

# ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

# Liverpool City Council

## GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

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LIVERPOOL  
CITY  
COUNCIL



# General Purpose Financial Statements

for the year ended 30 June 2019

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## Overview

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

33 Moore Street  
Liverpool NSW 2170

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.liverpool.nsw.gov.au](http://www.liverpool.nsw.gov.au).

## General Purpose Financial Statements

for the year ended 30 June 2019

### Understanding Council's Financial Statements

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#### Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their council and community.

#### What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2019.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the former Office of Local Government.

#### About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

#### About the Primary Financial Statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

##### 2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

##### 3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

##### 4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

##### 5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

#### About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

#### About the Auditor's Reports

Council's financial statements are required to be audited by the Audit Office of NSW.

In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

#### Who uses the Financial Statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the Audit Report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the former Office of Local Government.

## General Purpose Financial Statements

for the year ended 30 June 2019

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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 professional pronouncements of the AASB, and
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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

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

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

**Signed in accordance with a resolution of Council made on 28 October 2019.**



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Wendy Waller  
**Mayor**  
28 October 2019



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Ali Karnib  
**Deputy Mayor**  
28 October 2019



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Kiersten Fishburn  
**Chief Executive Officer**  
28 October 2019



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Vishwa Nadan  
**Responsible Accounting Officer**  
28 October 2019

## Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
<b>Income from continuing operations</b>				
<i>Revenue:</i>				
129,395	Rates and annual charges	3a	131,133	125,730
21,545	User charges and fees	3b	18,881	22,026
5,927	Interest and investment revenue	3c	8,978	6,453
9,988	Other revenues	3d	21,724	11,672
16,193	Grants and contributions provided for operating purposes	3e,3f	19,804	16,888
102,873	Grants and contributions provided for capital purposes	3e,3f	94,664	116,134
<i>Other income:</i>				
2,891	Net gains from the disposal of assets	5	–	–
325	Net share of interests in joint ventures and associates using the equity method	15	708	646
<b>289,137</b>	<b>Total income from continuing operations</b>		<b>295,892</b>	<b>299,549</b>
<b>Expenses from continuing operations</b>				
70,731	Employee benefits and on-costs	4a	73,181	63,912
1,661	Borrowing costs	4b	1,624	1,613
55,929	Materials and contracts	4c	55,749	53,776
38,134	Depreciation and amortisation	4d	39,245	37,572
18,566	Other expenses	4e	17,091	16,140
2,000	Net losses from the disposal of assets	5	10,479	6,404
750	Revaluation decrement / impairment of IPP&E	4d	2,048	3,217
<b>187,771</b>	<b>Total expenses from continuing operations</b>		<b>199,417</b>	<b>182,634</b>
<b>101,366</b>	<b>Operating result from continuing operations</b>		<b>96,475</b>	<b>116,915</b>
<b>101,366</b>	<b>Net operating result for the year</b>		<b>96,475</b>	<b>116,915</b>
(1,507)	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		1,811	781

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

## Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018
<b>Net operating result for the year (as per Income Statement)</b>		<b>96,475</b>	<b>116,915</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	119,471	123,032
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>119,471</b>	<b>123,032</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements		–	1,338
<b>Total items which will be reclassified subsequently to the operating result when specific conditions are met</b>		<b>–</b>	<b>1,338</b>
<b>Total other comprehensive income for the year</b>		<b>119,471</b>	<b>124,370</b>
<b>Total comprehensive income for the year</b>		<b>215,946</b>	<b>241,285</b>
Total comprehensive income attributable to Council		215,946	241,285

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

## Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018
<b>ASSETS <sup>1</sup></b>			
<b>Current assets</b>			
Cash and cash equivalent	6(a)	85,346	104,005
Investments	6(b)	25,025	30,000
Receivables	7	21,309	17,725
Inventories	8a	122	137
Other	8b	1,370	1,704
<b>Total current assets</b>		<u>133,172</u>	<u>153,571</u>
<b>Non-current assets</b>			
Investments	6(b)	160,725	123,341
Receivables	7	15	20
Infrastructure, property, plant and equipment	9(a)	2,709,110	2,496,425
Intangible assets	10	1,247	1,314
Investments accounted for using the equity method	15	8,142	7,433
<b>Total non-current assets</b>		<u>2,879,239</u>	<u>2,628,533</u>
<b>TOTAL ASSETS</b>		<u>3,012,411</u>	<u>2,782,104</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	11	17,141	21,517
Income received in advance	11	1,659	2,467
Borrowings	11	7,421	6,317
Provisions	12	27,736	22,152
<b>Total current liabilities</b>		<u>53,957</u>	<u>52,453</u>
<b>Non-current liabilities</b>			
Payables	11	7,487	6,910
Borrowings	11	38,277	26,390
Provisions	12	2,199	1,806
<b>Total non-current liabilities</b>		<u>47,963</u>	<u>35,106</u>
<b>TOTAL LIABILITIES</b>		<u>101,920</u>	<u>87,559</u>
<b>Net assets</b>		<u>2,910,491</u>	<u>2,694,545</u>
<b>EQUITY</b>			
Accumulated surplus	13a	1,821,584	1,725,109
Revaluation reserves	13a	1,088,907	969,436
<b>Council equity interest</b>		<u>2,910,491</u>	<u>2,694,545</u>
<b>Total equity</b>		<u>2,910,491</u>	<u>2,694,545</u>

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

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 2019

\$ '000	Notes	2019				2018			
		Accumulated surplus	IPP&E revaluation reserve	Council interest	Total equity	Accumulated surplus	IPP&E revaluation reserve	Council interest	Total equity
<b>Opening balance</b>		1,725,109	969,436	2,694,545	2,694,545	1,606,856	846,404	2,453,260	2,453,260
<b>Restated opening balance</b>		1,725,109	969,436	2,694,545	2,694,545	1,606,856	846,404	2,453,260	2,453,260
<b>Net operating result for the year</b>		96,475	–	96,475	96,475	116,915	–	116,915	116,915
<b>Restated net operating result for the period</b>		96,475	–	96,475	96,475	116,915	–	116,915	116,915
<b>Other comprehensive income</b>									
– Gain (loss) on revaluation of infrastructure, property, plant and equipment	9(a)	–	119,471	119,471	119,471	–	123,032	123,032	123,032
– Joint ventures and associates	15b	–	–	–	–	1	–	1	1
– Other movements (retained earnings corrections)		–	–	–	–	1,337	–	1,337	1,337
<b>Other comprehensive income</b>		–	119,471	119,471	119,471	1,338	123,032	124,370	124,370
<b>Total comprehensive income</b>		96,475	119,471	215,946	215,946	118,253	123,032	241,285	241,285
<b>Equity – balance at end of the reporting period</b>		1,821,584	1,088,907	2,910,491	2,910,491	1,725,109	969,436	2,694,545	2,694,545

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 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
<b>Cash flows from operating activities</b>				
<i>Receipts</i>				
129,123	Rates and annual charges		130,145	124,117
21,561	User charges and fees		21,070	21,148
6,955	Investment revenue and Interest		8,464	6,624
91,129	Grants and contributions		80,238	99,719
–	Bonds, deposits and retentions received		415	–
9,724	Other		25,976	24,228
<i>Payments</i>				
(70,731)	Employee benefits and on-costs		(71,150)	(61,763)
(55,616)	Materials and contracts		(57,198)	(58,589)
(1,394)	Borrowing costs		(1,286)	(1,303)
–	Deposits and retention refunded		–	(495)
(18,566)	Other		(27,321)	(23,019)
112,185	<b>Net cash provided from (or used in) operating activities</b>	14b	<b>109,353</b>	<b>130,667</b>
<b>Cash flows from investing activities</b>				
<i>Receipts</i>				
1,171	Sale of investments		70,637	91,868
6,418	Sale of infrastructure, property, plant and equipment		286	5,211
<i>Payments</i>				
–	Purchase of investment securities		(102,044)	(111,019)
(162,188)	Purchase of infrastructure, property, plant and equipment		(109,201)	(59,764)
–	Purchase of intangible assets		(465)	–
–	Contributions paid to joint ventures and associates		(1)	–
(154,599)	<b>Net cash provided from (or used in) investing activities</b>		<b>(140,788)</b>	<b>(73,704)</b>
<b>Cash flows from financing activities</b>				
<i>Receipts</i>				
31,500	Proceeds from borrowings and advances		19,500	6,000
<i>Payments</i>				
(7,803)	Repayment of borrowings and advances		(6,724)	(6,039)
23,697	<b>Net cash flow provided from (used in) financing activities</b>		<b>12,776</b>	<b>(39)</b>
(18,717)	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(18,659)</b>	<b>56,924</b>
41,337	Plus: cash and cash equivalents – beginning of reporting period	14a	104,005	47,081
22,620	<b>Cash and cash equivalents – end of the year</b>	14a	<b>85,346</b>	<b>104,005</b>
–	Additional Information: plus: Investments on hand – end of year	6(b)	185,750	153,341
22,620	<b>Total cash, cash equivalents and investments</b>		<b>271,096</b>	<b>257,346</b>

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 2019

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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 28 October 2019.

