

Bayside Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

Serving Our Community

The logo for Bayside Council, featuring the words "Bayside" and "Council" stacked vertically in white, sans-serif font, centered within a solid teal square.

Bayside
Council

General Purpose Financial Statements

for the year ended 30 June 2020

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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.

General Purpose Financial Statements

for the year ended 30 June 2020

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

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*.

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

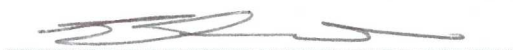
- present fairly the Council's operating result and financial position for the year;
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 14 October 2020.



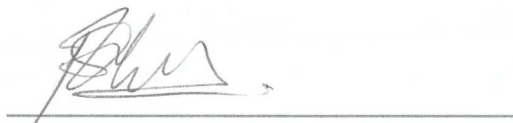
Joe Awada
Mayor
14 October 2020



Liz Barlow
Councillor
14 October 2020



Meredith Wallace
General Manager
14 October 2020



Rodney Sanjivi
Responsible Accounting Officer
14 October 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Restated Actual 2019
Income from continuing operations				
118,010	Rates and annual charges	3a	124,274	116,974
12,114	User charges and fees	3b	13,540	16,572
13,048	Other revenues	3c	14,146	16,438
11,282	Grants and contributions provided for operating purposes	3d,3e	11,504	9,938
24,401	Grants and contributions provided for capital purposes	3d,3e	42,303	35,227
10,405	Interest and investment income	4	7,853	10,891
–	Net gains from the disposal of assets	6	1,575	–
1,482	Rental income	14e	1,362	–
–	Net share of interests in joint ventures and associates using the equity method	19	–	519
190,742	Total income from continuing operations		216,557	206,559
Expenses from continuing operations				
72,080	Employee benefits and on-costs	5a	68,124	68,434
167	Borrowing costs	5b	177	206
45,620	Materials and contracts	5c	58,477	50,504
20,735	Depreciation and amortisation	5d	25,559	25,070
19,530	Other expenses	5e	16,559	18,952
–	Net losses from the disposal of assets	6	–	2,242
–	Revaluation decrement / impairment of IPP&E	5d	–	1,359
–	Net share of interests in joint ventures and associates using the equity method	19	117	–
158,132	Total expenses from continuing operations		169,013	166,767
32,610	Operating result from continuing operations		47,544	39,792
32,610	Net operating result for the year		47,544	39,792
32,610	Net operating result attributable to council		47,544	39,792
8,209	Net operating result for the year before grants and contributions provided for capital purposes		5,241	4,565

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	Restated 2019
Net operating result for the year (as per Income Statement)		47,544	39,792
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	11	51,492	17,708
Adjustment to correct prior period errors		—	16,598
Total items which will not be reclassified subsequently to the operating result		51,492	34,306
Total other comprehensive income for the year		51,492	34,306
Total comprehensive income for the year		99,036	74,098
Total comprehensive income attributable to Council		99,036	74,098

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	Restated 2019	Restated 1 July 2018
ASSETS				
Current assets				
Cash and cash equivalents	7(a)	43,220	57,610	54,171
Investments	7(b)	382,061	347,366	270,510
Receivables	8	16,229	15,903	17,040
Inventories	9a	183	160	239
Other	9b	682	397	551
Current assets classified as 'held for sale'	10	–	2,190	3,360
Total current assets		442,375	423,626	345,871
Non-current assets				
Investments	7(b)	12,096	16,242	70,510
Infrastructure, property, plant and equipment	11	1,452,902	1,371,822	1,325,866
Intangible Assets	12	1,592	2,345	3,355
Right of use assets	14a	42	–	–
Investments accounted for using the equity method		5,003	5,587	5,068
Total non-current assets		1,471,635	1,395,996	1,404,799
Total assets		1,914,010	1,819,622	1,750,670
LIABILITIES				
Current liabilities				
Payables	15	28,399	26,544	32,019
Income received in advance	15	–	1,074	1,079
Contract liabilities	13	5,423	–	–
Lease liabilities	14b	42	–	–
Borrowings	15	719	992	1,079
Provisions	16	22,689	24,430	24,443
Total current liabilities		57,272	53,040	58,620
Non-current liabilities				
Borrowings	15	2,165	2,877	3,854
Provisions	16	5,086	4,713	4,078
Total non-current liabilities		7,251	7,590	7,932
Total liabilities		64,523	60,630	66,552
Net assets		1,849,487	1,758,992	1,684,118
EQUITY				
Accumulated surplus	17	1,763,689	1,724,686	1,684,118
Revaluation reserves	17	85,798	34,306	–
Council equity interest		1,849,487	1,758,992	1,684,118
Total equity		1,849,487	1,758,992	1,684,118

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Changes in Equity

for the year ended 30 June 2020

		as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
\$ '000	Notes				Restated	Restated	Restated
Opening balance		1,711,401	17,708	1,729,109	1,671,557	—	1,671,557
Correction of prior period errors	17b	13,285	16,598	29,883	13,470	—	13,470
Changes due to AASB 1058 and AASB 15 adoption	17c	(8,541)	—	(8,541)	—	—	—
Changes due to AASB 16 adoption	17	—	—	—	—	—	—
Changes due to AASB 9 adoption		—	—	—	(133)	—	(133)
Restated opening balance		1,716,145	34,306	1,750,451	1,684,894	—	1,684,894
Net operating result for the year		47,544	—	47,544	39,977	—	39,977
Correction of prior period errors	17b	—	—	—	(185)	—	(185)
Restated net operating result for the period		47,544	—	47,544	39,792	—	39,792
Other comprehensive income							
— Correction of prior period errors	17b	—	—	—	—	16,598	16,598
— Gain (loss) on revaluation of Infrastructure, property, plant and equipment	11	—	51,492	51,492	—	17,708	17,708
Total comprehensive income		47,544	51,492	99,036	39,792	34,306	74,098
Closing balance		1,763,689	85,798	1,849,487	1,724,686	34,306	1,758,992

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
118,010	Rates and annual charges		124,207	116,942
12,134	User charges and fees		12,470	18,002
10,405	Investment and interest revenue received		9,393	11,207
11,282	Grants and contributions		43,801	43,860
14,530	Other		26,721	25,054
Payments:				
(72,080)	Employee benefits and on-costs		(69,246)	(68,132)
–	Bonds, deposits and retention amounts refunded		(1,097)	(1,842)
(45,620)	Materials and contracts		(66,212)	(62,900)
(167)	Borrowing costs		(169)	(194)
(19,530)	Other		(19,032)	(19,878)
28,964	Net cash provided (or used in) operating activities	18b	60,836	62,119
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		188,000	135,635
1,415	Sale of infrastructure, property, plant and equipment		7,335	3,178
–	Distributions received from joint ventures and associates		467	–
Payments:				
–	Purchase of intangible assets		–	(138)
–	Purchase of investment securities		(218,800)	(158,304)
(55,519)	Purchase of infrastructure, property, plant and equipment		(51,152)	(37,972)
(54,104)	Net cash provided (or used in) investing activities		(74,150)	(57,601)
Cash flows from financing activities				
Payments:				
(992)	Repayment of borrowings and advances		(993)	(1,079)
–	Lease liabilities (principal repayments)		(83)	–
(992)	Net cash flow provided (used in) financing activities		(1,076)	(1,079)
(26,132)	Net increase/(decrease) in cash and cash equivalents		(14,390)	3,439
57,610	Plus: cash and cash equivalents – beginning of year	18a	57,610	54,171
31,478	Cash and cash equivalents – end of the year	18a	43,220	57,610
363,608	plus: Investments on hand – end of year	7(b)	394,157	363,608
395,086	Total cash, cash equivalents and investments		437,377	421,218

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 14 October 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

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.

Certain comparative figures in the prior period have been reclassified in order to conform to changes in current year presentation.

(a) 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.

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) Infrastructure, property, plant and equipment (estimated useful lives and fair value) – refer Note 11
- (ii) Estimated tip site remediation provisions – refer Note 16
- (iii) Employee benefit provisions – refer Note 16.

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

Council has applied significant judgements in estimating impairment of a number of its receivables – refer Note 8.

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.

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

- General purpose operations

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

(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.

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council does not recognise volunteer services on the basis that the services would not be purchased if it had not been donated.

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2020 reporting period.

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2019.

Council's assessment of these new standards and interpretations are set out below:

AASB 1059 Service Concession Arrangements: Grantors

AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of AASB 1059

AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059

This standard provides guidance for public sector entities (grantors) who have entered into service concession arrangements with private sector operators.

AASB 1059 requires grantors to recognise a service concession asset and, in most cases, a corresponding liability on the balance sheet.

A control approach is used to assess the service concession arrangements in place.

On initial recognition the asset is measured at current replacement cost based on AASB 13 *Fair Value Measurement* and existing assets of the grantors are reclassified at the date of transition.

After initial recognition, the grantor accounts for the assets under either AASB 116 *Property, Plant and Equipment* or AASB 138 *Intangible Assets*.

The nature of the consideration given to the operator will affect whether the grantor applies either the 'financial liability' or the 'grant of right' model for the recognition of the liability.

AASB 2019-2 makes amendments to the recognition and measurement of the asset and liability where the modified retrospective approach to transition is being used, and provides a practical expedient due to the different effective dates of AASB 16 and AASB 1059.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Council does not expect any material impact to future financial statements as we do not generally enter into service concession arrangements.

This standard has an effective date for the 30 June 2021 reporting period.

- AASB 2014-10 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- AASB 2015-10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*
- AASB 2017-5 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*

The standard amendments address an acknowledged inconsistency between the requirements in 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.

These amendments will only impact Council where there has been a sale or contribution of assets between Council and any Joint Venture or Associate. Council does not anticipate any material impact to future financial statements as we do not expect transactions of this nature to occur.

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.

New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2019:

- AASB 16 *Leases*
- AASB 15 *Revenue from contracts with customers and associated amending standards*
- AASB 1058 *Income of Not-for-profit entities*

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 17.

Notes to the Financial Statements

for the year ended 30 June 2020

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

Income, expenses and assets have been directly attributed to the following functions or activities.
Details of those functions or 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		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
\$ '000				Restated		Restated				Restated
Functions or activities										
Bayside will be a Vibrant Place	42,736	29,579	59,411	60,491	(16,675)	(30,912)	4,761	6,326	754,867	707,475
Our People will be Connected in a Smart City	5,856	4,678	21,358	23,394	(15,502)	(18,716)	2,964	2,192	173,526	173,617
Bayside will be green, leafy and sustainable	34,130	31,791	32,898	29,730	1,232	2,061	301	319	367,058	329,966
We will be a Prosperous Community	133,835	140,511	55,346	53,152	78,489	87,359	9,491	5,459	618,559	608,564
Total functions and activities	216,557	206,559	169,013	166,767	47,544	39,792	17,517	14,296	1,914,010	1,819,622

Notes to the Financial Statements

for the year ended 30 June 2020

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	58,073	54,149
Farmland	1058 (1)	7	7
Business	1058 (1)	20,956	20,400
Less: pensioner rebates (mandatory)	1058 (1)	(1,423)	(1,446)
Rates levied to ratepayers		77,613	73,110
Pensioner rate subsidies received	1058 (1)	782	795
Total ordinary rates		78,395	73,905
Special rates			
Parking	1058 (1)	105	102
Main street	1058 (1)	105	102
Infrastructure levy	1058 (1)	11,586	11,189
Local area rates	1058 (1)	517	514
Community safety levy	1058 (1)	452	434
Total special rates		12,765	12,341
Annual charges			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1058 (1)	31,988	29,637
Stormwater management services	1058 (1)	1,326	1,288
Section 611 charges	1058 (1)	119	126
Less: pensioner rebates (mandatory)	1058 (1)	(708)	(718)
Annual charges levied		32,725	30,333
Pensioner subsidies received:			
– Domestic waste management		389	395
Total annual charges		33,114	30,728
TOTAL RATES AND ANNUAL CHARGES		124,274	116,974

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

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

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate.

Prepaid rates are recognised as a financial liability until the beginning of the rating period.

Pensioner rebates 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 and are in substance a rates payment.

