020

\$'000		2019/20	2019/20	2019/20	2018/19	2018/19	2018/19
		Former Rockdale City Council	Former Botany City Council	Bayside Council	Former Rockdale City Council	Former Botany City Council	Bayside Council
Notional general income calculation ⁽¹⁾							
Last year notional general income yield	a	57,703	29,398	87,101	56,188	28,997	85,185
Plus or minus adjustments ⁽²⁾	b	792	434	1,226	336	(113)	223
Notional general income	c = (a + b)	58,495	29,832	88,327	56,524	28,884	85,408
Permissible income calculation							
Special variation percentage ⁽³⁾	d	0.00%	0.00%		0.00%	0.00%	
Or rate peg percentage	e	2.70%	2.70%		2.30%	2.30%	
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%		0.00%	0.00%	
Less expiring special variation amount	g	–	–	–	–	–	–
Plus special variation amount	h = d x (c – g)	–	–	–	–	–	–
Or plus rate peg amount	i = c x e	1,579	805	2,385	1,300	665	1,965
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–	–	–	–	–
Sub-total	k = (c + g + h + i + j)	60,074	30,637	90,712	57,824	29,549	87,373
Plus (or minus) last year's carry forward total	l	54	257	311	(67)	106	39
Less valuation objections claimed in the previous year	m	–	–	–	–	–	–
Sub-total	n = (l + m)	54	257	311	(67)	106	39
Total permissible income	o = k + n	60,128	30,895	91,023	57,757	29,655	87,412
Less notional general income yield	p	60,157	30,912	91,069	57,703	29,398	87,101
Catch-up or (excess) result	q = o – p	(29)	(17)	(46)	54	257	311
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	32	32	–	–	–
Less unused catch-up ⁽⁵⁾	s	–	–	–	–	–	–
Carry forward to next year ⁽⁶⁾	t = q + r – s	(29)	15	(14)	54	257	311

Bayside Council

Special Schedule 2 – Permissible income for general rates (continued)
for the year ended 30 June 2020**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 return (FDR) to administer this process.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's permissible income from general rates in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Bayside Council

To the Councillors of Bayside Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Bayside Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Matter

Without modifying my opinion, I draw attention to the audit of the general purpose financial report for Bayside Council for the year ended 30 June 2019 which was disclaimed on the following basis:

In previous years, significant breakdowns in administrative, financial and governance internal controls materially and pervasively impacted the reliability of the Council's financial reporting.

Impact on opening balances at 1 July 2018

Councillors and Management declared they were unable to warrant the completeness and reliability of the financial statements for the year ended 30 June 2018. As a result, I disclaimed my opinion on the financial statements for the year then ended.

The disclaimer of opinion on the financial statements for the year ended 30 June 2018 affected my ability to obtain sufficient appropriate audit evidence on the opening balances at 1 July 2018. I was also unable to determine whether any adjustments were necessary in the opening balances for the 2018–19 financial year. This impacts items in the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows.

Stormwater drainage assets

Council discloses \$84.5 million of stormwater drainage assets in Note 10(a): Infrastructure, property, plant and equipment. I was unable to obtain sufficient appropriate audit evidence to support the completeness and accuracy of stormwater drainage assets recorded in the financial statements as at 30 June 2019, or determine the impact on the net operating result or total comprehensive income for the year ended 30 June 2019.

The pervasiveness of these issues meant I could not express an opinion on the financial statements of Council for the year ended 30 June 2019."

Notwithstanding, the amounts disclosed in the accompanying Statement are, in all material respects, based on and in agreement with proper accounts and records.

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Aaron Green
Assistant Auditor-General

Delegate of the Auditor-General for New South Wales

16 January 2020
SYDNEY

Special Schedules 2019

Bayside Council

Report on Infrastructure Assets as at 30 June 2019

\$'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	2018/19 Required maintenance ^a	2018/19 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	1,338	5,482	4,390	6,188	172,912	241,807	25%	44%	28%	3%	0%
	Sub-total	1,338	5,482	4,390	6,188	172,912	241,807	25.0%	44.0%	28.0%	3.0%	0.0%
Other structures	Other structures	29	166	500	118	8,273	14,072	47%	5%	47%	1%	0%
	Sub-total	29	166	500	118	8,273	14,072	47.0%	5.0%	47.0%	1.0%	0.0%
Roads	Sealed roads	8,069	42,475	4,670	5,006	333,418	454,423	12%	34%	45%	9%	0%
	Bridges	9	51	50	–	7,835	9,260	47%	52%	0%	1%	0%
	Footpaths	846	4,817	2,120	2,204	59,473	106,204	5%	15%	76%	4%	0%
	Other Road Assets (Inc Bulk earthworks)	41	235	370	–	86,012	98,648	67%	10%	23%		0%
	Sub-total	8,965	47,578	7,210	7,210	486,738	668,535	19.5%	27.7%	46.1%	6.8%	0.0%

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Bayside Council

Report on Infrastructure Assets as at 30 June 2019 (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	2018/19 Required maintenance ^a	2018/19 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	961	2,978	640	755	84,524	140,654	5%	35%	58%	1%	1%
	Sub-total	961	2,978	640	755	84,524	140,654	5.0%	35.0%	58.0%	1.0%	1.0%
Open space/recreational assets	Swimming pools	–	–	140	115	6,307	6,857	76%	24%			0%
	Open Space and Recreation Assets	1,472	7,584	5,290	2,987	66,464	93,784	23%	46%	22%	9%	0%
	Sub-total	1,472	7,584	5,430	3,102	72,771	100,641	26.6%	44.5%	20.5%	8.4%	0.0%
Other infrastructure assets	Other Infrastructure Assets	–	–	50	–	2,965	3,733	0%	37%	63%		0%
	Sub-total	–	–	50	–	2,965	3,733	0.0%	37.0%	63.0%	0.0%	0.0%
TOTAL – ALL ASSETS		12,765	63,788	18,220	17,373	828,183	1,169,442	19.8%	33.1%	41.6%	5.3%	0.1%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Special Schedules 2019

Bayside Council

Report on Infrastructure Assets (continued)
for the year ended 30 June 2019

	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	<u>17,140</u>	86.62%	43.65%	128.00%	>= 100%
Depreciation, amortisation and impairment	<u>19,788</u>				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	<u>12,765</u>	1.54%	1.19%	1.26%	< 2.00%
Net carrying amount of infrastructure assets	<u>828,183</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>17,373</u>	95.35%	92.56%	66.00%	> 100%
Required asset maintenance	<u>18,220</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>63,788</u>	5.45%	4.44%	4.26%	
Gross replacement cost	<u>1,169,442</u>				

Notes

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

⁽¹⁾ Excludes Work In Progress (WIP)

⁽²⁾ Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

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Bayside Council

Report on Infrastructure Assets (continued)
for the year ended 30 June 2019

<p>1. Buildings and infrastructure renewals ratio</p> <p>Benchmark: Minimum $\geq 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #27</p>	<p>Purpose of asset renewals ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>2018/19 Ratio 86.62%</p>
<p>2. Infrastructure backlog ratio</p> <p>Benchmark: Maximum $< 2.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #27</p>	<p>Purpose of infrastructure backlog ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>2018/19 Ratio 1.54%</p>
<p>3. Asset maintenance ratio</p> <p>Benchmark: Minimum $> 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #27</p>	<p>Purpose of asset maintenance ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p>2018/19 Ratio 95.35%</p>
<p>4. Cost to bring assets to agreed service level</p>	<p>Purpose of agreed service level ratio</p> <p>This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.</p>	<p>2018/19 Ratio 5.45%</p>