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

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

#### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting.

Liverpool City Council is a not for-profit entity for the purpose of preparing these financial statements.

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

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 19 – Material budget variations

and are clearly marked.

#### (a) New and amended standards adopted by Council

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

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 13.

#### (b) Historical cost convention

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

#### (c) Significant accounting estimates and judgements

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 20
- (ii) estimated employee benefits, including self-insured workers compensation claims liability – refer Note 12
- (iii) estimated hazardous waste remediation costs – refer Note 12.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation (continued)

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#### Significant judgements in applying the council's accounting policies

(i) Impairment of receivables - Council has made a significant judgement about the impairment of a number of its receivables – refer Note 7.

(ii) Assessing condition of its infrastructure assets, their remaining useful lives, and estimating cost to bring them to satisfactory standard.

#### 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.

##### (b) The Trust Fund

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

Trust monies and property subject to Council's control have been included in these reports.

#### Goods and Services Tax (GST)

Liverpool City Council is exempt from both Commonwealth Income Tax and Capital Gains Tax. Council does, however, have to comply with both Fringe Benefits Tax and Goods & Services Tax legislations.

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.

#### New accounting standards and interpretations issued not yet effective

##### AASB 16 Leases

AASB 16 will result (for FY 2019/20 and beyond) in almost all operating leases being recognised on the balance sheet by Council (alongside existing finance leases) with the distinction between operating and finance leases removed.

Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1/7/19).

AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30/6/19.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$10.5 million exclusive GST-refer Note 16.

Of these commitments, approximately \$1.3 million relates to low value leases.

Both these lease types and amounts will continue to be accounted for as they currently are (being expensed on a straight-line basis within the Income Statement).

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation (continued)

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For the remaining operating lease commitments of \$9.2 million, Council anticipates it will recognise lease liabilities (on its balance sheet) of \$6.9 million (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and also recognise complimentary right-of-use assets (on its balance sheet) totaling \$6.9 million on 1 July 2019.

From a financial performance standpoint, Council expects that net operating result will decrease by approximately \$0.043 million for the 2019/20 financial year as a result of adopting the standard.

Council's activities as a lessor are not material and hence Council does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

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

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

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

Councils should assess each revenue stream but particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

Based on its assessment Council does not expect any significant impact on its financial statements.

#### **AASB 1058 Income of NFP Entities**

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions.

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

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

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

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

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

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

Based on its assessment Council does not expect any significant impact on its financial statements.

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

Notes to the Financial Statements

for the year ended 30 June 2019

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).

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Functions or activities</b>										
Governance	–	–	1,177	938	(1,177)	(938)	–	–	–	–
Creating connection	7,382	7,644	31,964	29,557	(24,582)	(21,913)	3,651	3,483	904,819	899,720
Strengthening and protecting our environment	56,997	120,103	68,953	66,176	(11,959)	53,927	6,277	7,774	532,467	433,111
Generating opportunity	30,770	22,882	49,998	44,611	(19,228)	(21,729)	16,774	11,485	1,558,870	1,433,325
Leading through collaboration	92,530	45,784	47,325	41,352	45,208	4,432	478	7,711	8,557	8,515
Share of gains/ (losses) in Associates & Joint Ventures (using the Equity Method)	708	647	–	–	708	647	–	–	7,698	7,433
General purpose income	107,505	102,489	–	–	107,505	102,489	8,783	8,689	–	–
<b>Total functions and activities</b>	<b>295,892</b>	<b>299,549</b>	<b>199,417</b>	<b>182,634</b>	<b>96,475</b>	<b>116,915</b>	<b>35,963</b>	<b>39,142</b>	<b>3,012,411</b>	<b>2,782,104</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

#### **Governance**

Governance includes expenditure for Mayor & Councillor and Executive services.

#### **Creating Connection**

This direction is based on the social aspect of the quadruple bottom line and covers actions that include cultural activities, recreation and active living, access and equity, and community facilities.

#### **Strengthening and Protecting our Environment**

This direction is based on the environmental (natural and built) aspect of the quadruple bottom line and covers actions that includes waste management, urban design, planning and protection of specific environmental features.

#### **Generating Opportunity**

This direction is based on the economic aspect of the quadruple bottom line and covers actions that include small business strategies, economic sustainability strategies, internal and external transport links and the financial sustainability of Council.

#### **Leading through Collaboration**

This direction is based on the civic leadership aspect of the quadruple bottom line and covers actions that include leadership and representation, consultation and community participation in decision making, policy frameworks and ethical practices.



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 3. Income from continuing operations

\$ '000	2019	2018
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	75,132	71,429
Farmland	459	494
Business	20,833	20,415
Less: pensioner rebates	(1,696)	(1,571)
<b>Rates levied to ratepayers</b>	<b>94,728</b>	<b>90,767</b>
Pensioner rate subsidies received	857	768
<b>Total ordinary rates</b>	<b>95,585</b>	<b>91,535</b>
<b>Special rates</b>		
Environmental	1,703	1,645
Town improvement	1,515	1,497
<b>Rates levied to ratepayers</b>	<b>3,218</b>	<b>3,142</b>
<b>Total special rates</b>	<b>3,218</b>	<b>3,142</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	30,809	29,539
Stormwater management services	1,521	1,483
Waste management services (non-domestic)	266	274
Section 611 charges	120	118
Less: pensioner rebates	(672)	(617)
<b>Annual charges levied</b>	<b>32,044</b>	<b>30,797</b>
Pensioner subsidies received:		
– Domestic waste management	286	256
<b>Total annual charges</b>	<b>32,330</b>	<b>31,053</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>131,133</b>	<b>125,730</b>

#### Accounting policy for rates and charges

##### Revenue recognition & measurement

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

Revenue is measured at the fair value of the consideration received or receivable.

##### Rates and annual charges

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

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

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

Domestic waste management services and other special purpose annual levies collected are expended for the purposes for which the contributions were required.

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.

The cost of rebates is shared between the NSW State Government (55%) and Council (45%).

\$ '000	2019	2018
<b>(b) User charges and fees</b>		
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Planning and building regulation	7,609	9,853
Inspection fees	1,983	2,183
Section 10.7 certificates (EP&A Act)	486	571
Regulatory/ statutory fees	319	328
Section 603 certificates	198	254
Other	121	51
Animal impounding fees	84	77
<b>Total fees and charges – statutory/regulatory</b>	<b>10,800</b>	<b>13,317</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Parking fees	3,806	3,828
Child care	2,688	3,284
Community hall rental	1,116	1,174
Sports field hire	293	285
Leaseback fees – Council vehicles	58	50
Other	120	88
<b>Total fees and charges – other</b>	<b>8,081</b>	<b>8,709</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>18,881</b>	<b>22,026</b>

**Accounting policy for user charges and fees**

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 2019

## Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges	431	389
– Cash and investments	7,682	6,232
– Other	–	17
<b>Fair value adjustments</b>		
– Fair valuation movements in investments (at Fair Value through Profit and Loss)	865	(185)
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>8,978</b>	<b>6,453</b>

**Interest revenue is attributable to:****Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	431	389
General Council cash and investments	2,674	1,878

**Restricted investments/funds – external:**

Development contributions		
– Section 7.11 – interest on investments	4,521	3,606
– Section 7.11 – share of fair value gain/(loss) on investments	510	(140)
Other externally restricted assets	842	720

**Total interest and investment revenue**

<b>8,978</b>	<b>6,453</b>
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**Accounting policy for interest and investment revenue**

Council is permitted to set interest rate payable on overdue rates and charges but not exceeding the maximum determined by the former NSW Office of Local Government in accordance with section 566(3) of the Local Government Act 1993. For this reporting period, Council applied the maximum permissible interest rate of 7.5% (comparative interest rate for last year was 7.5%).

Interest on cash and investment is recognised using the effective interest rate at the date that interest is earned.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
<b>(d) Other revenues</b>		
Ex gratia rates <sup>1</sup>	5,447	–
Fines – parking	3,529	3,810
Rental income – other council properties	3,113	3,093
Adjustment: reversal of impairment of Land Under Roads	2,702	–
External works	1,376	1,156
Settlement: claim against Standard & Poor's International <sup>2</sup>	888	–
Sales – general	573	496
Fines – other	551	701
Insurance claims recoveries	526	21
Sales – art galleries	383	263
Sales – recycling materials	315	364
Sales - energy saving certificates <sup>3</sup>	313	–
Compensation – easements	310	372
Diesel rebate	103	101
Animal control	102	136
Photocopy income	95	95
Legal fees recovery – other	41	215
Room hire	37	41
Sales – printing services	13	25
Long service levy commission	6	7
Other	1,301	776
<b>TOTAL OTHER REVENUE</b>	<b>21,724</b>	<b>11,672</b>

**Accounting policy for other revenue**

Rental income is accounted for on a straight-line basis over the lease term. Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, which ever occurs first.

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.