2019 accounting policy

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Waste management services (non-domestic)	15 (1)	1,189	1,156
Waste management services (non-rateable)	15 (1)	98	108
Total specific user charges		1,287	1,264
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Development and planning consent fees	15 (1)	1,919	1,980
Health inspection and approvals fee	15 (1)	1,409	1,582
Section 10.7 certificates (EPA Act)	15 (1)	344	369
Section 603 certificates	15 (1)	265	198
Town planning	15 (1)	245	339
Building consents and construction certificates	15 (1)	193	270
Building inspections	15 (1)	110	100
Other		366	261
Total fees and charges – statutory/regulatory		4,851	5,099
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Restoration charges	1058 (1)	3,352	3,978
Long day care	15 (1)	1,338	1,637
Leaseback fees – Council vehicles		468	449
Swimming centres	15 (2)	397	431
Street furniture advertising fee	15 (2)	387	428
B/A school fees	15 (2)	343	471
Permits and inspection fees	15 (2)	256	233
Engineering inspections and other fees		197	214
Design review panel		190	91
Golf course		171	232
Library and art gallery		100	97
Sundry sales		50	44
Parking fees		34	40
Contract services		20	1,718
Meals on wheels		2	74
Park rents		24	–
Other		73	72
Total fees and charges – other		7,402	10,209
TOTAL USER CHARGES AND FEES		13,540	16,572

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for user charges and fees

Revenue arising from user charges and fees is recognised, when or as, the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

The performance obligation relates to the specific services which are provided to the customers, and generally the payment terms are within 30 days of the provision of the service or in some cases, the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(c) Other revenues			
Ex gratia rates	1058 (1)	4,523	4,620
Fines – parking	1058 (1)	5,220	4,819
Fines – other	1058 (1)	798	922
Commissions and agency fees		4	4
Diesel rebate		93	93
Insurance claims recoveries	1058 (1)	912	1,008
Rental income – other council properties (2019 only)(refer to Note 14)		–	2,589
Legal fees recovery – other	1058 (1)	839	241
Other		626	243
Sales – general		128	902
Other credit card service fee		83	81
Contract rebates		124	58
Rental income – halls and community facilities		147	393
Rental income – parks and sporting facilities		257	199
Non asset sales		235	–
Recoveries under management agreement		157	266
TOTAL OTHER REVENUE		14,146	16,438

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for other revenue

Where the revenue relates to a contract with customer, the revenue is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

Where the revenue relates to a contract which is not enforceable or does not contain sufficiently specific performance obligations then revenue is recognised when an unconditional right to a receivable arises or the cash is received, which is earlier.

2019 accounting policy:

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	1,748	1,837	–	–
Financial assistance – local roads component	1058 (1)	552	595	–	–
Payment in advance - future year allocation					
Financial assistance – general component	1058 (1)	1,851	1,904	–	–
Financial assistance – local roads component	1058 (1)	586	618	–	–
Total general purpose		4,737	4,954	–	–
Specific purpose (tied)					
Library	1058 (1)	484	88	–	–
Library – special projects		–	–	1	–
Transport (roads to recovery)		–	–	737	2,651
Aged care		108	296	3	–
Child care	15 (2)	2,676	1,869	–	–
Community care		4	–	–	–
Environmental protection	1058 (1)	381	188	304	153
Heritage and cultural		–	–	–	88
Library – per capita		–	315	–	–
LIRS subsidy		31	18	–	–
Street lighting	1058 (1)	912	592	–	–
RTA roads and traffic		–	–	930	1,343
Other – road safety		–	–	47	46
Consolidated LEP Development	1058 (1)	1,250	750	–	–
Parks		208	54	4,564	708
Other		114	165	26	18
Total specific purpose		6,168	4,335	6,612	5,007
Total grants		10,905	9,289	6,612	5,007
Grant revenue is attributable to:					
– Commonwealth funding		6,956	1,874	1,069	3,238
– State funding		3,947	7,415	5,487	1,692
– Other funding		2	–	56	77
		10,905	9,289	6,612	5,007

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	15,442	25,010
S 7.4 – contributions using planning agreements		1058 (1)	–	–	2,250	164
S 7.12 – fixed development consent levies		1058 (1)	–	–	922	1,642
Total developer contributions – cash			–	–	18,614	26,816
Non-cash contributions						
S 7.4 – contributions using planning agreements		1058 (1)	–	–	10,071	–
Total developer contributions non-cash			–	–	10,071	–
Total developer contributions	27		–	–	28,685	26,816
Other contributions:						
Cash contributions						
Other		1058 (1)	99	22	47	194
RMS contributions (regional roads, block grant)			–	–	230	–
Community and Environmental Contribution		1058 (1)	500	500	–	–
Doing It Differently			–	60	–	–
Community Nursery			–	67	–	–
Total other contributions – cash			599	649	277	194
Non-cash contributions						
Dedications		1058 (1)	–	–	6,729	2,210
Stratum land			–	–	–	1,000
Total other contributions – non-cash			–	–	6,729	3,210
Total other contributions			599	649	7,006	3,404
Total contributions			599	649	35,691	30,220
TOTAL GRANTS AND CONTRIBUTIONS			11,504	9,938	42,303	35,227

Accounting policy for grants and contributions

Accounting policy from 1 July 2019

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations, then the revenue is recognised when control of each performance obligation is satisfied.

The performance obligations are varied based on the agreement but include [provide details of performance obligations within AASB 15 grants e.g. events, vaccinations]. Payment terms vary depending on the terms of the grant. Cash is received upfront for some grants and for others on the achievement of certain payment milestones.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control, and within grant agreements there may be some performance obligations where control transfers at a point in time, and others which have continuous transfer of control over the life of the contract.

Where control is transferred over time, generally the input methods being either costs or time incurred, are deemed to be the most appropriate methods to reflect the transfer of benefit.

Grant income

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Councils considers whether there are any related liability or equity items associated with the asset, which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised, then income is recognised for any remaining asset value at the time that the asset is received

Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable, are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

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

Contributions

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

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

Accounting policy prior to 1 July 2019

Control over grants and contributions is normally obtained upon their receipt (or acquittal), and revenue is recognised at this time 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.

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 the reporting date.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	5,120	13,453
Add: operating grants recognised as income in the current period but not yet spent	3,504	3,019
Less: operating grants recognised in a previous reporting period now spent	(4,837)	(11,352)
Less: operating grants received in a previous reporting period now spent and recognised as income	–	–
Unexpended and held as externally restricted assets (operating grants)	3,787	5,120
Capital grants		
Unexpended at the close of the previous reporting period	9,593	9,439
Less: capital grants received in a previous reporting period now spent and recognised as income	(4,871)	–
Add: capital grants recognised as income in the current period but not yet spent	1,599	1,013
Less: capital grants recognised in a previous reporting period now spent	–	(859)
Unexpended and held as externally restricted assets (capital grants)	6,321	9,593
Contributions		
Unexpended at the close of the previous reporting period	286,804	264,118
Add: contributions recognised as income in the current period but not yet spent	23,715	34,271
Less: contributions recognised in a previous reporting period now spent	(10,172)	(11,585)
Unexpended and held as externally restricted assets (contributions)	300,347	286,804

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges	488	492
– Cash and investments	7,616	10,480
Fair value adjustments		
– Investments at fair value through profit and loss (FVTPL)	(251)	(81)
Total Interest and investment revenue	7,853	10,891
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	491	492
General Council cash and investments	2,261	2,937
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	5,101	7,455
Restricted investments/funds – internal:		
Internally restricted assets	–	7
Total interest and investment revenue	7,853	10,891

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	52,125	52,476
Travel expenses	28	41
Employee leave entitlements (ELE)	8,579	8,518
Superannuation – defined contribution plans	4,996	4,827
Superannuation – defined benefit plans	1,146	1,158
Workers' compensation insurance	2,540	2,561
Fringe benefit tax (FBT)	297	247
Training costs (other than salaries and wages)	389	473
Occupational health and safety	270	176
Other	186	167
Total employee costs	70,556	70,644
Less: capitalised costs	(2,432)	(2,210)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>68,124</u>	<u>68,434</u>
Number of 'full-time equivalent' employees (FTE) at year end	695	767
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	791	848

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, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Contingent Assets and Liabilities for more information.

\$ '000	2020	2019
(b) Borrowing costs		
Interest on leases	3	–
Interest on loans	166	191
Amortisation of discounts on interest free loans (and favourable) loans to Council	8	15
<u>TOTAL BORROWING COSTS EXPENSED</u>	<u>177</u>	<u>206</u>

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	16,317	14,910
Contractor and consultancy costs	55,054	46,926
Auditor remuneration	583	793
Legal expenses:		
- Planning and development	453	628
- Other	1,782	1,789
Variable lease expense relating to usage (2020 only)	4,541	—
Operating leases expense (2019 only):		
— Office equipment	—	86
Computer maintenance	1,965	2,136
Recycling contract	824	2,491
Waste collection and disposal	15,872	17,159
Other	11	32
Total materials and contracts	97,402	86,950
Less: capitalised costs	(38,925)	(36,446)
TOTAL MATERIALS AND CONTRACTS	58,477	50,504

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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.

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

Audit and review of financial statements	450	455
Total fees paid or payable to the Auditor-General	450	455

(ii) Other non-assurance services: Other firms

Internal audits and other reviews (other firms)	133	338
Total fee paid or payable for non-assurance services	133	338

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019 Restated
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Infrastructure, property, plant and equipment	11	3,161	3,060
Office equipment		232	244
Furniture and fittings		93	100
Infrastructure:	11		
– Buildings		4,622	3,738
– Other structures		255	193
– Roads		6,784	8,638
– Car parks		237	185
– Bridges		113	94
– Footpaths		1,446	1,524
– Other road assets		522	503
– Stormwater drainage		1,636	1,393
– Swimming pools		86	86
– Other open space/recreational assets		4,892	3,579
– Other infrastructure		93	39
Right of use assets	14	83	–
Other assets:			
– Library books		551	562
Intangible assets	12	753	1,132
Total gross depreciation and amortisation costs		25,559	25,070
Total depreciation and amortisation costs		25,559	25,070
Impairment / revaluation decrement of IPP&E			
Fair Value Impairment Community Land		–	1,359
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		–	1,359
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		–	1,359
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS		25,559	26,429

Accounting policy for depreciation, amortisation and impairment expenses of non-financial assets**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 11 for IPPE assets, Note 12 for intangible assets and Note 15 for right of use 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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(e) Other expenses		
Advertising	727	699
Bad and doubtful debts	91	68
Bank charges	132	142
Contributions/levies to other levels of government		
– Department of planning levy	294	293
– Emergency services levy (includes FRNSW, SES, and RFS levies)	2,527	2,262
– Other contributions/levies	694	613
Councillor expenses – mayoral fee	69	67
Councillor expenses – councillors' fees	389	386
Councillors' expenses (incl. mayor) – other (excluding fees above)	45	116
Donations, contributions and assistance to other organisations (Section 356)	164	281
Electricity and heating	1,558	1,846
Insurance	1,704	2,075
Postage	488	384
Printing and stationery	828	812
Street lighting	2,000	3,002
Subscriptions and publications	224	324
Telephone and communications	571	714
Food and beverages	245	211
Fees and charges	845	1,041
Property expenses	665	766
Motor vehicle expenses	1,907	2,060
External hire charges	371	245
Other	122	625
Total other expenses	16,660	19,032
Less: capitalised costs	(101)	(80)
TOTAL OTHER EXPENSES	16,559	18,952

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Proceeds from disposal – property		2,440	–
Less: carrying amount of property assets sold/written off		(2,440)	–
Net gain/(loss) on disposal		–	–
Plant and equipment			
	11		
Proceeds from disposal – plant and equipment		1,396	1,663
Less: carrying amount of plant and equipment assets sold/written off		(924)	(1,475)
Net gain/(loss) on disposal		472	188
Infrastructure			
	11		
Proceeds from disposal – infrastructure		206	–
Less: carrying amount of infrastructure assets sold/written off		(206)	(2,775)
Net gain/(loss) on disposal		–	(2,775)
Investments			
	7(b)		
Proceeds from disposal/redemptions/maturities – financial assets		188,000	135,635
Less: carrying amount of financial assets sold/redeemed/matured		(188,000)	(135,635)
Net gain/(loss) on disposal		–	–
Non-current assets classified as ‘held for sale’			
	10		
Proceeds from disposal – non-current assets ‘held for sale’		3,293	1,515
Less: carrying amount of ‘held for sale’ assets sold/written off		(2,190)	(1,170)
Net gain/(loss) on disposal		1,103	345
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		1,575	(2,242)

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	10,097	6,025
Cash-equivalent assets		
– Deposits at call	33,123	51,585
Total cash and cash equivalents	43,220	57,610

Accounting policy for cash and cash equivalents

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

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
Financial assets at fair value through profit and loss	9,061	7,096	29,366	16,242
Financial assets at amortised cost	373,000	5,000	318,000	–
Total Investments	382,061	12,096	347,366	16,242
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	425,281	12,096	404,976	16,242
Financial assets at fair value through the profit and loss				
Non-convertible debentures, Floating rate notes (with maturities > 3 months)	9,061	7,096	29,366	16,242
Total	9,061	7,096	29,366	16,242
Financial assets at amortised cost				
Long term deposits	373,000	5,000	318,000	–
Total	373,000	5,000	318,000	–

Accounting policy for investments

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs, except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred.