- (1) Moorebank Intermodal Company (MIC) is a wholly owned Australian Government entity established to facilitate the development and operation of an intermodal terminal at Moorebank. MIC is exempt from paying council rates, however, under Commonwealth's competitive neutrality policy, it has entered into an agreement with Liverpool City Council to pay rates equivalent ex-gratia sum payable at commencement of every financial year. The agreement takes a retrospective effective from 1/1/17.
- (2) Liverpool City Council participated in a class legal action against Standard & Poor's International (a credit rating agency) in relation to S&P's rating of certain synthetic collateralised debt obligations in which councils invested and suffered losses when the product defaulted. The associated legal costs were funded by external litigation firms. The sum Council received under a settlement scheme is its share of the net proceeds from settlement.
- (3) Under Western Sydney Regional Organisation of Council's (WSROC) initiative, Liverpool City Council participated in the Light Years Ahead Project (Stage 1) and replaced 185 residential street lights by LED. The energy savings as a result was accounted for in form of tradeable "energy saving certificates". Council sold these certificates during the financial year.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	3,164	3,072	–	–
Financial assistance – local roads component	1,148	1,100	–	–
<b>Payment in advance - future year allocation <sup>1</sup></b>				
Financial assistance – general component	3,280	3,396	–	–
Financial assistance – local roads component	1,191	1,120	–	–
<b>Total general purpose</b>	<b>8,783</b>	<b>8,688</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Aged care	3	33	–	–
Bushfire and emergency services	170	189	–	–
Better waste and recycling	217	216	–	–
Child care	4,132	3,354	–	–
Community care	198	75	–	–
Cultural services	470	327	–	–
Drainage	30	16	77	113
Employment and training programs	25	–	–	–
Library	468	446	86	85
LIRS subsidy	478	551	–	–
Recreation and culture	–	20	–	–
Street lighting	798	780	–	–
Town Planning	2,500	–	–	–
Transport (roads to recovery)	–	–	950	1,910
Transport (other roads and bridges funding)	462	1,267	13,858	19,347
Other	996	910	1,262	815
<b>Total specific purpose</b>	<b>10,947</b>	<b>8,184</b>	<b>16,233</b>	<b>22,270</b>
<b>Total grants</b>	<b>19,730</b>	<b>16,872</b>	<b>16,233</b>	<b>22,270</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	3,584	2,980	1,003	1,212
– State funding	15,849	13,708	15,230	21,011
– Other funding	297	184	–	47
	<b>19,730</b>	<b>16,872</b>	<b>16,233</b>	<b>22,270</b>

(1) \$4.471m of the 2019-2020 Financial Assistance Grant from former Office of Local Government was received by Council in June 2019 and hence is reported as 2018-19 income although it relates to 2019-2020 financial year

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(f) Contributions</b>					
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.11 – contributions towards amenities/services		–	–	41,079	57,825
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>41,079</b>	<b>57,825</b>
<b>Non-cash contributions</b>					
S 7.11 – contributions towards amenities/services		–	–	1,882	1,663
<b>Total developer contributions non-cash</b>		<b>–</b>	<b>–</b>	<b>1,882</b>	<b>1,663</b>
<b>Total developer contributions</b>	23	<b>–</b>	<b>–</b>	<b>42,961</b>	<b>59,488</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Roads and bridges		–	–	1,604	–
Other		74	16	1,144	558
<b>Total other contributions – cash</b>		<b>74</b>	<b>16</b>	<b>2,748</b>	<b>558</b>
<b>Non-cash contributions</b>					
Dedications – subdivisions (other than by s7.11) <sup>1</sup>		–	–	30,207	32,392
Land Under Roads		–	–	2,515	1,426
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>32,722</b>	<b>33,818</b>
<b>Total other contributions</b>		<b>74</b>	<b>16</b>	<b>35,470</b>	<b>34,376</b>
<b>Total contributions</b>		<b>74</b>	<b>16</b>	<b>78,431</b>	<b>93,864</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>19,804</b>	<b>16,888</b>	<b>94,664</b>	<b>116,134</b>

**Accounting policy for grants and contributions**

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of Section 7.11 and 7.12 of the Environment Planning Act 1979. Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and accordingly would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules. A detailed note relating to developer contributions can be found at Note 23.

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

(1) Refer Note 9 (a) v(iii) for valuation methodology

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
<b>(g) Unspent grants and contributions</b> <sup>1., 2.</sup>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	1,588	870
<b>Add:</b> operating grants recognised in the current period but not yet spent	2,955	804
<b>Add:</b> operating grants received for the provision of goods and services in a future period	–	–
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(484)	(86)
<b>Unexpended and held as restricted assets (operating grants)</b>	<b>4,059</b>	<b>1,588</b>
<b>Capital grants</b>		
Capital grants recognised as income in the current period that have not been spent	18,472	3,162
<b>Add:</b> capital grants recognised in the current period but not yet spent	2,540	–
<b>Add:</b> capital grants received for the provision of goods and services in a future period	–	15,395
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(2,953)	(85)
<b>Unexpended and held as restricted assets (capital grants)</b>	<b>18,059</b>	<b>18,472</b>
<b>Contributions</b>		
Contributions recognised as income in the current period that have not been spent	1,336	1,027
<b>Add:</b> contributions recognised in the current period but not yet spent	2,670	524
<b>Add:</b> contributions received for the provision of goods and services in a future period	–	–
<b>Add:</b> contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–
<b>Less:</b> contributions recognised in a previous reporting period now spent	(50)	(215)
<b>Unexpended and held as restricted assets (contributions)</b>	<b>3,956</b>	<b>1,336</b>

(1.) Contributors can place restrictions on the application of funds to assist in ensuring that the intended outcomes of the particular program are met. Examples of such conditions are the requirement to provide annual acquittals of expenditure or to return funds at the end of a specific period.

(2.) Contributions received have been for specific project objectives. Funds can only be expended on these programs over the nominated period. Any balance outstanding is refundable.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations

\$ '000	2019	2018
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	59,380	52,869
Travel expenses	195	77
Employee leave entitlements (ELE)	10,212	9,178
Superannuation – defined contribution plans	6,067	5,355
Superannuation – defined benefit plans	370	415
Workers' compensation insurance	1,639	120
Fringe benefit tax (FBT)	382	365
Training costs (other than salaries and wages)	366	343
Other	686	739
<b>Total employee costs</b>	<b>79,297</b>	<b>69,461</b>
Less: capitalised costs	(6,116)	(5,549)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>73,181</b>	<b>63,912</b>
Number of 'full-time equivalent' employees (FTE) at year end	773	743

**Accounting policy for employee benefits and on-costs**

Employee benefit expenses are recorded when the service has been provided by the employee. Salaries and on-costs relating to Council staff directly involved in managing and delivery of capital projects are charged to respective projects.

**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.

**Defined Benefit Plan**

*(a) Funding agreements and method used to determine the entity's rate of contributions and any minimum funding requirements*

Council participates in the pooled employer sponsored defined benefits of the Local Government Superannuation Scheme. 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 contribution for non-180 Point Members; Nil for 180 Point Members\*

Division C: 2.5% salaries

Division D: 1.64 times employee contribution

\*For 180 Point Members, Employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018

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

*(b) Extent to which the entity can be liable to the plan for other entities' obligations under the terms and conditions of the multi-employer plan.*



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

As stated 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.

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, or 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 entity.

(c) Description of any agreed allocation of a deficit or surplus on:

- (i) Wind-up of the plan - there are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.
- (ii) The entity's withdrawal from the plan - there is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

(d) Further information relating to reasons for accounting for the pooled employer fund as a defined contribution plan:

- (i) The fact that the plan is a defined benefit plan.
- (ii) The reasons why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan are:
  - 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 and have not varied for each employer according to the experience relating to the employees of that 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 set out 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 the members).

As such there is insufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would be for a single employer sponsored defined benefit plan.

(iii) The expected contributions to the plan for the next annual reporting period is \$ 587,051.72.

(iv) Information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any, for the entity

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

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

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

The 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 requirement 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

The share of the surplus in the scheme is about 0.64%.

Additional contributions are estimated to remain in place until 30 June 2021 i.e. \$514,000 additional contributions remaining. However the Trustee will be reviewing the financial position of the fund on an annual basis and will provide updates.

(v) Indication of the level of participation of the entity in the plan compared with other participating entities

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2019 was \$599,599.22. The last valuation of the Fund was performed by Mr Richard Boyfield (Fellow of the Institute of Actuaries of Australia) on 31 December 2018, relating to the period ending 30 June 2018.

**(b) Borrowing costs****(i) Interest bearing liability costs**

Interest on loans	1,517	1,313
Less: capitalised costs	(108)	–
<b>Total interest bearing liability costs expensed</b>	<b>1,409</b>	<b>1,313</b>

**(ii) Other borrowing costs**

Fair value adjustments on recognition of advances and deferred debtors		
Amortisation on interest free (and favourable) loans to Council	215	300
<b>Total other borrowing costs</b>	<b>215</b>	<b>300</b>

<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>1,624</b>	<b>1,613</b>
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**Accounting policy for borrowing costs**

Interest on loans is recognised on an accrual basis. When the debt arrangement is interest free or includes a discount, notional interest payable is calculated and amortised using the effective interest rate method.

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
<b>(c) Materials and contracts</b>		
Raw materials and consumables	51,200	51,683
Contractor and consultancy costs	93,535	77,703
Auditors remuneration	155	163
<b>Legal expenses:</b>		
– Planning and development	481	941
– Other	384	668
<b>Operating leases:</b>		
– Operating lease rentals: minimum lease payments	1,615	1,297
<b>Total materials and contracts</b>	<u>147,370</u>	<u>132,455</u>
Less: capitalised costs	(91,621)	(78,679)
<b>TOTAL MATERIALS AND CONTRACTS</b>	<u>55,749</u>	<u>53,776</u>

**Accounting policy for operating leases**

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

**Auditor remuneration**

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

**Auditors of the Council - NSW Auditor-General:****Audit and other assurance services**

Audit and review of financial statements	155	163
<b>Remuneration for audit and other assurance services</b>	<u>155</u>	<u>163</u>
<b>Total Auditor-General remuneration</b>	<u>155</u>	<u>163</u>

**Non NSW Auditor-General audit firms**

<b>Total remuneration of non NSW Auditor-General audit firms</b>	<u>–</u>	<u>–</u>
<b>Total Auditor remuneration</b>	<u>155</u>	<u>163</u>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
<b>(d) Depreciation, amortisation and impairment of intangible assets and IPP&amp;E</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		2,107	2,239
Office equipment		433	376
Furniture and fittings		173	170
Land improvements (depreciable)		5	5
<b>Infrastructure:</b>			
– Buildings – non-specialised		7,060	9,603
– Other structures		142	146
– Roads		19,969	15,829
– Stormwater drainage		4,713	4,359
– Other open space/recreational assets		3,257	3,512
<b>Other assets:</b>			
– Heritage collections		164	164
– Library books		690	696
Intangible assets	10	532	473
<b>Total gross depreciation and amortisation costs</b>		<b>39,245</b>	<b>37,572</b>
<b>Total depreciation and amortisation costs</b>		<b>39,245</b>	<b>37,572</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
<b>Other assets:</b>			
– Land under roads (Fair Value Decrement)		2,048	3,217
<b>Total gross IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>		<b>2,048</b>	<b>3,217</b>
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals) charged to Income Statement</b>		<b>2,048</b>	<b>3,217</b>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</u></b>		<b>41,293</b>	<b>40,789</b>

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

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

**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 their assessment.

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

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

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

\$ '000	2019	2018
<b>(e) Other expenses</b>		
Repairs and maintenance	3,583	3,137
Street lighting	3,180	2,294
Electricity and heating	1,848	2,347
Insurance	1,563	1,486
Advertising	341	346
Bad and doubtful debts	444	345
Bank charges	444	437
Contributions/levies to other levels of government		
– NSW fire brigade levy	1,333	1,329
– Sydney Water	688	955
– Emergency services levy (includes FRNSW, SES, and RFS levies)	289	311
– NSW rural fire service levy	242	249
– Department of planning levy	145	142
– Australian communication authority	119	100
Councillor expenses – mayoral fee	86	65
Councillor expenses – councillors' fees	326	270
Councillors' expenses (incl. mayor) – other (excluding fees above)	120	85
Donations, contributions and assistance to other organisations (Section 356)	668	893
Postage	337	318
Printing and stationery	262	256
Subscriptions and publications	461	390
Telephone and communications	665	679
Other	127	126
<b>Total other expenses</b>	<b>17,271</b>	<b>16,560</b>
Less: capitalised costs	(180)	(420)
<b>TOTAL OTHER EXPENSES</b>	<b>17,091</b>	<b>16,140</b>

**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 2019

## Note 5. Gains or losses from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
<b>Property (excl. investment property)</b>			
Proceeds from disposal – property		–	5,005
Less: carrying amount of property assets disposed		(610)	(7,671)
<b>Net gain/(loss) on disposal</b>		<b>(610)</b>	<b>(2,666)</b>
<b>Plant and equipment</b>			
	9(a)		
Proceeds from disposal – plant and equipment		205	206
Less: carrying amount of plant and equipment assets disposed		(16)	(34)
<b>Net gain/(loss) on disposal</b>		<b>189</b>	<b>172</b>
<b>Infrastructure</b>			
	9(a)		
Proceeds from disposal – infrastructure		81	–
Less: carrying amount of infrastructure assets disposed		(10,119)	(3,914)
<b>Net gain/(loss) on disposal</b>		<b>(10,038)</b>	<b>(3,914)</b>
<b>Investments</b>			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		70,637	91,868
Less: carrying amount of investments sold/redeemed/matured		(70,500)	(91,700)
<b>Net gain/(loss) on disposal</b>		<b>137</b>	<b>168</b>
<b>Other (Library Books)</b>			
Proceeds from disposal – Other – Library Books		–	–
Less: carrying amount of Other – Library Books assets disposed		(157)	(164)
<b>Net gain/(loss) on disposal</b>		<b>(157)</b>	<b>(164)</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(10,479)</b>	<b>(6,404)</b>

**Accounting policy for disposal of assets**

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

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

## Note 6(a). Cash and cash equivalent

\$ '000	2019	2018
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	1,395	20,572
Cash-equivalent assets		
– Deposits at call	16,184	29,168
– Managed funds	21,767	21,265
– Short-term deposits	46,000	33,000
<b>Total cash and cash equivalents</b>	<b>85,346</b>	<b>104,005</b>

**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.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Investments</b>				
a. 'Financial assets at fair value through profit and loss'				
– 'Designated at fair value on initial recognition'	5,025	125,725	–	66,341
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	20,000	35,000	30,000	57,000
<b>Total Investments</b>	<b>25,025</b>	<b>160,725</b>	<b>30,000</b>	<b>123,341</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>110,371</b>	<b>160,725</b>	<b>134,005</b>	<b>123,341</b>
<b>Financial assets at fair value through the profit and loss</b>				
Non-convertible debentures or floating rate notes	5,025	124,148	–	64,745
Mortgage backed securities	–	1,577	–	1,596
<b>Total</b>	<b>5,025</b>	<b>125,725</b>	<b>–</b>	<b>66,341</b>
<b>Financial assets at amortised cost / held to maturity (2018)</b>				
Long term deposits	20,000	35,000	30,000	57,000
<b>Total</b>	<b>20,000</b>	<b>35,000</b>	<b>30,000</b>	<b>57,000</b>

#### Accounting policy for investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the Local Government Act and section 212 of the Local Government (General) Regulations 2005. Investments are placed and managed in accordance with the policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains its Investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

Council's investment principles as set out in its investment policy is "to maximise returns while paying due consideration to matters of risk, liquidity and security for its investment".

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

#### Accounting policy under AASB 9 – applicable from 1 July 2018

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

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

#### Financial assets

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

#### Classification

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

- amortised cost
- fair value through profit and loss (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 2019

### Note 6(b). Investments (continued)

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#### Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

#### 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.

### Accounting policy under AASB 139 – applicable for 2018 comparatives only

#### Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

#### (a) Financial assets at fair value through profit or loss

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

#### (b) Held to maturity investments

Council did not classify any financial assets as 'held-to-maturity investments'.

#### (c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

#### Impairment of financial assets

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



## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	110,371	160,725	134,005	123,341
<b>attributable to:</b>				
External restrictions	54,083	160,725	69,267	123,341
Internal restrictions	12,215	–	16,738	–
Unrestricted	44,073	–	48,000	–
	110,371	160,725	134,005	123,341

## Details on restricted cash, cash equivalents and investments

Cash, cash equivalents and investments are restricted for prudent financial management purposes as follows:

**External Restrictions:**

- **Developer contributions** – 100% of cash Developer Contributions levied under Section 7.11 contribution plan, received but not yet expended in accordance with the contributions plan.
- **Unexpended grants** - 100% of cash grants received but not expensed during the year are treated as restricted funds
- **Domestic Waste** - Any cash surplus from operations is held as a restricted asset to fund future capital expenditure or process improvements to the Domestic Waste collection business
- **Stormwater management** – 100% of funds received through the stormwater levy are set aside for various structural and non-structural programs used to reduce urban stormwater pollution. Unspent funds are held as restricted assets.
- **Better Waste and Recycling Reserve** – unspent funds received from the NSW Environment Protection Authority (EPA) under Waste Less Recycle More initiative.
- **City Development Fund** (formerly referred to as Town Improvement Fund) – 100% cash collected from this special rate levied on properties within Town Improvement District zone is set aside to fund special projects within the city precinct.
- **Collingwood House Restoration Works** – contributions collected under a Voluntary Planning Agreement arrangement towards restoration works at Collingwood House.
- **Edmondson Park/ LIRS Reserves** – unspent funds at reporting date from borrowings for Edmondson Park and other projects funded from borrowing under the Local Infrastructure Renewals Scheme are set aside to fund specific projects.
- **Environmental levy** – 100% cash collected from ratepayers are set aside to fund initiatives under Council's Environment Restoration Plan.
- **LIRS Reserve** – unspent funds received under NSW Local Infrastructure Renewals Scheme