Financial assets

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

Classification

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

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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 number of strategic investments in entities over which they do not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are 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.

No strategic investments were disposed of during 2020, and there were no transfers of any cumulative gain or loss within equity relating to these investments. Dividends received were less than \$1,000.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(c). Restricted cash, cash equivalents and investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	425,281	12,096	404,976	16,242
Attributable to:				
External restrictions	350,502	12,096	330,780	16,242
Internal restrictions	73,964	–	73,273	–
Unrestricted	815	–	923	–
	425,281	12,096	404,976	16,242

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)

External restrictions – included in liabilities

External restrictions – other

Advertising SEPP64	396	9
Community safety levy	873	868
Developer contributions – general	300,347	286,804
Domestic waste management	16,881	13,394
Infrastructure levy reserve	15,368	14,517
Local area funds	13,256	13,343
Mascot main street	1,005	903
Mascot parking rate	1,485	1,382
Roads reserve	1,080	–
Specific purpose unexpended grants	1,635	11,425
Stormwater management	4,849	4,377
External restrictions – other	357,175	347,022
Total external restrictions	362,598	347,022

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(c). Restricted cash, cash equivalents and investments

\$ '000	2020	2019
Internal restrictions		
Arncliffe Youth Centre	2,471	2,962
Asset replacement	–	200
Audit & legal	3,417	4,817
Botany Aquatic Centre	364	–
Brighton bath amenities building	3,453	3,699
Business improvements and efficiencies	2,421	1,781
Childrens services	–	31
Church Ave road widening	–	200
Community and environmental projects	2,007	507
Contribution to works	577	374
Council election	1,000	860
Deposits, retentions and bonds	2,600	2,000
Domestic waste management	–	122
Employees leave entitlement	8,069	6,307
Financial assistance grants in advance	2,437	2,522
General revenue funded carry-over works	1,318	1,082
Infrastructure replacement	–	100
Internal borrowings against consolidated internal restrictions	(339)	(625)
Mascot oval	80	80
O'Riordan St cables	–	210
Office equipment and IT reserve	3,877	4,266
Open space and s94 obligations	–	1,809
Planning proposals	169	–
Plant and equipment	6,562	6,646
Public liability claims	746	587
Public works	–	224
Ramsgate Civic upgrade	–	1,510
Strategic priorities	30,726	29,753
Street lighting hardware	–	554
Synthetic fields	796	–
Work health & safety	1,213	–
Workers compensation	–	695
Total internal restrictions	73,964	73,273
TOTAL RESTRICTIONS	436,562	420,295

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	8,535	—	7,541	—
Interest and extra charges	1,084	—	980	—
User charges and fees	4,186	—	3,750	—
Accrued interest on investments	1,258	—	2,640	—
Government grants and subsidies	1,266	—	766	—
Net GST receivable	1,092	—	1,377	—
Total	17,421	—	17,054	—
Less: provision of impairment				
Rates and annual charges	(135)	—	(126)	—
Interest and extra charges	(139)	—	(128)	—
User charges and fees	(23)	—	(22)	—
Other debtors	(895)	—	(875)	—
Total provision for impairment – receivables	(1,192)	—	(1,151)	—
<u>TOTAL NET RECEIVABLES</u>	<u>16,229</u>	<u>—</u>	<u>15,903</u>	<u>—</u>

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year	1,151	1,068
Amount restated through opening retained earnings on adoption of AASB 9	—	133
+ new provisions recognised during the year	87	34
– amounts already provided for and written off this year	(46)	(84)
Balance at the end of the year	1,192	1,151

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. 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

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 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 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.

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

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 one year past due, whichever occurs first.

None of the receivables that have been written off during the year 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.

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	165	–	135	–
Trading stock	18	–	25	–
Total inventories at cost	183	–	160	–
TOTAL INVENTORIES	183	–	160	–
(b) Other assets				
Prepayments	682	–	397	–
TOTAL OTHER ASSETS	682	–	397	–

Accounting policy for inventories and other assets

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Non-current assets classified as held for sale

(i) Non-current assets and disposal group assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Non-current assets 'held for sale'				
Land	—	—	2,190	—
Total non-current assets 'held for sale'	—	—	2,190	—
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>	—	—	2,190	—

(ii) Details of assets and disposal groups

In the prior year, assets held for sale related to parcels of land with adjoining owners and subject to negotiation. These assets were sold in the current year.

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 those arising from employee benefits; financial assets; and investment properties that are 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.

Notes to the Financial Statements
for the year ended 30 June 2020

Note 11. Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period								as at 30/06/20		
	Gross carrying amount Restated	Accumulated depreciation Restated	Net carrying amount Restated	Additions renewals ¹	Additions new assets ²	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Other movements WIP Expensed	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	8,460	–	8,460	10,843	1,342	–	–	(6,780)	–	(21)	–	13,844	–	13,844
Plant and equipment	23,385	(8,693)	14,692	3,528	–	(924)	(3,161)	–	–	–	–	24,077	(9,942)	14,135
Office equipment	1,520	(1,160)	360	–	–	–	(232)	–	–	–	–	343	(215)	128
Furniture and fittings	1,034	(689)	345	11	–	–	(93)	–	–	–	–	759	(496)	263
Land:														
– Operational land	328,858	–	328,858	–	16,957	(2,440)	–	373	15,392	–	6,418	365,558	–	365,558
– Community land	160,764	–	160,764	–	2,320	–	–	–	(15,392)	–	9,759	157,451	–	157,451
– Land under roads (post 30/6/08)	2,801	–	2,801	–	363	–	–	–	–	–	622	3,786	–	3,786
Land improvements – non-depreciable	1,108	–	1,108	314	–	–	–	78	–	–	–	1,500	–	1,500
Infrastructure:														
– Buildings	241,807	(68,895)	172,912	972	4,285	(206)	(4,622)	1,886	(2,092)	–	–	244,946	(71,811)	173,135
– Other structures	14,072	(5,799)	8,273	622	227	–	(255)	64	(96)	–	–	12,010	(3,175)	8,835
– Roads	454,423	(121,005)	333,418	2,278	–	–	(6,784)	6	(998)	–	27,028	501,741	(146,793)	354,948
– Car Parks	12,752	(4,463)	8,289	27	170	–	(237)	166	1,014	–	–	14,148	(4,720)	9,428
– Bridges	9,260	(1,425)	7,835	31	65	–	(113)	58	–	–	–	9,396	(1,520)	7,876
– Footpaths	106,204	(46,731)	59,473	1,058	1,385	–	(1,446)	1,220	–	–	13,948	137,632	(61,993)	75,639
– Other road assets	35,630	(12,636)	22,994	228	566	–	(522)	246	(15)	–	(5,088)	32,878	(14,469)	18,409
– Bulk earthworks (non-depreciable)	63,018	–	63,018	–	–	–	–	–	–	–	(1,195)	61,823	–	61,823
– Stormwater drainage	163,454	(62,332)	101,122	31	269	–	(1,636)	16	–	–	–	163,770	(63,968)	99,802
– Swimming pools	6,857	(550)	6,307	–	–	–	(86)	–	106	–	–	6,987	(660)	6,327
– Other open space/recreational assets	93,784	(27,320)	66,464	2,106	7,232	–	(4,892)	2,667	(1,270)	–	–	102,670	(30,363)	72,307
– Other infrastructure	3,733	(768)	2,965	76	19	–	(93)	–	3,351	–	–	10,807	(4,490)	6,317
Other assets:														
– Library books	2,558	(1,194)	1,364	578	–	–	(551)	–	–	–	–	2,721	(1,330)	1,391
Total Infrastructure, property, plant and equipment	1,735,482	(363,660)	1,371,822	22,703	35,200	(3,570)	(24,723)	–	–	(21)	51,492	1,868,847	(415,945)	1,452,902

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

(2) New additions to WIP comprise costs related to software development which are not available for use as at 30 June 2020. These assets will be transferred to intangible assets once they are completed and available for use.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Infrastructure, property, plant and equipment (continued)

	as at 30/06/18			Asset movements during the reporting period								as at 30/06/19		
	Gross carrying amount Restated	Accumulated depreciation Restated	Net carrying amount Restated	Additions renewals ¹	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) Restated	Gross carrying amount Restated	Accumulated depreciation Restated	Net carrying amount Restated
\$ '000														
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	327,858	–	327,858	–	1,000	–	–	–	–	–	–	328,858	–	328,858
– 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	–	16,598	163,454	(62,332)	101,122
– 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	–	–	–	(39)	–	–	–	850	3,733	(768)	2,965
– Car Parks	12,752	(4,278)	8,474	–	–	–	(185)	–	–	–	–	12,752	(4,463)	8,289
Other assets:														
– Library books	2,581	(1,108)	1,473	453	–	–	(562)	–	–	–	–	2,558	(1,194)	1,364
Total Infrastructure, property, plant and equipment	1,663,934	(338,068)	1,325,866	33,205	8,689	(4,250)	(23,938)	(1,359)	–	(696)	34,306	1,735,482	(363,660)	1,371,822

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. 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 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. 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:

Asset Class	Years
Plant and equipment	5 to 8
Office equipment	5 to 10
Furniture & Fittings	10

Infrastructure	
Buildings	15 to 100
Other Structures	20 to 100
Roads	30 to 110
Car Parks	20 to 120
Bridges	40 to 100
Footpaths	40 to 80
Other Road Assets	40 to 80
Stormwater Drainage	20 to 100
Swimming Pools	10 to 80
Other Open Space/Recreational Assets	5 to 100
Other Infrastructure	45 to 80

Other Assets	
Library Books	5

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

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*.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Infrastructure, property, plant and equipment (continued)

Crown reserves

Crown reserves under Council's care and control are recognised within Community Land 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.

Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 *Leases*, refer to Note 15.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
Software		
Opening values at 1 July		
Gross book value	3,733	5,294
Accumulated amortisation	(1,388)	(1,939)
Net book value – opening balance	2,345	3,355
Movements for the year		
– Purchases	–	122
– Amortisation charges	(753)	(1,132)
– Gross book value written off	(412)	(1,682)
– Accumulated amortisation charges written off	412	1,682
Closing values at 30 June		
Gross book value	3,321	3,733
Accumulated amortisation	(1,729)	(1,388)
Total software – net book value	1,592	2,345

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Contract assets and liabilities

\$ '000	Notes	2020 Current	2020 Non-current
Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	5,423	—
Total grants received in advance		5,423	—
Total contract liabilities		5,423	—

Notes

(i) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

Significant changes in contract assets and liabilities

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due to grants in the scope of AASB 15 and capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

Accounting policy for contract assets and liabilities

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases

The Council has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

(i) Council as a lessee

Council has leases over a range of assets including machinery and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Office and IT equipment

Leases for office and IT equipment relate to items such as photocopiers. The leases are for between 1 and 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

\$ '000	Office & IT Equipment	Total
Adoption of AASB 16 at 1 July 2019	125	125
Depreciation charge	(83)	(83)
<u>RIGHT OF USE ASSETS</u>	<u>42</u>	<u>42</u>

(b) Lease liabilities

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	42	–	–	42	42

\$ '000	2020
---------	------

(c) Income Statement

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

Interest on lease liabilities	3
Variable lease payments based on usage not included in the measurement of lease liabilities	4,541
Depreciation of right of use assets	83
	<u>4,627</u>

(d) Statement of Cash Flows

Total cash outflow for leases	4,627
	<u>4,627</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of leases at significantly below market for land which are used for parks and open space.