**Internal Restrictions:**

- **Employee Leave Entitlements** – approximately 20% of the employee leave entitlement provision is set aside to fund extraordinary movements of staff. Normal annual payments of leave entitlements are funded from operating income.
- **General Property** - proceeds from sale of surplus land and buildings set aside for acquisition of other items of property
- **Insurance** – savings on insurance premiums and excess set aside to pay unexpected claims at a future date.
- **Moorebank Voluntary Acquisition** – cash set aside for acquisition of properties on a hazardous floodway alongside the Georges River.
- **Parking Strategy** – parking fees revenue collected in the city centre is set aside to fund initiatives that will improve car parking and transport in the CBD.
- **Loan Reserve** - unspent funds drawn down from a special purpose loan facility.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>Details of restrictions</b>		
<b>External restrictions – other</b>		
Developer contributions – general	159,603	145,720
Specific purpose unexpended grants – Capital	18,059	18,472
Domestic waste management	17,795	15,683
Environmental levy	5,017	4,148
Specific Purpose unexpended grants – Operating	4,059	1,588
City development fund (previously TIF)	2,719	2,233
Edmondson park reserve (unexpended loan)	2,672	2,589
Better waste and recycling reserve	391	351
Stormwater management	307	258
Collingwood house restoration works	230	230
Other contributions reserve	3,956	1,336
<b>External restrictions – other</b>	<b>214,808</b>	<b>192,608</b>
<b>Total external restrictions</b>	<b>214,808</b>	<b>192,608</b>
<b>Internal restrictions</b>		
Loan Reserve	4,134	5,889
Employees leave entitlement	3,621	3,060
Insurance reserve	1,796	1,796
Parking strategy reserve	1,500	1,500
General property reserve	677	3,589
Moorebank voluntary acq reserve	487	904
<b>Total internal restrictions</b>	<b>12,215</b>	<b>16,738</b>
<b>TOTAL RESTRICTIONS</b>	<b>227,023</b>	<b>209,346</b>

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

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Purpose</b>				
Rates and annual charges	6,498	15	5,505	20
Interest and extra charges	594	–	487	–
User charges and fees	3,286	–	6,236	–
Accrued revenues				
– Interest on investments	1,570	–	2,028	–
– Other income accruals	7,366	–	1,988	–
Government grants and subsidies	300	–	674	–
Net GST receivable	2,183	–	1,228	–
Other debtors	112	–	114	–
<b>Total</b>	<b>21,909</b>	<b>15</b>	<b>18,260</b>	<b>20</b>
<b>Less: provision of impairment</b>				
User charges and fees	(600)	–	(535)	–
<b>Total provision for impairment – receivables</b>	<b>(600)</b>	<b>–</b>	<b>(535)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>21,309</u></b>	<b><u>15</u></b>	<b><u>17,725</u></b>	<b><u>20</u></b>
<b>Externally restricted receivables</b>				
Domestic waste management	1,724	–	1,395	–
Town improvement	52	–	57	–
Other				
– Environmental levy	96	–	80	–
<b>Total external restrictions</b>	<b>1,872</b>	<b>–</b>	<b>1,532</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>19,437</b>	<b>15</b>	<b>16,193</b>	<b>20</b>
<b>TOTAL NET RECEIVABLES</b>	<b>21,309</b>	<b>15</b>	<b>17,725</b>	<b>20</b>

\$ '000	2019	2018
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	535	208
+ new provisions recognised during the year	444	345
Unused amounts reversed	(300)	–
– amounts already provided for and written off this year	(79)	(18)
<b>Balance at the end of the period</b>	<b>600</b>	<b>535</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 7. Receivables (continued)

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#### Accounting policy for receivables

##### Recognition and measurement

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

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

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

##### Impairment

##### Accounting policy under AASB 9 applicable from 1 July 2018

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating 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 30 days past due has seen a significant increase in credit risk.

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

##### Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Stores and materials	122	–	137	–
<b>Total inventories at cost</b>	<b>122</b>	<b>–</b>	<b>137</b>	<b>–</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>122</u></b>	<b><u>–</u></b>	<b><u>137</u></b>	<b><u>–</u></b>
<b>(b) Other assets</b>				
Prepayments	1,370	–	1,704	–
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>1,370</u></b>	<b><u>–</u></b>	<b><u>1,704</u></b>	<b><u>–</u></b>

#### Accounting policy for inventories and other assets

Council stocks common use items and the value of these items is held at cost, adjusted where applicable for any loss of service potential.

Inventory items are held at the lower of cost and net realisable value

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

Note 9(a). Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2018			Asset movements during the reporting period								as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	48,645	–	48,645	21,800	46,193	–	–	–	(42,045)	130	–	74,723	–	74,723
Plant and equipment	19,703	(14,431)	5,272	–	–	(16)	(2,107)	–	2,271	–	–	21,280	(15,860)	5,420
Office equipment	4,987	(3,807)	1,180	–	–	–	(433)	–	1,103	–	–	6,091	(4,241)	1,850
Furniture and fittings	3,034	(1,928)	1,106	–	–	–	(173)	–	126	–	–	3,160	(2,101)	1,059
<b>Land:</b>														
– Operational land	238,289	–	238,289	–	–	–	–	–	–	–	1,610	239,899	–	239,899
– Community land	348,916	–	348,916	–	–	–	–	–	–	–	1,302	350,218	–	350,218
– Land under roads (post 30/6/08)	17,946	–	17,946	–	2,071	(5)	–	(2,348)	14,354	–	(12,079)	19,939	–	19,939
Land improvements – non-depreciable	16,969	–	16,969	–	–	–	–	–	–	–	–	16,969	–	16,969
Land improvements – depreciable	342	(40)	302	–	–	–	(5)	–	–	–	–	342	(45)	297
<b>Infrastructure:</b>														
– Buildings – non-specialised	360,483	(142,925)	217,558	3,820	468	(605)	(7,060)	–	776	(45)	9,515	380,287	(155,860)	224,427
– Other structures	5,681	(812)	4,869	–	–	(171)	(142)	–	373	391	162	6,381	(899)	5,482
– Roads	1,313,413	(223,611)	1,089,802	28,532	18,196	(6,301)	(19,969)	–	15,377	19,806	24,409	1,438,394	(268,542)	1,169,852
– Stormwater drainage	523,670	(90,916)	432,754	1,041	12,406	(2,768)	(4,713)	–	3,937	(102)	88,893	629,946	(98,498)	531,448
– Other open space/recreational assets	91,275	(21,132)	70,143	7,633	–	(865)	(3,257)	–	2,992	(20,180)	8,662	77,547	(12,419)	65,128
<b>Other assets:</b>														
– Heritage collections	1,654	(1,049)	605	–	–	–	(164)	–	–	–	–	1,654	(1,213)	441
– Library books	5,690	(3,621)	2,069	–	–	(157)	(690)	–	736	–	–	5,065	(3,107)	1,958
<b>Total Infrastructure, property, plant and equipment</b>	<b>3,000,697</b>	<b>(504,272)</b>	<b>2,496,425</b>	<b>62,826</b>	<b>79,334</b>	<b>(10,888)</b>	<b>(38,713)</b>	<b>(2,348)</b>	<b>–</b>	<b>–</b>	<b>122,474</b>	<b>3,271,895</b>	<b>(562,785)</b>	<b>2,709,110</b>

(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 2019

Note 9(a). Infrastructure, property, plant and equipment (continued)

\$ '000	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	26,925	–	26,925	40,891	18,896	–	–	–	(38,389)	322	–	48,645	–	48,645
Plant and equipment	19,878	(13,306)	6,572	–	–	(104)	(2,239)	–	1,042	1	–	19,703	(14,431)	5,272
Office equipment	4,902	(3,526)	1,376	–	–	(1)	(376)	–	181	–	–	4,987	(3,807)	1,180
Furniture and fittings	2,968	(1,845)	1,123	–	–	(3)	(170)	–	157	(1)	–	3,034	(1,928)	1,106
<b>Land:</b>														
– Operational land	189,174	–	189,174	–	1,337	(2,402)	–	–	–	833	49,347	238,289	–	238,289
– Community land	357,964	–	357,964	–	–	(4,607)	–	–	660	(1,220)	(3,881)	348,916	–	348,916
– Land under roads (post 30/6/08)	16,099	–	16,099	–	1,426	–	–	(3,217)	3,575	63	–	17,946	–	17,946
Land improvements – non-depreciable	16,861	–	16,861	–	–	–	–	–	108	–	–	16,969	–	16,969
Land improvements – depreciable	342	(35)	307	–	–	–	(5)	–	–	–	–	342	(40)	302
<b>Infrastructure:</b>														
– Buildings – non-specialised	323,223	(148,639)	174,584	–	–	(587)	(9,603)	–	5,139	1	48,024	360,483	(142,925)	217,558
– Other structures	5,147	(666)	4,481	–	–	–	(146)	–	840	(391)	85	5,681	(812)	4,869
– Roads	1,258,594	(211,568)	1,047,026	–	21,770	(3,889)	(15,829)	–	20,052	397	20,275	1,313,413	(223,611)	1,089,802
– Stormwater drainage	502,075	(86,559)	415,516	–	10,015	(6)	(4,359)	–	3,412	18	8,158	523,670	(90,916)	432,754
– Other open space/recreational assets	87,641	(17,675)	69,966	–	208	(20)	(3,512)	–	2,501	(24)	1,024	91,275	(21,132)	70,143
<b>Other assets:</b>														
– Heritage collections	1,654	(886)	768	–	–	–	(164)	–	–	1	–	1,654	(1,049)	605
– Library books	5,964	(3,757)	2,207	–	–	(164)	(696)	–	722	–	–	5,690	(3,621)	2,069
<b>Total Infrastructure, property, plant and equipment</b>	<b>2,819,411</b>	<b>(488,462)</b>	<b>2,330,949</b>	<b>40,891</b>	<b>53,652</b>	<b>(11,783)</b>	<b>(37,099)</b>	<b>(3,217)</b>	<b>–</b>	<b>–</b>	<b>123,032</b>	<b>3,000,697</b>	<b>(504,272)</b>	<b>2,496,425</b>

(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 2019

### Note 9(a). Infrastructure, property, plant and equipment (continued)

#### Accounting policy for infrastructure, property, plant and equipment

##### (i) Acquisition of assets

Council's non-current assets are progressively revalued (over a 5-year period) in accordance with the fair valuation policy as mandated by the former Office of Local Government.

At reporting date, the following classes of infrastructure, property, plant and equipment were stated at their fair value:

- Plant and equipment (as approximated by depreciated historical cost)
- Office equipment (as approximated by depreciated historical cost)
- Furniture & Fittings (as approximated by depreciated historical cost)
- Operational land: unrestricted (external valuation)
- Operational land: zoned with restrictions (external valuation)
- Community land (external valuation)
- Land under roads: post 30 June 2008 - (Internal valuation)
- Land improvements (as approximated by depreciated historical cost)
- Buildings – specialised/non-specialised (internal valuation)
- Other structures (Internal and external valuation)
- Road assets - roads, bridges and footpaths (Internal and external valuation)
- Bulk earthworks (Internal and external valuation)
- Drainage assets (Internal and external valuation)
- Other open space/recreational assets (Internal and external valuation)
- Other assets (as approximated by depreciated historical cost)

##### (ii) Initial recognition

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition. Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

##### (iii) Subsequent costs

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.

##### (iv) Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
  - to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
  - net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.
- Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount. Desktop valuation of roads, bridges, footpaths and drainage assets was performed as at 30 June 2018 that resulted in indices applied to their carrying values. Council used producer price index to adjust the carrying amounts. Full revaluations are undertaken for all assets on a 5-year cycle. Assets were last comprehensively revalued as per below:

Roads, bridges, footpaths, drainage, bulk earth works, other road assets - 30 June 2019

Other structures, Other Open Space/recreational assets - 30 June 2019

Land under roads - 30 June 2017

Community land - 30 June 2017

Crown land - 30 June 2018

Operational land and buildings - 30 June 2018

##### (v) Capitalisation thresholds

Items of infrastructure, property, plant and equipment costing in excess of \$1000 are capitalised.



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9(a). Infrastructure, property, plant and equipment (continued)

**(vi) Depreciation**

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method in order to allocate an asset's cost (net of residual values) over its estimated useful life. Land is not depreciated. Estimated useful lives for Council's I,PP&E include:

Plant and equipment	5 to 10 years
Office equipment	5 to 10 years
Furniture & Fittings	5 to 10 years
Land improvements	100 years
Buildings	20 to 100 years
Other structures	3 to 20 years
Road assets	15 to 100 years
Bulk earthworks	Infinite
Drainage	100 years
Open Space recreational assets	5 to 20 years
Other assets	5 to 20 years

All asset useful lives are reviewed and adjusted (if appropriate) at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount - refer note 10 (a) (xii) on asset impairment.

**(vii) Disposal and derecognition**

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

**(viii) Dedicated Assets**

Section 93F of the Environment Planning Act 1979 (NSW) provides NSW Councils a legal framework to enter into planning agreements. These are voluntary agreements where the developer may dedicate land, pay monetary contributions, or provide a material public benefit (or a combination of these) which the council must then apply toward a public purpose. These assets are valued at asset replacement unit rates. The value of such assets received during the reporting year is included in the Income Statement as "Grants & Contributions provided for capital purposes" and forms part of Council's asset base at reporting date.

**(ix) Land**

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either operational or community.

**(xi) Intangible assets – IT development and software**

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and services, direct payroll and payroll-related costs of employees' time spent on the project.

Amortisation is calculated on a straight line bases over periods generally ranging from 3 to 5 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.

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 9(a). Infrastructure, property, plant and equipment (continued)

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#### 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.

Council uses average unit value of the land within council area to value land under roads. Land value is determined by the Valuer General and discounted by 90% to reflect the restricted use of land under roads.

The value of land under roads dedicated to Council in the current year is included in Income Statement as "Grants & Contributions provided for Capital Purposes" and forms part of Council's asset base at reporting date.

#### Crown reserves

Crown reserves under Council's care and control are recognised as assets of the council.

While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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

#### Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed 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.

Where an asset is not held principally for cash-generating purposes (for example infrastructure assets) and would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

#### Rural Fire Service assets

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

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Domestic waste management</b>						
Plant and equipment	2,809	1,790	1,019	1,934	1,577	357
Land						
<b>Total DWM</b>	<b>2,809</b>	<b>1,790</b>	<b>1,019</b>	<b>1,934</b>	<b>1,577</b>	<b>357</b>
<b><u>TOTAL RESTRICTED I,PP&amp;E</u></b>	<b>2,809</b>	<b>1,790</b>	<b>1,019</b>	<b>1,934</b>	<b>1,577</b>	<b>357</b>

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

\$ '000	Notes	2019	2018
<b>(i) Impairment losses recognised in the Income Statement:</b>			
Land under roads		(2,048)	(3,217)
<b>Total impairment losses</b>		<b>(2,048)</b>	<b>(3,217)</b>
<b><u>IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L</u></b>	4d	<b>(2,048)</b>	<b>(3,217)</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Intangible assets

\$ '000	2019	2018
<b>Intangible assets are as follows:</b>		
<b>Opening values at 1 July</b>		
Gross book value	4,091	3,388
Accumulated amortisation	(2,777)	(2,304)
<b>Net book value – opening balance</b>	<b>1,314</b>	<b>1,084</b>
<b>Movements for the year</b>		
– Purchases	452	703
– Amortisation charges	(532)	(473)
– Gross book value written off	(138)	4,091
– Accumulated amortisation charges written off	138	(2,777)
<b>Closing values at 30 June</b>		
Gross book value	4,418	4,091
Accumulated amortisation	(3,171)	(2,777)
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</b>	<b>1,247</b>	<b>1,314</b>
<b>The net book value of intangible assets represents:</b>		
– Software	1,247	1,314
	<b>1,247</b>	<b>1,314</b>

**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.

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 2019

Note 11. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	11,746	–	13,210	–
Accrued expenses:				
– Borrowings	227	–	104	–
– Other expenditure accruals	3,159	–	6,014	–
Advances	30	–	48	–
Security bonds, deposits and retentions	1,979	7,487	2,141	6,910
<b>Total payables</b>	<b>17,141</b>	<b>7,487</b>	<b>21,517</b>	<b>6,910</b>
<b>Income received in advance</b>				
Payments received in advance	597	–	1,521	–
Ratepayers' advances	1,062	–	946	–
<b>Total income received in advance</b>	<b>1,659</b>	<b>–</b>	<b>2,467</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	7,421	38,277	6,317	26,390
<b>Total borrowings</b>	<b>7,421</b>	<b>38,277</b>	<b>6,317</b>	<b>26,390</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>26,221</u></b>	<b><u>45,764</u></b>	<b><u>30,301</u></b>	<b><u>33,300</u></b>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 18.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Interest Free and LIRS borrowings	3,773	10,926	3,688	14,814
Payables and borrowings relating to externally restricted assets	3,773	10,926	3,688	14,814
<b>Total payables and borrowings relating to restricted assets</b>	<b>3,773</b>	<b>10,926</b>	<b>3,688</b>	<b>14,814</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>22,448</b>	<b>34,838</b>	<b>26,613</b>	<b>18,486</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>26,221</u></b>	<b><u>45,764</u></b>	<b><u>30,301</u></b>	<b><u>33,300</u></b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Payables and borrowings (continued)

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

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

Payables – security bonds, deposits and retentions	495	535
<b>Total payables and borrowings</b>	<b>495</b>	<b>535</b>