The leases are generally between 2 and 20 years and require payments of a maximum amount of \$9,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

Accounting policy

Accounting policies under AASB 16 – applicable from 1 July 2019

At inception of a contract, Council assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration?

Council has elected not to separate non-lease components from lease components for any class of asset and has accounted for payments as a single component.

At the lease commencement, Council recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where Council believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives. The right-of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

Exceptions to lease accounting

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases at significantly below market value / concessionary leases

Council has elected to measure the right of use asset arising from the concessionary leases at cost, which is based on the associated lease liability at initial recognition.

Accounting policy under AASB 117 and associated Accounting Interpretations (2019 only)

Refer to Note 5c and Note 15.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

(ii) Council as a lessor

(e) Operating leases

Council leases out a number of properties and /or plant and equipment to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E (refer in this note part (v) below) in the Statement of Financial Position. These leases are held on a rolling 12 month basis.

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

\$ '000	2020
(i) Operating lease income	
Lease income relating to variable lease payments not dependent on an index or a rate	1,362
Total income relating to operating leases	1,362

Accounting policy

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When Council has a sub-lease over an asset and is the intermediate lessor, then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

Council's operating leases are all short term property leases with renewal on a rolling 12 month basis.

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	3,473	–	2,375	–
Accrued expenses:				
– Salaries and wages	1,482	–	1,228	–
– Other expenditure accruals	6,414	–	6,033	–
Prepaid rates	918	–	–	–
Security bonds, deposits and retentions	15,610	–	16,707	–
Builders service and plan first levy payable	75	–	124	–
Other	427	–	77	–
Total payables	28,399	–	26,544	–
Borrowings				
Loans – secured ¹	719	2,165	992	2,877
Total borrowings	719	2,165	992	2,877
TOTAL PAYABLES AND BORROWINGS	29,118	2,165	28,610	2,877

(1) Disclosures on liability interest rate exposures, fair value disclosures and security can be found in Note 22.

\$ '000	2020	2019
(a) Current payables and borrowings not anticipated to be settled within the next twelve months		
Payables – security bonds, deposits and retentions	13,443	14,699
Total payables and borrowings	13,443	14,699

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	3,869	(993)	–	–	–	8	2,884
Lease liabilities	–	(83)	–	–	125	–	42
TOTAL	3,869	(1,076)	–	–	125	8	2,926

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	4,933	(1,079)	–	–	15	3,869
TOTAL	4,933	(1,079)	–	–	15	3,869

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings (continued)

\$ '000	2020	2019
(c) Financing arrangements		
Total facilities		
The amount of financing facilities available to Council at the reporting date is:		
Bank overdraft facilities ¹	890	890
Credit cards/purchase cards	80	60
Total financing arrangements	970	950
Drawn facilities		
– Credit cards/purchase cards	3	3
Total drawn financing arrangements	3	3
Undrawn facilities		
– Bank overdraft facilities	890	890
– Credit cards/purchase cards	77	57
Total undrawn financing arrangements	967	947

Security over loans

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

Leased liabilities are secured by the underlying leased assets.

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

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 drawdown occurs. To the extent that 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Employee benefits				
Annual leave	7,588	–	7,748	–
Sick leave	1,168	–	1,221	–
Long service leave	11,361	1,898	12,816	1,239
Gratuities	352	–	336	–
Sub-total – aggregate employee benefits	20,469	1,898	22,121	1,239
Other provisions				
Self-insurance - workers compensation - public liability	–	10	–	201
Remediation Provision	316	3,178	405	3,273
Land Disposal Tax	1,904	–	1,904	–
Sub-total – other provisions	2,220	3,188	2,309	3,474
<u>TOTAL PROVISIONS</u>	<u>22,689</u>	<u>5,086</u>	<u>24,430</u>	<u>4,713</u>

\$ '000	2020	2019
Current provisions not anticipated to be settled within the next twelve months	12,868	15,551
	12,868	15,551

Description of and movements in non-employee benefit provisions

\$ '000	Other provisions			Total
	Self insurance	Asset Remediation	Land Disposal Tax	
2020				
At beginning of year	201	3,678	1,904	5,783
Amounts used (payments)	(191)	–	–	(191)
Remeasurement effects	–	(184)	–	(184)
Total other provisions at end of year	10	3,494	1,904	5,408
2019				
At beginning of year	296	3,415	1,904	5,615
Additional provisions	–	90	–	90
Amounts used (payments)	(95)	–	–	(95)
Remeasurement effects	–	173	–	173
Total other provisions at end of year	201	3,678	1,904	5,783

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.

The asset remediation provision represents the present value estimate of future costs Council will incur to rehabilitate and reinstate the tip and quarry as a result of past operations.

Council has legal/public obligations to make restore, rehabilitate and reinstate Kendall Street Reserve, and has included a total provision of \$3,494k for these works.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

Self-insurance

To recognise liabilities for outstanding claims (uninsured losses) arising from Council's decision to undertake self-insurance for certain risks faced.

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, payroll tax 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.

Asset remediation – 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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Rehabilitation

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

A 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.

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. 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) Correction of errors relating to a previous reporting period

Nature of prior-period error

(i) Correction of stormwater drainage assets as at 1 July 2019

As at 30 June 2019, Council disclosed \$84.5 million of stormwater drainage assets in Note 11(a) Infrastructure, property plant and equipment. Council was unable to provide sufficient evidence to support the completeness of the carrying value of stormwater drainage assets as at 30 June 2019 amounting to \$84.5m (2018: \$85.2m).

Following the conclusion of the financial statements for the year ended 30 June 2019, Council undertook an action plan to remediate the insufficiency of supporting evidence in respect of its stormwater drainage assets as at 1 July 2019.

As part of the remediation plan, Council undertook an extensive data collection exercise to rebuild its inventory of stormwater drainage assets. Once Council was satisfied with the completeness and accuracy of its network and inventory of stormwater drainage assets, Council undertook an external valuation of its stormwater assets by engaging professional and qualified valuers to determine the fair value as at 1 July 2019.

The external valuation as at 1 July 2019 returned a fair value of Councils stormwater drainage assets of \$101m. The difference between the external valuation as at 1 July 2019 and the amounts previously reported at 30 June 2019 is material and therefore considered to be a prior period error.

Retrospective restatement of the above error in the earliest period presented in these financial statements (i.e. 1 July 2018) has been impracticable due to the external valuation being as at 1 July 2019.

Therefore, the errors identified above have been corrected by restating the balances at 30 June 2019 / 1 July 2019 and taking the adjustment through to reserves at that date.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

(ii) Previously unrecognised items of Infrastructure, Property, Plant and Equipment (IPPE)

During 2019/20, Council discovered certain Infrastructure and Land assets totaling \$13.5m that were owned by Council prior to 30 June 2019 but were not recognised in its financial statements. As a consequence, IPPE balances and related depreciation expense have been understated in prior years.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2018) and taking the adjustment through to accumulated surplus at that date.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

Changes to the opening Statement of Financial Position at 1 July 2018

Statement of Financial Position

\$ '000	Notes	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
Infrastructure, property plant and equipment	11	1,312,396	13,470	1,325,866
Total assets		1,738,109	13,470	1,751,579
Total liabilities		66,552	–	66,552

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Notes	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
Accumulated surplus		1,671,557	13,470	1,685,027
Total equity		1,671,557	13,470	1,685,027

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

Statement of Financial Position

\$ '000	Notes	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Infrastructure, property plant and equipment	11(a)(i)	1,341,939	29,883	1,371,822
Total assets		1,789,739	29,883	1,819,622
Accumulated surplus		1,711,400	13,285	1,724,685
IPP&E revaluation reserve		17,708	16,598	34,306
Total equity		1,729,108	29,883	1,758,991

Income Statement

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Depreciation and amortisation	24,885	185	25,070
Total expenses from continuing operations	166,582	185	166,767
Net operating result for the year	39,977	(185)	39,792

Statement of Comprehensive Income

\$ '000	Notes	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Net operating result for the year		39,977	(185)	39,792
Gain / (loss) on revaluation of IPP&E	11(a)(i)	17,708	16,598	34,306
Other comprehensive income		17,708	16,598	34,306
Total comprehensive income for the year		57,685	16,413	74,098

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

During the year ended 30 June 2020, the Council has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method, and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 *Construction Contracts*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

Adjustments to the current year figures for the year ended 30 June 2020

Statement of Financial Position

(i) AASB 15 and AASB 1058

The following approach has been applied on transition to AASB 15 and AASB 1058:

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements
- Council has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

Costs incurred in fulfilling customer contracts

Prior to adopting AASB 15 Council would recognise direct costs associated with fulfilling customer contracts as expenses when incurred, as they did not qualify for recognition as assets under any other accounting standards. Under AASB 15, as these costs relate directly to the contracts, generate resources used in satisfying the contracts, and are expected to be recovered, they are capitalised as 'costs to fulfil a contract' assets and released through profit and loss on the same basis as the revenue is recognised.

Upfront fees – Council leisure centre

Prior to adopting AASB 15, the Council recognised membership joining fees on receipt. Under AASB 15, since the fees do not relate to a performance obligation, they are combined with other goods and services transferred to the customer and therefore they are now spread over the expected life of the contract with the customer (i.e the membership life).

Revenue recognition from contract modifications

In relation to contract modifications, AASB 15 requires customer approval, which is a more prudent criteria than the probability requirement in the previous standards and has resulted in deferral of revenue where unapproved works have been performed.

Transfer of control to a customer – over time or at a point in time

AASB 15 has specific criteria regarding whether control is transferred over time or at a point in time. Council has reviewed its contracts and concluded that the criteria for recognition over time is not met in some circumstances. In such cases, revenue and related costs will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

Principal v agent

Prior to adoption of AASB 15, the Council had assessed that they were a principal in transactions where another party was involved in providing the goods or services, including pass-through grants.

Under AASB 15, the indicators of a principal have changed and there are now a number of performance obligations within grant agreements where the Council is acting as an agent as the only obligation is to transfer the funds to a third party. The result is that Council can only recognise the "commission" to which they are entitled rather than the gross revenue and expenses. There is no change to reported profit.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Licences

Council has reviewed the licences it grants and considers that all licences are either short-term or low value and elects to recognise all revenue from licences up-front rather than spreading them over the life of the licence.

Prepaid rates

Under AASB 1004, rates were recorded as revenue at the earliest of receipt of the funds from the ratepayer and the beginning of the rating period. Under AASB 1058, prepaid rates are recognised as a financial liability until the beginning of the rating period.

Grants – operating

Under AASB 1004, most grant income was recognised as revenue on receipt. Under AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed, or recognised at the point in time that the control of the services passes to the customer.

Grants – capital

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where Council has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by Council and the contract is enforceable, then the asset is recognised as a contract liability on receipt and recorded as revenue until the performance obligation to acquire or construct the asset is completed.

Changes in presentation

In addition to the above changes in accounting policies, the Council has also amended the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058:

- Additional line items of contract assets, contract cost assets and contract liabilities have been created (where applicable).

	Balance at 1 July 2019
\$ '000	
Opening contract balances at 1 July 2019	
Contract liabilities	
– Under AASB 1058	8,541
Total Contract liabilities	8,541

Comparison of financial statement line items under AASB 15 compared to previous standards for the current year

The following tables show the impact of adopting AASB 15 and AASB 1058 on the Council's financial statements for the year ended 30 June 2020.

Statement of Financial Position

	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
\$ '000					
Current assets					
Cash and cash equivalents	43,220	–	–	43,220	
Investments	382,061	–	–	382,061	
Receivables	16,229	–	–	16,229	
Inventories	183	–	–	183	
Other	682	–	–	682	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Total current assets	442,375	–	–	442,375	
Current liabilities					
Payables ¹	28,399	72	–	28,471	
Contract liabilities ¹	5,423	(72)	(5,351)	–	
Lease liabilities	42	–	–	42	
Borrowings	719	–	–	719	
Provisions	22,689	–	–	22,689	
Total current liabilities	57,272	–	(5,351)	51,921	
Non-current assets					
Investments	12,096	–	–	12,096	
Infrastructure, property, plant and equipment	1,452,902	–	–	1,452,902	
Intangible assets	1,592	–	–	1,592	
Right of use assets	42	–	–	42	
Investments accounted for using equity method	5,003	–	–	5,003	
Total non-current assets	1,471,635	–	–	1,471,635	
Non-current liabilities					
Borrowings	2,165	–	–	2,165	
Provisions	5,086	–	–	5,086	
Total Non-current liabilities	7,251	–	–	7,251	
Net assets	1,849,487	–	5,351	1,854,838	
Equity					
Accumulated surplus	1,763,689	–	–	1,763,689	
Revaluation reserves	85,798	–	–	85,798	
Council equity interest	1,849,487	–	–	1,849,487	
Total equity	1,849,487	–	–	1,849,487	

1. Transfer of part of the contract liability to income in advance and elimination of contract liability which arises under AASB 15 for funds received to construct an asset to be controlled by Council and other funds under AASB 15 which have been received prior to the satisfaction of performance obligations.