**(c) Changes in liabilities arising from financing activities**

\$ '000	as at 30/6/2018					as at 30/6/2019	
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance	
Loans – secured	32,707	12,775	–	–	216	45,698	
<b>TOTAL</b>	<b>32,707</b>	<b>12,775</b>	<b>–</b>	<b>–</b>	<b>216</b>	<b>45,698</b>	

\$ '000	as at 30/6/2017					as at 30/6/2018	
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance	
Loans – secured	32,446	(39)	–	–	300	32,707	
<b>TOTAL</b>	<b>32,446</b>	<b>(39)</b>	<b>–</b>	<b>–</b>	<b>300</b>	<b>32,707</b>	

\$ '000	2019	2018
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**(d) Financing arrangements****(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities	500	500
Credit cards/purchase cards	6,550	6,550
Standby credit facilities	3,500	3,500
Bank Guarantees	3,500	3,500
<b>Total financing arrangements</b>	<b>14,050</b>	<b>14,050</b>

**Drawn facilities as at balance date:**

– Credit cards/purchase cards	144	1,882
– Bank Guarantees	3,341	3,397
<b>Total drawn financing arrangements</b>	<b>3,485</b>	<b>5,279</b>

**Undrawn facilities as at balance date:**

– Bank overdraft facilities	500	500
– Credit cards/purchase cards	6,406	4,668
– Standby credit facilities	3,500	3,500
– Bank Guarantees	159	103
<b>Total undrawn financing arrangements</b>	<b>10,565</b>	<b>8,771</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 11. Payables and borrowings (continued)

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#### 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 comprises trade payables, bank and other loans and finance lease liabilities.

#### 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.

#### Finance leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased assets or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

Note 12. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	6,679	–	6,067	–
Sick leave	196	–	215	–
Long service leave	11,520	399	9,974	336
Other leave	1,343	–	1,514	–
<b>Sub-total – aggregate employee benefits</b>	<b>19,738</b>	<b>399</b>	<b>17,770</b>	<b>336</b>
<b>Asset remediation/restoration:</b>				
Site Contamination	4,925	–	2,500	–
<b>Sub-total – asset remediation/restoration</b>	<b>4,925</b>	<b>–</b>	<b>2,500</b>	<b>–</b>
<b>Other provisions</b>				
Self insurance – workers compensation	620	1,800	(20)	1,470
Other	2,453	–	1,902	–
<b>Sub-total – other provisions</b>	<b>3,073</b>	<b>1,800</b>	<b>1,882</b>	<b>1,470</b>
<b>TOTAL PROVISIONS</b>	<b>27,736</b>	<b>2,199</b>	<b>22,152</b>	<b>1,806</b>

\$ '000	2019	2018
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**(a) Current provisions not anticipated to be settled within the next twelve months**

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

Provisions – employees benefits	14,653	8,977
	<b>14,653</b>	<b>8,977</b>

**(b) Description of and movements in provisions**

\$ '000	Other provisions			Total
	Other	Self insurance	Asset remediation	
<b>2019</b>				
At beginning of year	1,902	1,450	2,500	5,852
Additional provisions	1,193	970	4,000	6,163
Amounts used (payments)	(642)	–	(1,575)	(2,217)
<b>Total other provisions at end of period</b>	<b>2,453</b>	<b>2,420</b>	<b>4,925</b>	<b>9,798</b>
<b>2018</b>				
At beginning of year	1,927	2,070	4,000	7,997
Additional provisions	600	–	2,500	3,100
Amounts used (payments)	(625)	(620)	(4,000)	(5,245)
<b>Total other provisions at end of period</b>	<b>1,902</b>	<b>1,450</b>	<b>2,500</b>	<b>5,852</b>



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 12. Provisions (continued)

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#### Nature and purpose of non-employee benefit provisions

##### Hazardous Waste Remediation/Site Contamination

Various sites within the Liverpool LGA were identified as contaminated with hazardous waste and requires appropriate Environment Protection and Authority (EP&A) approved remediation procedures. Provision is made for estimated costs to carry out identified works.

##### Self-insurance: Workers Compensation

Council is a licenced self-insurer for the purposes of workers compensation and as such is required to demonstrate to the State Insurance Regulatory Authority (SIRA) its financial viability to meet its outstanding claims liability. Provision for self-insurance is based on annual actuarial valuation. Council engaged David G Hart Consulting Pty Ltd to conduct valuation of its outstanding claims liability as at 30 June 2018. The estimated liability is projected based on Council's current and past claims in accordance with SIRA estimation guidelines. Following SIRA's assessment of the actuarial report, Council is also required to provide a bank guarantee as security against its outstanding claims liability – refer Note 17 (1).

##### Other

Council has recognised estimated costs of other known obligations at the end of reporting period.

#### 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.

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.

##### 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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#### (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 / decrements of non-current asset values due to their revaluation.

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

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

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2017. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.
- AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

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

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

##### **Classification of financial assets**

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

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

##### **Measurement of equity instruments**

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

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

##### **Impairment of financial assets**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6(a)	85,346	104,005
<b>Balance as per the Statement of Cash Flows</b>		<b>85,346</b>	<b>104,005</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		96,475	116,915
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		39,245	37,572
Net losses/(gains) on disposal of assets		10,479	6,404
Non-cash capital grants and contributions		(34,604)	(35,481)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as ‘at fair value’ or ‘held for trading’		(865)	185
– Revaluation decrements / impairments of IPP&E direct to P&L		2,048	3,217
– Other (New Assets Recognised in Operational Land)		(1,072)	1,337
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		215	300
Share of net (profits)/losses of associates/joint ventures using the equity method		(708)	(646)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(3,644)	226
Increase/(decrease) in provision for impairment of receivables		65	327
Decrease/(increase) in inventories		15	(51)
Decrease/(increase) in other current assets		334	(471)
Increase/(decrease) in payables		(1,464)	(694)
Increase/(decrease) in accrued interest payable		123	10
Increase/(decrease) in other accrued expenses payable		(2,855)	1,538
Increase/(decrease) in other liabilities		(411)	(25)
Increase/(decrease) in provision for employee benefits		2,031	2,149
Increase/(decrease) in other provisions		3,946	(2,145)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>109,353</b>	<b>130,667</b>
<b>(c) Non-cash investing and financing activities</b>			
Dedications		32,722	33,818
Section 7.11 Contribution in Kind		1,882	1,663
<b>Total non-cash investing and financing activities</b>		<b>34,604</b>	<b>35,481</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Joint ventures	708	646	8,142	7,433
<b>Total</b>	<b>708</b>	<b>646</b>	<b>8,142</b>	<b>7,433</b>

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

Council has no interest in any controlled entities.

## (b) Joint arrangements

**Joint ventures**

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

**Accounting policy for joint arrangements**

The Council has determined that it has only joint venture arrangement.

**Joint ventures**

Interests in joint ventures are accounted for using the equity method in accordance with AASB128 Investments in Associates and Joint Ventures. Under this method, the investment is initially recognised 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 purpose of the consolidated financial statements.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities (continued)

\$ '000	Nature of relationship	Measurement method	2019	2018
<b>(a) Net carrying amounts – Council’s share</b>				
Civic Risk Mutual	Joint Venture	Equity Accounting	629	721
Civic Risk West	Joint Venture	Equity Accounting	7,513	6,712
<b>Total carrying amounts – material joint ventures</b>			<b>8,142</b>	<b>7,433</b>

**(b) Details**

	Principal activity	Place of business
Civic Risk	Self Insurance	601 High Street, Penrith NSW 2750
Civic Risk West	Self Insurance	601 High Street, Penrith NSW 2750

**(c) Relevant interests and fair values**

\$ '000	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018	2019	2018
Civic Risk	629	721	9.1%	9.0%	9.1%	9.0%	5.9%	6.0%
Civic Risk West	7,513	6,712	15.9%	16.0%	15.9%	16.0%	9.1%	10.0%

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities (continued)