Income Statement

\$ '000	Income Statement and comprehen- sive income under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Income Statement and comprehen- sive income under previous revenue standards	Notes
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	124,274	—	—	124,274	
User charges and fees	13,540	—	—	13,540	
Other revenues	14,146	—	—	14,146	
Grants and contributions provided for operating purposes	11,504	—	—	11,504	
Grants and contributions provided for capital purposes ²	42,303	—	3,191	45,494	
Interest and investment income	7,853	—	—	7,853	
Net gains from the disposal of assets	1,575	—	—	1,575	
Rental income	1,362	—	—	1,362	
Total Income from continuing operations	216,557	—	3,191	219,748	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	68,124	—	—	68,124	
Borrowing costs	177	—	—	177	
Materials and contracts	58,477	—	—	58,477	
Depreciation and amortisation	25,559	—	—	25,559	
Other expenses	16,559	—	—	16,559	
Net share of interests in joint ventures and associates using the equity method	117	—	—	117	
Total Expenses from continuing operations	169,013	—	—	169,013	
Total Operating result from continuing operations	47,544	—	3,191	50,735	
Net operating result for the year	47,544	—	3,191	50,735	
Total comprehensive income	99,036	—	—	99,036	

2. Difference in revenue between recognition on receipt under the old standards and as / when performance obligations are met under new standards.

Adjustments to the current year figures for the year ended 30 June 2020**Statement of Financial Position**

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	—	—	—
Total assets	—	—	—
Contract liabilities	—	8,541	8,541
Total liabilities	—	8,541	8,541

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Accumulated surplus	—	(8,541)	(8,541)
Total equity	—	(8,541)	(8,541)

(ii) AASB 16 Leases**Council as a lessee**

Under AASB 117, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

Council has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Income Statement on a straight-line basis.

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$125k at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 3.95%.

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	209

Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases

Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	209
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Less:

Leases for low-value assets included in commitments note	(84)
Lease liabilities recognised at 1 July 2019	125

Council as a lessor

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases, which have now been classified in relation to the right-of-use asset under the head lease rather than the underlying asset.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	43,220	57,610
Balance as per the Statement of Cash Flows		43,220	57,610

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

Net operating result from Income Statement	47,544	39,792
Adjust for non-cash items:		
Depreciation, amortisation and impairment	25,559	25,070
Net losses/(gains) on disposal of assets	(1,575)	2,242
Non-cash contributions and dedications	(6,729)	(3,210)
Adoption of AASB 15/1058	(8,541)	–
Decrements/(reversal of previous revaluation decrements) from revaluations		
– Investments classified as ‘at fair value’ or ‘held for trading’	251	81
– Revaluation decrements / impairments of IPP&E direct to P&L	–	1,359
– Other adjustment 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)	8	15
Share of net (profits) or losses of associates/joint ventures using the equity method	117	(519)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	(367)	1,963
Increase/(decrease) in provision for impairment of receivables	41	83
Decrease/(increase) in inventories	(23)	79
Decrease/(increase) in other assets	(285)	154
Increase/(decrease) in payables	1,098	(3,666)
Increase/(decrease) in accrued interest payable	–	(3)
Increase/(decrease) in other accrued expenses payable	635	315
Increase/(decrease) in other liabilities	(952)	(2,125)
Increase/(decrease) in contract liabilities	5,423	–
Increase/(decrease) in employee benefits	(993)	454
Increase/(decrease) in other provisions	(375)	168
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	60,836	62,119

(c) Non-cash investing and financing activities

Other dedications	6,729	3,210
Total non-cash investing and financing activities	6,729	3,210

Refer to Note 14 for information on acquisition of assets under leases.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities

Interests in joint arrangements

(a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2020	2019
Civic Risk Mutual (United Independent Pools)	Joint Venture	Equity method	545	536
Civic Risk Mutual (Metropool)	Joint Venture	Equity method	4,130	4,758
Bayside Garden Centre	Joint Venture	Equity method	328	293
Total carrying amounts – material joint ventures			5,003	5,587

(b) Details

	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

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2020	2019	2020	2019	2020	2019
Civic Risk Mutual (United Independent Pools)	8.0%	8.0%	8.0%	8.0%	5.0%	6.0%
Civic Risk Mutual (Metropool)	32.0%	33.0%	32.0%	33.0%	17.0%	17.0%
Bayside Garden Centre	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities (continued)

(d) Summarised financial information for joint ventures

\$ '000	Civic Risk Mutual (United Independent Pools)		Civic Risk Mutual (Metropool)		Bayside Garden Centre	
	2020	2019	2020	2019	2020	2019
Statement of financial position						
Current assets						
Cash and cash equivalents	6,177	1,813	9,281	49	304	293
Other current assets	5,924	7,215	5,781	10,106	213	169
Non-current assets	5,102	5,368	6,711	12,766	144	158
Current liabilities						
Current financial liabilities (excluding trade and other payables and provisions)	5,923	4,827	1,762	1,312	—	7
Other current liabilities	489	345	1,689	311	25	46
Non-current liabilities						
Non-current financial liabilities (excluding trade and other payables and provisions)	3,635	2,279	5,558	6,650	—	—
Net assets	7,156	6,945	12,764	14,648	636	567
Reconciliation of the carrying amount						
Opening net assets (1 July)	6,945	8,469	14,648	13,549	567	514
Profit/(loss) for the period	211	(1,524)	(289)	1,099	126	87
Dividends paid	—	—	—	—	(35)	(34)
Other adjustments to equity	—	—	(1,595)	—	—	—
Closing net assets	7,156	6,945	12,764	14,648	658	567
Council's share of net assets (%)	7.6%	7.7%	32.4%	32.5%	51.6%	51.7%
Council's share of net assets (\$)	544	535	4,136	4,761	340	293
Statement of comprehensive income						
Income	14,474	11,320	1,845	2,116	1,001	1,124
Interest income	205	448	271	1,010	3	—
Other expenses	(14,468)	(13,292)	(2,405)	(2,030)	(877)	(539)
Profit/(loss) from continuing operations	211	(1,524)	(289)	1,096	127	585
Profit/(loss) for the period	211	(1,524)	(289)	1,096	127	585
Total comprehensive income	211	(1,524)	(289)	1,096	127	585
Share of income – Council (%)	4.3%	6.6%	55.8%	29.8%	50.0%	50.0%
Profit/(loss) – Council (\$)	9	(101)	(161)	327	64	293
Total comprehensive income – Council (\$)	9	(101)	(161)	327	64	293
Dividends received by Council	—	—	467	—	—	—

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities (continued)

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 *AASB 128 Investments in Associates and Joint Ventures*.

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the 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 purposes of the consolidated financial statements.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Commitments

\$ '000	2020	2019
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(a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date, but not recognised in the financial statements are payable as follows:

Property, plant and equipment

Buildings	10,431	9,131
Plant and equipment	721	771
Road infrastructure	3,573	3,255
Infrastructure Works	19,460	14,630
Information Management	1,393	260
Other	25	2
Total	35,603	28,049

These expenditures are payable as follows:

Within the next year	33,873	28,049
Later than one year and not later than five years	1,730	—
Total payable	35,603	28,049

Details of capital commitments

Capital commitments are based upon the completion of Council's capital works program which has commenced.

\$ '000	2020	2019
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(b) Non-cancellable operating lease commitments (2019 only)

a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	—	104
Later than one year and not later than 5 years	—	105
Total	—	209

Refer to Note 14 for information relating to leases for 2020.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies

Liabilities not recognised

(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; and
- 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 life-time 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 \$40 million 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 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$1,010,495. The last valuation of the Scheme was performed by Mr Richard Boyfield (FIAA) on 30 June 2019, and covers the period ended 30 June 2020.

The amount of additional contributions included in the total employer contribution advised above is \$549,600. Council's expected contribution to the plan for the next annual reporting period is \$936,132.

The estimated employer reserves financial position for the pooled employees at 30 June 2020 is:

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies (continued)

Employer reserves only *	\$millions	Asset Coverage
Assets	1,695.2	
Past Service Liabilities	1,773.2	95.6%
Vested Benefits	1,757.5	96.5%

* 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 \$931,132 as at 30 June 2020.

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 group.

(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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies (continued)

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 \$453k related to its discontinued Airport Business Unit and is seeking its release.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies (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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management

Risk management

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

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

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

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

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.

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	43,220	57,610	43,220	57,610
Receivables	16,229	15,903	16,229	15,903
Investments				
– 'Financial assets at amortised cost'	378,000	318,000	378,000	318,000
Fair value through profit and loss				
Investments				
– 'Designated at fair value on initial recognition'	16,157	45,608	16,157	45,608
Total financial assets	453,606	437,121	453,606	437,121
Financial liabilities				
Payables	28,399	26,544	28,399	26,544
Loans/advances	2,884	3,869	2,884	3,869
Lease liabilities	42	–	42	–
Total financial liabilities	31,325	30,413	31,325	30,413

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 market 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.

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

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

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these 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.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 10% movement in market values	1,616	1,616	(1,616)	(1,616)
Possible impact of a 1% movement in interest rates	3,780	3,780	(3,780)	(3,780)
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	3,180	3,180	(3,180)	(3,180)

(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 reported to Council monthly and benchmarks are set 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

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
2020						
Gross carrying amount	52	6,156	1,561	1,258	592	9,619
2019						
Gross carrying amount	44	5,555	1,193	1,211	518	8,521

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 2020 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
2020						
Gross carrying amount	4,699	659	300	235	1,910	7,803
ECL provision	—	—	—	—	—	—
2019						
Gross carrying amount	6,581	125	53	101	1,673	8,533
ECL provision	—	—	—	—	—	—

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities 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	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2020							
Trade/other payables ¹	0.00%	15,610	11,871	–	–	27,481	27,481
Loans and advances	4.31%	–	719	2,165	–	2,884	2,884
Total financial liabilities		15,610	12,590	2,165	–	30,365	30,365
2019							
Trade/other payables ¹	0.00%	16,706	9,838	–	–	26,544	26,544
Loans and advances	4.53%	–	301	2,045	1,523	3,869	3,869
Total financial liabilities		16,706	10,139	2,045	1,523	30,413	30,413

Loan agreement breaches

No breaches to loan agreements have occurred during the reporting year.

(1) Excludes prepaid rates as this is not a financial liability.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 12/06/2019 and is unaudited.

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	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	118,010	124,274	6,264	5% F
User charges and fees	12,114	13,540	1,426	12% F
The favourable variance to budget is mainly attributed to additional income for NBN road restorations works undertaken by Council. The increased income is offset by an equal amount in increased costs for the works undertaken.				
Other revenues	13,048	14,146	1,098	8% F
Operating grants and contributions	11,282	11,504	222	2% F
Capital grants and contributions	24,401	42,303	17,902	73% F
In addition to increased grant funding, the favourable variance to budget is mainly attributed to the higher value of non-cash dedications and contributed assets which are recognised at fair market value at the time Council obtained control of the underlying assets.				
Interest and investment revenue	10,405	7,853	(2,552)	(25)% U
The unfavourable variance to original budget is primarily attributed to the steep decline in average interest rates during the year as a result of RBA monetary policy. Council has been progressively revising its original budget estimates to match the reduction on average interest rates through quarterly reviews.				
Net gains from disposal of assets	–	1,575	1,575	∞ F
Rental income	1,482	1,362	(120)	(8)% U
EXPENSES				
Employee benefits and on-costs	72,080	68,124	3,956	5% F
Borrowing costs	167	177	(10)	(6)% U
Materials and contracts	45,620	58,477	(12,857)	(28)% U
The unfavourable variance to budget is mainly attributed to increased contractor costs including additional NBN road restorations works, as well as ongoing compliance and consultancy costs.				
Depreciation and amortisation	20,735	25,559	(4,824)	(23)% U
The unfavourable variance to budget is mainly due to revaluation of Roads, Footpaths, Other road assets and Stormwater drainage, more than originally anticipated.				
Other expenses	19,530	16,559	2,971	15% F
The favourable outcome is largely contributed by savings realised from street lighting cost savings initiatives (i.e. Lighting the Way Project which saw the replacement of the city's street lighting network being fitted with more energy efficient LED				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
light bulbs).				
Joint ventures and associates – net losses	–	117	(117)	∞ U

STATEMENT OF CASH FLOWS

Cash flows from operating activities	28,964	60,836	31,872	110%	F
Increased cash flows from operating activities is attributed primarily to increased and advanced receipts of certain grants (e.g. financial assistance grant).					
Cash flows from investing activities	(54,104)	(74,150)	(20,046)	37%	U
Cashflows from investing activities are lower than forecast primarily as a result of COVID 19 impacting upon and delaying the completion / progression of a number of capital projects. The unspent budget for ongoing / delayed capital works have been carried over into the 2020/21 budget to align it with expected completion timeframes.					
Cash flows from financing activities	(992)	(1,076)	(84)	8%	U

Note 24. Discontinued operation

No discontinued operations were noted during the year ended 30 June 2020.

During the prior year, 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement

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) Assets and liabilities that have been measured and recognised at fair values

	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	
2020					
Recurring fair value measurements					
Financial assets					
Investments					
– 'Designated at fair value on initial recognition'	30/06/2019	–	52,365	–	52,365
– 'Financial assets at fair value through other comprehensive income'	30/06/2019	8	–	–	8
Total financial assets		8	52,365	–	52,373
Infrastructure, property, plant and equipment					
Work in progress	30/06/2020	–	–	13,843	13,843
Operational land	31/03/2020	–	228,978	136,580	365,558
Plant and equipment	30/06/2020	–	–	14,135	14,135
Office equipment	30/06/2020	–	–	128	128
Furniture and fittings	30/06/2020	–	–	263	263
Library books	30/06/2020	–	–	1,391	1,391
Community land	1/07/2019	–	–	157,451	157,451
Land improvements	10/09/2018	–	–	1,500	1,500
Buildings	10/09/2016	–	–	173,136	173,136
Buildings (specialised)	30/06/2020	–	–	–	–
Other structures	30/06/2019	–	–	8,836	8,836
Roads	30/06/2020	–	–	354,948	354,948
Car Parks	30/06/2020	–	–	9,428	9,428
Bridges	30/06/2020	–	–	7,877	7,877
Footpaths	30/06/2020	–	–	75,637	75,637
Bulk Earthworks	30/06/2020	–	–	61,823	61,823
Stormwater Drainage	1/07/2019	–	–	99,803	99,803
Swimming Pools	10/09/2016	–	–	6,327	6,327
Land under roads	01/07/2019	–	–	3,786	3,786
Other road assets	30/06/2020	–	–	18,409	18,409
Other infrastructure assets	30/06/2019	–	–	6,317	6,317
Openspace / recreation assets	30/06/2019	–	–	72,306	72,306
Total infrastructure, property, plant and equipment		–	228,978	1,223,924	1,452,902

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

		Fair value measurement hierarchy			
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs Restated	Level 3 Significant unobserv-able inputs Restated	Total Restated
2019					
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	–	328,858	–	328,858
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
Car Parks		–	–	8,289	8,289
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	–	–	101,122	101,122
Swimming Pools	10/09/16	–	–	6,307	6,307
Land under roads	10/09/16	–	–	2,801	2,801
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		–	328,858	1,042,964	1,371,822
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

Note that capital WIP is not included above since it is carried at cost.

(2) 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 (ie. 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 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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

included under 7(b) is considered sufficient to meet the Fair Value disclosures requirements hence additional information is not included under this note.

Level 2 measurements

Infrastructure, property, plant and equipment (IPP&E)

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.

Operational land assets are categorised as Level 2 and level 3 as determined by the valuation report provided by Australis & Asset Management.

Valuation techniques remained the same for this reporting period.

Operational land was last revalued at 31 March 2020

Level 3 measurements

Infrastructure, property, plant and equipment (IPP&E)

Plant & Equipment, Office Equipment, and Furniture & Fittings

This asset category includes:

Plant & Equipment – Motor Vehicles, trucks, mowers, ancillary equipment

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

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.

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 was last revalued at 1 July 2019

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.

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 2019.

Infrastructure assets

The Council engages external, independent and qualified valuers to determine the fair value of the Council's Infrastructure assets. Infrastructure assets were last revalued by independent valuers on dates as specified below.

Generally the nature of infrastructure assets requires that they are valued by gross replacement value using the application of unit rates. Unit rates are developed by summing each component which goes into producing a unit (be it metres, square metres, tonnes, etc) of an asset. The major components of any asset are the raw materials, plant, labour and indirect costs (overheads). These unit costs are then applied to known measurements of the assets to produce a replacement cost, which is then depreciated to estimate the Fair Value.

The raw cost of material, as well as plant and labour hire rates, are established either through communicating directly with suppliers and obtaining quoted prices, by using cost guides such as the Rawlinsons' Construction Handbook and through reviewing contract quotes and prices obtained by Council. Overheads are estimated using industry standards.

Useful lives are a measure of the estimated time an asset or asset component is expected to be available for use by an entity. It should be noted that in reality, no two assets provide the same useful life due to varying usage, levels of service requirements and obsolescence factors.

Our useful lives are determined based on guidance from the Institute of Public Works Engineering Australia's (IPWEA) practice note 12. The useful lives used in this valuation have been tailored to the entity based on our assessment of the specific assets in question.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

The remaining lives used in the depreciation calculations are estimated using three different methods depending on the available data:

- Condition;
- Known Age; and
- Estimated Age.

Ideally, where both the condition and age of the asset are known, these two inputs are used in conjunction to determine the appropriate level of accumulated depreciation. If the asset is determined to be in an “average” condition for its age, the calculation reverts to the construction year. However if the asset is found to be in better or worse condition for its age, the remaining life is adjusted accordingly.

Where only condition of the asset is known from the Council's / Valuer's inspection or where detailed condition reports have been prepared, the remaining life is dependent on the recorded condition, using a sliding scale. Where detailed condition is not available the remaining life is estimated using the current age of the assets, adjusted for obsolescence.

Where neither the condition nor the age are known, assumptions are made as the age and condition of the assets in collaboration with Council staff, in order to obtain a current replacement cost which reasonably reflects the value of the asset.

Roads, Other Road Assets & Footpaths

Road assets are assets with the primary function of enabling transportation of vehicles. The asset register system adopted has a hierarchical structure in which all Roads are identified by name and number. Each road is then subdivided into a number of segments based on length, geometry and change of structure or traffic. Some roads may have only one segment. Measurement is derived from spatial modelling of the assets in Council's GIS (geographical information system). The components located within the road segment are as follows.

- Road Surface (surface)
- Road pavement structure (pavement)
- Road bulk earthworks (bulk earthworks)
- Kerb and gutter

Other Road Assets are assets supporting the primary road function, which includes:

- Bus shelters
- Centre Medians
- Crash Barriers
- Pedestrian Refuges
- Retaining Walls-Roads
- Roundabouts
- Speed Humps and Thresholds
- Street Furniture
- Street Lighting
- Traffic Calming Devices
- Traffic Islands
- Traffic Management Devices

Other Road Assets may be lineal features, area features or point features. Measurement is derived from spatial modelling of the assets in Council's GIS (geographical information system).

Footpaths include pathways that used by pedestrians and cyclists, as pedestrian only paths, cyclist only paths or shared paths. Footpaths are categorised by material. Footpaths are not componentised. Measurement is derived from spatial modelling of the assets in Council's GIS (Geographical information system).

The valuation of Roads, Other Road Assets and Footpaths using a gross replacement value was conducted by AssetVal as at 30 June 2020. Significant unobservable inputs considered in the valuation of these assets are gross replacement value based on an appropriate unit rate, effective useful life, and depreciated value.

These asset classes are categorised as Level 3 as some of the inputs mentioned above require significant professional judgement and are therefore unobservable.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

Bridges

Bridges were last revalued by APV Valuers & Asset Management on 10 September 2016.

Bridges include road bridges, foot bridges and also large road culverts. A road culvert is determined to be a bridge if the culvert supports a road and the length of the culvert is 6 metres or greater, measured along the centre line of the carriageway.

Bridges are valued using condition and age based methodology.

Stormwater Drainage

The stormwater drainage network comprises the following types of assets:

- Stormwater pipes
- Stormwater channels – earth lined
- Stormwater channels – concrete lined
- Stormwater pits
- Gross pollutant traps (GPTs), and stormwater quality improvement devices (SQIDs)
- Flood management devices

Measurement is derived from spatial modelling of the assets in Council's GIS (geographical information system).

The valuation of Stormwater Drainage using a gross replacement value was conducted by AssetVal as at 1 July 2019.

Significant unobservable inputs considered in the valuation of these assets are gross replacement value based on an appropriate unit rate, effective useful life, and depreciated value.

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

Buildings

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 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.

Open Space/Recreation Assets (Note: now sub-group of Infrastructure)

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

Other Structures (Note: now sub-group of Infrastructure)

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. 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 (Note: now sub-group of Infrastructure)

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.

Swimming Pools (Note: now sub-group of Infrastructure)

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

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

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

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Library books	Community Land
2019					
Opening balance	11,666	533	445	1,474	157,920
Purchases (GBV)	7,561	71	–	452	4,203
Disposals (WDV)	(1,475)	–	–	–	–
Depreciation and impairment	(3,060)	(244)	(100)	(562)	(1,359)
Closing balance	14,692	360	345	1,364	160,764

2020					
Opening balance	14,692	360	345	1,364	160,764
Transfers from/(to) another asset class	–	–	–	–	(15,392)
Purchases (GBV)	3,528	–	11	578	2,320
Disposals (WDV)	(924)	–	–	–	–
Depreciation and impairment	(3,161)	(232)	(93)	(551)	–
FV gains – other comprehensive income	–	–	–	–	9,759
Closing balance	14,135	128	263	1,391	157,451

\$ '000	Land Improvements	Buildings	Other assets and other infrastructure	Other structures	Roads and other road assets Restated
2019					
Opening balance	643	170,876	2,155	4,677	367,778
Purchases (GBV)	465	8,462	–	45	6,249
Disposals (WDV)	–	(2,688)	–	–	–
Depreciation and impairment	–	(3,738)	(40)	(193)	(9,326)
FV gains – other comprehensive income	–	–	850	3,744	–
Closing balance	1,108	172,912	2,965	8,273	364,701
2020					
Opening balance	1,108	172,912	2,965	8,273	364,701
Transfers from/(to) another asset class	–	(2,093)	3,351	(96)	2
Purchases (GBV)	392	7,144	95	913	3,685
Disposals (WDV)	–	(206)	–	–	–
Depreciation and impairment	–	(4,622)	(94)	(255)	(7,543)
FV gains – other comprehensive income	–	–	–	–	21,940
Closing balance	1,500	173,135	6,317	8,835	382,785

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

	Bridges	Footpaths	Bulk earthworks and land under roads	Stormwater drainage Restated	Open space recreational assets
\$ '000					
2019					
Opening balance	7,791	57,380	65,113	85,198	47,415
Purchases (GBV)	138	3,617	793	719	9,514
Disposals (WDV)	—	—	(87)	—	—
Depreciation and impairment	(94)	(1,524)	—	(1,393)	(3,579)
FV gains – other comprehensive income	—	—	—	16,598	13,114
Closing balance	7,835	59,473	65,819	101,122	66,464
2020					
Opening balance	7,835	59,473	65,819	101,122	66,464
Transfers from/(to) another asset class	—	—	—	—	(1,270)
Purchases (GBV)	155	3,662	363	316	12,005
Depreciation and impairment	(113)	(1,446)	—	(1,636)	(4,892)
FV gains – other comprehensive income	—	13,948	(574)	—	—
Closing balance	7,877	75,637	65,608	99,802	72,307

	Swimming pools	Total
\$ '000		
2019		
Opening balance	6,393	987,457
Purchases (GBV)	—	42,289
Disposals (WDV)	—	(4,250)
Depreciation and impairment	(86)	(25,298)
FV gains – other comprehensive income	—	34,306
Closing balance	6,307	1,034,504
2020		
Opening balance	6,307	1,034,504
Transfers from/(to) another asset class	106	(15,392)
Purchases (GBV)	—	35,167
Disposals (WDV)	—	(1,130)
Depreciation and impairment	(86)	(24,724)
FV gains – other comprehensive income	—	45,073
Closing balance	6,327	1,073,498

(4) Highest and best use

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

Per LGA 1993, Sect 35, Community land is required to be used and managed in accordance with the plan of management applying to the land and any law permitting the use of the land for a specified purpose or otherwise regulating the use of the land. The fair value of community land is therefore determined using an Unimproved Capital Value derived from the Valuer General's valuation performed for rating purposes.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Related party disclosures

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:

\$ '000	2020	2019
Compensation:		
Short-term benefits	2,227	2,385
Post-employment benefits	206	220
Other long-term benefits	49	55
Total	2,482	2,660

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Statement of developer contributions

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

	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
Drainage	21,304	306	—	386	(107)	—	21,889	—
Roads	13,974	1,891	—	221	(3,463)	—	12,623	—
Traffic facilities	40,276	114	—	716	(1,295)	—	39,811	—
Parking	1,153	—	—	21	—	—	1,174	—
Open space	90,064	2,915	—	1,598	(3,375)	—	91,202	—
Community facilities	51,980	1,160	—	941	(144)	—	53,937	—
Other	42,131	9,056	—	759	(377)	—	51,569	—
S7.11 contributions – under a plan	260,882	15,442	—	4,642	(8,761)	—	272,205	—
S7.12 levies – under a plan	13,615	922	—	242	(445)	—	14,334	—
Total S7.11 and S7.12 revenue under plans	274,497	16,364	—	4,884	(9,206)	—	286,539	—
S7.11 not under plans	15	—	—	—	—	—	15	—
S7.4 planning agreements	12,292	2,250	10,071	217	(966)	—	13,793	—
Total contributions	286,804	18,614	10,071	5,101	(10,172)	—	300,347	—

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Statement of developer contributions (continued)

\$ '000	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
S7.11 Contributions – under a plan								
CONTRIBUTION PLAN - S94 CITY WIDE PLAN (former Botany)								
Drainage	6,138	–	–	111	–	–	6,249	–
Traffic facilities	37,619	(45)	–	681	–	–	38,255	–
Open space	32,545	(17)	–	589	–	–	33,117	–
Community facilities	11,691	11	–	212	–	–	11,914	–
Other	11,292	(29)	–	204	–	–	11,467	–
Total	99,285	(80)	–	1,797	–	–	101,002	–
CONTRIBUTION PLAN - MASCOT PRECINCT (former Botany)								
Other	25,733	8,693	–	466	–	–	34,892	–
Total	25,733	8,693	–	466	–	–	34,892	–
CONTRIBUTION PLAN S94 PLAN 2016-2031 (former Botany)								
Traffic facilities	2,657	159	–	35	(1,295)	–	1,556	–
Open space	31,465	1,914	–	546	(2,419)	–	31,506	–
Community facilities	2,563	211	–	45	(144)	–	2,675	–
Other	950	19	–	14	(282)	–	701	–
Total	37,635	2,303	–	640	(4,140)	–	36,438	–
Rockdale Contributions Plan 2016 - Urban Renewal Area (Former Rockdale City Council)								
Drainage	11,240	164	–	204	–	–	11,608	–
Roads	13,974	1,891	–	221	(3,463)	–	12,623	–
Community facilities	33,356	796	–	605	–	–	34,757	–
Other	635	–	–	11	–	–	646	–
Total	59,205	2,851	–	1,041	(3,463)	–	59,634	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Statement of developer contributions (continued)

	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
\$ '000	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
Rockdale S94 Contributions Plan 2004 (Former Rockdale City Council)								
Drainage	3,926	142	—	71	(107)	—	4,032	—
Parking	1,153	—	—	21	—	—	1,174	—
Open space	26,054	1,018	—	463	(956)	—	26,579	—
Community facilities	4,370	142	—	79	—	—	4,591	—
Other	1,905	99	—	34	(95)	—	1,943	—
Total	37,408	1,401	—	668	(1,158)	—	38,319	—
Ramsgate Commercial Centre Development Contributions Plan 2006 (Former Rockdale City Council)								
Other	1,616	274	—	30	—	—	1,920	—
Total	1,616	274	—	30	—	—	1,920	—
S7.12 Levies – under a plan								
S7.12 Levies								
S94A Levies	13,615	922	—	242	(445)	—	14,334	—
Total	13,615	922	—	242	(445)	—	14,334	—

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Statement of developer contributions (continued)

	as at 30/06/19		Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance		Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000									
S7.11 Contributions – not under a plan									
(Former Rockdale City Council)									
Inter-allotment Drainage	15		–	–	–	–	–	15	–
Total	15		–	–	–	–	–	15	–

S7.4 planning agreements

S7.4 planning agreements

Other	12,292	2,250	10,071	217	(966)	–	13,793	–
Total	12,292	2,250	10,071	217	(966)	–	13,793	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior periods 20192018		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	4,034	2.33%	4.52%	1.23%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	172,930				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	161,426	75.00%	78.09%	66.95%	>60.00%
Total continuing operating revenue ¹	215,233				
3. Unrestricted current ratio					
Current assets less all external restrictions	87,060	3.62x	4.12x	3.87x	>1.50x
Current liabilities less specific purpose liabilities	24,036				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	29,770	23.76x	25.68x	17.59x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,253				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	9,345	7.02%	6.58%	7.04%	<5.00%
Rates, annual and extra charges collectible	133,029				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	421,220	32.23	29.26	30.56	>3.00
Monthly payments from cash flow of operating and financing activities	13,069	mths	mths	mths	mths

(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Bayside Council

To the Councillors of Bayside Council

Opinion

I have audited the accompanying financial statements of Bayside Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Matter

Without modifying my opinion, significant breakdowns in administrative, financial and governance internal controls materially and pervasively impacted the reliability of the Council's financial reporting in previous years. This resulted in a disclaimer of opinion being issued for the 30 June 2019 financial statements.

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 23 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

16 October 2020
SYDNEY



Mayor
Bayside Council
PO BOX 21
ROCKDALE NSW 2216

Contact: Karen Taylor
Phone no: 02 9275 7311
Our ref: D2023006/1689

16 October 2020

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2020 Bayside Council

I have audited the general purpose financial statements (GPFS) of the Bayside Council (the Council) for the year ended 30 June 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2020 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2020 \$m	2019* \$m	Variance %
Rates and annual charges revenue	124.3	117.0	↑ 6.2
Grants and contributions revenue	53.8	45.2	↑ 19.0
Operating result from continuing operations	47.5	39.8	↑ 19.3
Net operating result before capital grants and contributions	5.2	4.6	↑ 13.0

* The 2019 comparatives have been restated to correct a prior period error. Note 17 of the financial statements provides details of the prior period error.

Rates and annual charges revenue (\$124.3 million) increased by \$7.3 million (6.2 per cent) in 2019–20. This was mainly due to volume growth in residential rates and higher annual charges for domestic waste management.

Grants and contributions revenue (\$53.8 million) increased by \$8.6 million (19.0 per cent) in 2019–20 due to:

- \$3.8 million for Arncliffe Park Synthetic project
- dedicated land and other assets from Kogarah Childcare Centre and Chauvel Green Park.

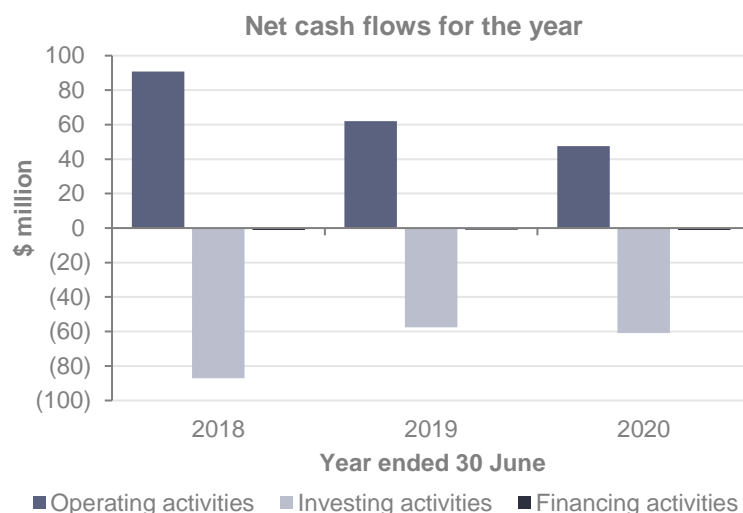
Council's operating result (\$47.5 million including the effect of depreciation and amortisation expense of \$25.6 million) was \$7.7 million higher than the 2018–19 result. This was mainly due to increase in grants and contributions.

The net operating result before capital grants and contributions (\$5.2 million) was \$0.6 million higher than the 2018–19 result.

STATEMENT OF CASH FLOWS

Cash balances have declined as more funds were spent on new and renewed infrastructure.

Net Cash used in investing and financing activities increased by \$16.5 million in the current year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	362.6	347.0	Externally restricted balances include developer contributions, special rate levies and domestic waste management charges.
Internal restrictions	74.0	73.3	
Unrestricted	0.8	0.9	Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day to day operations.
Cash and investments	437.4	421.2	

PERFORMANCE

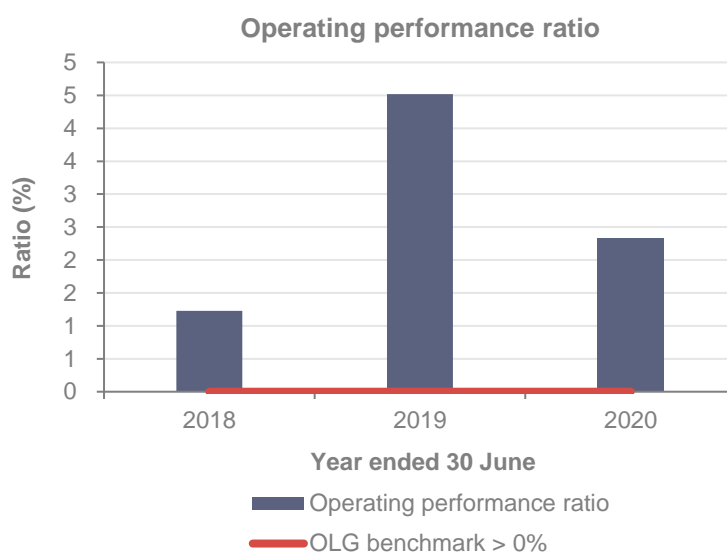
Performance measures

The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

Council continues to exceed the benchmark. The decrease is mainly due to COVID-19 leading to lower revenues from user charges, fees and other revenues.

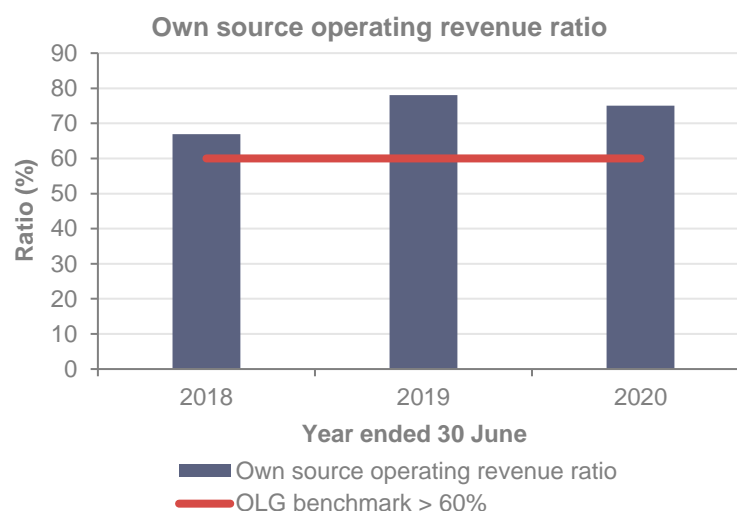
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

Council continues to exceed the benchmark. The ratio fluctuates with movements in grants and contributions.

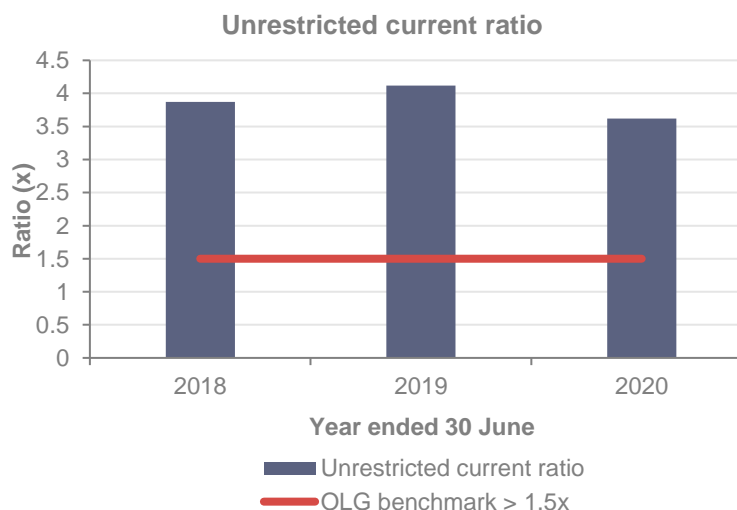
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council continues to exceed the benchmark. The decrease is due to increase in externally restricted current cash and investment balance.

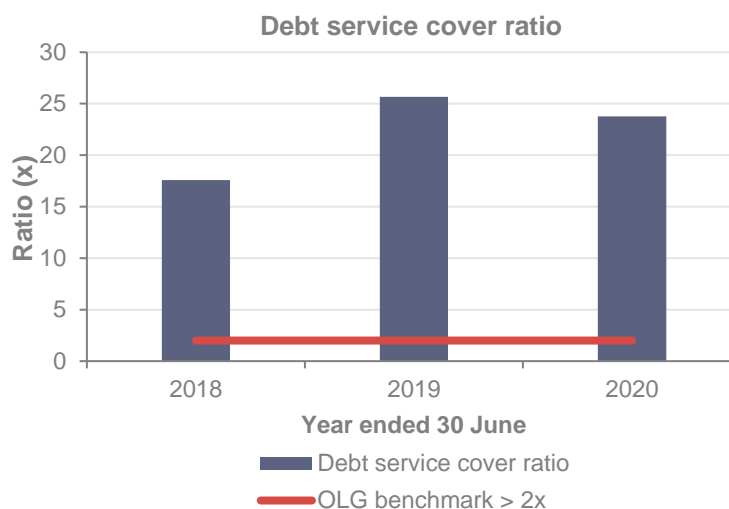
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council continues to exceed the benchmark due to repaying borrowings to reduce the outstanding balance, \$2.9 million at 30 June 2020 (\$3.9 million at 30 June 2019). High levels of current cash and investments contribute to this result.

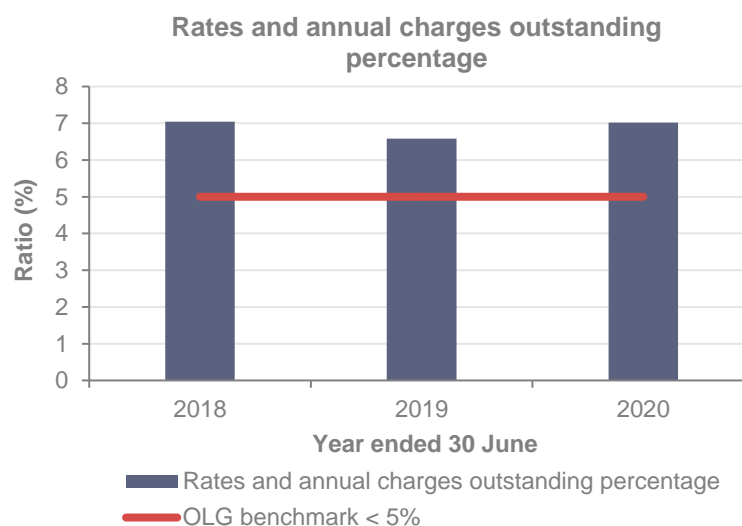
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding per centage

Council maintains low levels of outstanding rates and charges and remains below the benchmark.

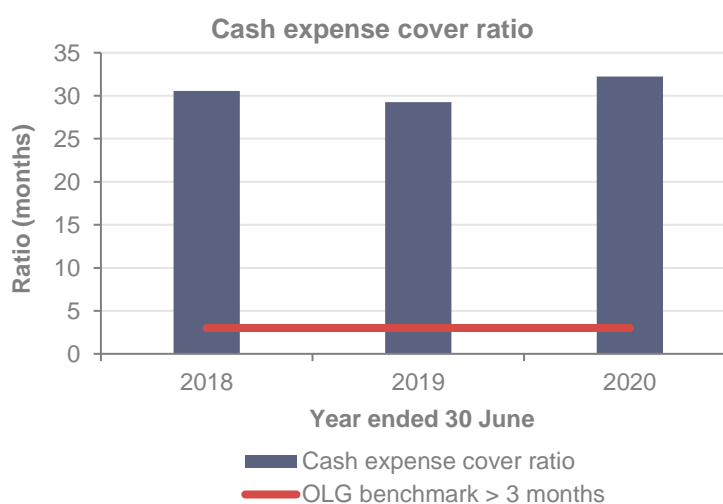
The 'rates and annual charges outstanding per centage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

Council continues to exceed the benchmark. The increase in ratio is due to increase in cash and current investments to \$430.3 million at 30 June 2020 (\$405.0 million).

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.



Infrastructure, property, plant and equipment renewals

Council's performance is as follows:

- asset renewals were \$22.7 million in 2019–20 (\$33.2 million in 2018–19), with \$2.3 million on road renewals
- during the 2019–20 \$35.2 million (\$8.7 million in 2018–19) was spent on new assets including \$17.0 million on operational land, \$7.2 million on open space and recreational assets and \$4.3 million on buildings.

OTHER MATTERS

Financial statement audit for 30 June 2019

In previous years, significant breakdowns in administrative, financial and governance internal controls materially and pervasively impacted the reliability of the Council's financial reporting. This resulted in disclaimer of opinion being issued for the 30 June 2019 financial statements.

I have expressed an unmodified opinion for the 30 June 2020 financial statements.

Impact of new accounting standards

AASB 15 'Revenue from Contracts with Customers' and AASB 1058 'Income for Not-for-Profit Entities'

The Council adopted the new accounting standards AASB 15 'Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities' (collectively referred to as the Revenue Standards) for the first time in their 2019–20 financial statements.

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and amount of revenue recorded in a councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

AASB 1058 prescribes how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 significantly impacts the timing and amount of income recorded in a councils' financial statements, particularly for grant income and rates which are paid before the commencement of the rating period.

The Council recognised a \$8.9 million decrease to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 17.

AASB 16 'Leases'

The Council adopted the new accounting standard AASB 16 'Leases' for the first time in their 2019–20 financial statements.

AASB 16 changes the way lessees treat operating leases for financial reporting. With a few exceptions, operating leases will now be recorded in the Statement of Financial Position as a right-of-use asset, with a corresponding lease liability.

AASB 16 results in lessees recording more assets and liabilities in the Statement of Financial Position and changes the timing and pattern of expenses recorded in the Income Statement.

The Council recognised right-of-use assets of \$0.1 million and lease liabilities of \$0.1 million at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 17.

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial statements. The Council's:

- accounting records were maintained in a manner and form to allow the GPFS to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

Bayside Council

SPECIAL SCHEDULES
for the year ended 30 June 2020

Serving Our Community

The logo for Bayside Council, featuring the words "Bayside Council" in white, stacked vertically, on a teal square background.

Bayside
Council

Special Schedules

for the year ended 30 June 2020

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Permissible income for general rates

\$ '000	Notes	2020/21 Former Rockdale City Council	2020/21 Former Botany City Council	2020/21 Bayside Council	2019/20 Former Rockdale City Council	2019/20 Former Botany City Council	2019/20 Bayside Council
Notional general income calculation ¹							
Last year notional general income yield	a	60,157	30,912	91,069	57,703	29,398	87,101
Plus or minus adjustments ²	b	748	63	811	792	434	1,226
Notional general income	c = a + b	60,905	30,975	91,880	58,495	29,832	88,327
Permissible income calculation							
Or rate peg percentage	e	2.60%	2.60%		2.70%	2.70%	
Or plus rate peg amount	i = e x (c + g)	1,584	805	2,389	1,579	805	2,384
Sub-total	k = (c + g + h + i + j)	62,489	31,780	94,269	60,074	30,637	90,711
Plus (or minus) last year's carry forward total	l	(29)	15	(14)	54	256	310
Less valuation objections claimed in the previous year	m	—	(32)	(32)	—	—	—
Sub-total	n = (l + m)	(29)	(17)	(46)	54	256	310
Total permissible income	o = k + n	62,460	31,763	94,223	60,128	30,893	91,021
Less notional general income yield	p	62,435	31,704	94,139	60,157	30,912	91,069
Catch-up or (excess) result	q = o – p	25	60	85	(29)	(18)	(47)
Plus income lost due to valuation objections claimed	r	—	—	—	—	32	32
Less unused catch-up ⁵	s	—	(15)	(15)	—	—	—
Carry forward to next year ⁶	t = q + r + s	25	45	70	(29)	14	(15)

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.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

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 2021.

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 28 (LG Code), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2020 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 and Special Schedule 'Report on infrastructure assets as at 30 June 2020.

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.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

16 October 2020
SYDNEY

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000									
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings	5,399	17,942	4,920	6,946	173,315	244,946	36.0%	35.0%	22.0%	5.0%	2.0%
	Sub-total	5,399	17,942	4,920	6,946	173,135	244,946	36.0%	35.0%	22.0%	5.0%	2.0%
Other structures	Other structures	212	566	500	–	8,835	12,010	39.0%	37.0%	19.0%	2.0%	3.0%
	Sub-total	212	566	500	–	8,835	12,010	39.0%	37.0%	19.0%	2.0%	3.0%
Roads	Sealed roads	886	3,300	4,470	5,935	354,948	501,741	27.0%	38.0%	34.0%	1.0%	0.0%
	Bridges	29	50	190	–	7,876	9,396	50.0%	49.0%	0.0%	0.0%	1.0%
	Footpaths	2,599	14,062	2,420	2,176	75,639	137,632	7.0%	19.0%	64.0%	10.0%	0.0%
	Other road assets (incl bulk earthworks)	666	2,425	420	–	89,660	108,849	59.0%	9.0%	30.0%	2.0%	0.0%
	Sub-total	4,180	19,837	7,500	8,111	528,123	757,618	28.2%	30.5%	38.5%	2.8%	0.0%
Stormwater drainage	Stormwater drainage	912	2,811	770	1,074	99,802	163,770	5.0%	36.0%	57.0%	1.0%	1.0%
	Sub-total	912	2,811	770	1,074	99,802	163,770	5.0%	36.0%	57.0%	1.0%	1.0%
Open space / recreational assets	Swimming pools	–	–	180	77	6,327	6,987	99.0%	1.0%	0.0%	0.0%	0.0%
	Other	2,399	6,920	6,190	3,514	72,307	102,670	34.0%	40.0%	19.0%	4.0%	3.0%
	Sub-total	2,399	6,920	6,370	3,591	78,634	109,657	38.1%	37.5%	17.8%	3.7%	2.8%
Other infrastructure assets	Other	257	1,458	300	–	6,317	10,807	18.0%	22.0%	47.0%	13.0%	0.0%
	Sub-total	257	1,458	300	–	6,317	10,807	18.0%	22.0%	47.0%	13.0%	0.0%
TOTAL - ALL ASSETS		13,359	49,534	20,360	19,722	894,846	1,298,808	27.6%	32.6%	35.8%	3.1%	0.8%

(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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	7,429	35.91%	86.62%	43.65%	>=100.00%
Depreciation, amortisation and impairment	20,686				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	13,359	1.49%	1.51%	1.19%	<2.00%
Net carrying amount of infrastructure assets	894,846				
Asset maintenance ratio					
Actual asset maintenance	19,722	96.87%	95.35%	92.57%	>100.00%
Required asset maintenance	20,360				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	49,534	3.81%	5.45%	4.44%	
Gross replacement cost	1,298,808				

(*) All asset performance indicators are calculated using 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.