\$ '000	Civic Risk 2019	2018	Civic Risk West 2019	2018
<b>(d) Summarised financial information for joint ventures</b>				
<b>Statement of financial position</b>				
<b>Current assets</b>				
Cash and cash equivalents	1,813	1,158	2,961	3,022
Other current assets	7,215	5,759	27,371	19,442
<b>Non-current assets</b>	<b>5,368</b>	<b>5,988</b>	<b>36,522</b>	<b>41,740</b>
<b>Current liabilities</b>				
Current financial liabilities (excluding trade and other payables and provisions)	(4,827)	2,690	(740)	6,111
Other current liabilities	(346)	299	(6,657)	720
<b>Non-current liabilities</b>				
Non-current financial liabilities (excluding trade and other payables and provisions)	(2,279)	1,448	(12,116)	15,612
<b>Net assets</b>	<b>21,848</b>	<b>8,468</b>	<b>86,367</b>	<b>41,761</b>
<b>Reconciliation of the carrying amount</b>				
Opening net assets (1 July)	8,468	6,490	41,761	37,977
Other adjustments to equity	–	–	–	(2,128)
Profit/(loss) for the period	(1,524)	1,978	5,579	5,912
<b>Closing net assets</b>	<b>6,944</b>	<b>8,468</b>	<b>47,340</b>	<b>41,761</b>
<b>Council's share of net assets (%)</b>	<b>9.1%</b>	<b>8.5%</b>	<b>15.9%</b>	<b>16.1%</b>
<b>Council's share of net assets (\$)</b>	<b>629</b>	<b>721</b>	<b>7,513</b>	<b>6,711</b>
<b>Statement of comprehensive income</b>				
Income	11,320	9,425	9,918	6,076
Interest income	448	439	3,623	3,261
Interest expense	–	–	(18)	(17)
Other expenses	(13,292)	(7,886)	(7,944)	(3,407)
<b>Profit/(loss) from continuing operations</b>	<b>(1,524)</b>	<b>1,978</b>	<b>5,579</b>	<b>5,913</b>
<b>Profit/(loss) for the period</b>	<b>(1,524)</b>	<b>1,978</b>	<b>5,579</b>	<b>5,913</b>
<b>Total comprehensive income</b>	<b>(1,524)</b>	<b>1,978</b>	<b>5,579</b>	<b>5,913</b>
<b>Share of income – Council (%)</b>	<b>9.1%</b>	<b>8.4%</b>	<b>15.9%</b>	<b>13.9%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>(139)</b>	<b>167</b>	<b>887</b>	<b>–</b>
<b>Total comprehensive income – Council (\$)</b>	<b>(139)</b>	<b>167</b>	<b>887</b>	<b>819</b>
<b>Dividends received by Council</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>340</b>
<b>Summarised Statement of cash flows</b>				
Cash flows from operating activities	2,904	903	2,439	113
Cash flows from financing activities	–	–	–	(1,537)
Cash flows from investing activities	(2,250)	(250)	(2,500)	1,510
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>654</b>	<b>653</b>	<b>(61)</b>	<b>86</b>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Commitments

\$ '000	2019	2018
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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 as liabilities:

**Property, plant and equipment**

Liverpool Civic Place	195,500	–
Buildings	8,331	8,630
Car Parks	289	297
Drainage	1,013	770
Parks	511	2,255
Roads	5,177	1,663
Other – IT Equipment	1,968	575
<b>Total commitments</b>	<b>212,789</b>	<b>14,190</b>

**These expenditures are payable as follows:**

Within the next year	22,789	14,190
Later than one year and not later than 5 years	190,000	–
<b>Total payable</b>	<b>212,789</b>	<b>14,190</b>

**Sources for funding of capital commitments:**

Unrestricted general funds	21,155	10,021
Sect 64 and 7.11 funds/reserves	2,842	1,534
Unexpended grants	1,499	2,180
Externally restricted reserves	236	57
Internally restricted reserves	5,557	398
Loan Borrowings	170,000	–
Developer Rights/DA Fees	11,500	–
<b>Total sources of funding</b>	<b>212,789</b>	<b>14,190</b>

(b) Operating lease commitments (non-cancellable)

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

Within the next year	2,653	1,445
Later than one year and not later than 5 years	5,928	760
Later than 5 years	1,880	–
<b>Total non-cancellable operating lease commitments</b>	<b>10,461</b>	<b>2,205</b>

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

Office Rentals, Motor Vehicle Leases and Property Lease  
Contingent Rentals may be payable depending on the condition of items or usage during the lease term.

**Conditions relating to finance and operating leases:**

- All finance agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 17. Contingencies and other assets/liabilities not recognised

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

#### LIABILITIES NOT RECOGNISED

##### 1. Guarantees

- **Civic Risk West and Civic Risk Mutual**

Council is member of Civic Risk West and Civic Risk Mutual schemes providing insurance to Local Government.

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 and 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 June 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.

- **Bank Guarantees**

##### *Workers Compensation Self Insurance*

Council is a self-insurer for Workers Compensation and as a condition of its self-insurance license requires either a Term Deposit or Bank Guarantee to be held based on Actuarial Assessment.

Council Actuarial Assessment as at 30 June this year recommended that the current Bank Guarantee of \$2.12 million be increased to \$2.31 million. At the time of preparing the Annual Financial Statements the actuarial assessment and the recommended increase had not been reviewed and confirmed by State Insurance Regulatory Authority (SIRA).

##### *Sydney Water Corporation*

Council undertakes various roadworks in the Liverpool LGA which may, in some instances, require relocating Water mains belonging to Sydney Water Corporation. Prior to commencement of the work Council is required to lodge a bank guarantee or provide a cash bond to Sydney Water Corporation. As at 30 June 2019, Sydney Water Corporation held bank guarantees for a total amount of \$1.2 million issued in its favour by Council bank.

##### 2. Other liabilities

###### (i) 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.

1. Council has identified future claims resulting from its planning determinations. Council and its legal representatives are working with affected developers and land-owners to resolve disagreements and compensation claims. At the time of reporting a reliable estimate of potential liability is not available.
2. Council has identified potential future claims resulting from non-compliance to building standards. Council engaged a consultant to review the process and required rectification works. At the time of reporting, a reliable estimate of potential liability is not available.
3. The Environment Protection Authority (EPA) audited several sites within the local government area and identified hazardous materials which requires remediation works. Council progressed works on priority sites, however the extent of remediation works required on other remaining sites is yet to be confirmed by EPA. Cost to Council to carry out these works is not known.
4. Council has been notified of Common Law Workers Compensation Claim proceedings. Cost of Compensation for economic loss due to on-going incapacity to work as a result of the injury at work is not known.
5. Council in collaboration with NSW State Government is participating in Moorebank Voluntary Acquisition Scheme which involves progressive acquisition of 175 properties within the floodway of the Georges River. To date Council has purchased 116 properties and 59 properties remain to be purchased to complete the scheme and is currently projected to take another 50-70 years. The cost of acquisition is shared by the Council (33%) and NSW State Government (67%). At the time of reporting a reliable cost exposure to Council is not available.



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 17. Contingencies and other assets/liabilities not recognised (continued)

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#### **(ii) 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 (& subsequent land asset) from such potential acquisitions has not been possible.

#### **ASSETS NOT RECOGNISED**

##### **(i) 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 & including 30 June 2008.

##### **(ii) Infringement notices/fines**

Fines & 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 at year end is to accrue a percentage of outstanding notices based on history or actual fines.

##### **(iii) American Express Corporate Card Reward Points**

Council earns reward points on its American Express Corporate Card Program and is only available for redemption for business travel and accommodation purposes. The value of points redeemed during the year is recognised as notional income and expenditure. At the end of reporting period, Council had accrued balance of 3.75 million points with an estimated value of \$ 0.019 million which was not recognised as an asset.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. 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 2019	Carrying value 2018	Fair value 2019	Fair value 2018
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	85,346	104,005	85,346	104,005
Receivables	19,141	16,517	19,141	16,517
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	55,000	87,000	55,000	87,000
<b>Fair value through profit and loss</b>				
Investments				
– 'Designated at fair value on initial recognition'	130,750	66,341	130,750	66,341
<b>Total financial assets</b>	<b>290,237</b>	<b>273,863</b>	<b>290,237</b>	<b>273,863</b>
<b>Financial liabilities</b>				
Payables	24,628	28,427	24,628	28,427
Loans/advances	45,698	32,707	45,698	32,707
<b>Total financial liabilities</b>	<b>70,326</b>	<b>61,134</b>	<b>70,326</b>	<b>61,134</b>

Fair value is determined as follows:

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

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 it's 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 2019

### Note 18. 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.

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2019</b>				
Possible impact of a 10% movement in market values	13,074	13,074	(13,074)	(13,074)
Possible impact of a 1% movement in interest rates	1,701	1,701	(1,701)	(1,701)
<b>2018</b>				
Possible impact of a 10% movement in market values	6,634	6,634	(6,634)	(6,634)
Possible impact of a 1% movement in interest rates	1,373	1,373	(1,373)	(1,373)

#### (b) Credit risk

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

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

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

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

There are no significant concentrations of credit risk 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 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Financial risk management (continued)

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

## Credit risk profile

## Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2019</b>						
Gross carrying amount	–	5,291	641	681	494	7,107
<b>2018</b>						
Gross carrying amount	–	4,447	529	608	428	6,012

## Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2019</b>						
Gross carrying amount	11,420	2,360	201	74	762	14,817
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	78.74%	4.05%
<b>ECL provision</b>	–	–	–	–	600	600
<b>2018</b>						
Gross carrying amount	5,919	3,950	1,252	231	916	12,268
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	58.40%	4.36%
<b>ECL provision</b>	–	–	–	–	535	535

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Financial risk management (continued)

## (c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
<b>2019</b>							
Trade/other payables	4.52%	9,466	15,162	–	–	24,628	24,628
Loans and advances	4.52%	–	9,006	27,143	16,029	52,178	45,698
<b>Total financial liabilities</b>		<b>9,466</b>	<b>24,168</b>	<b>27,143</b>	<b>16,029</b>	<b>76,806</b>	<b>70,326</b>
<b>2018</b>							
Trade/other payables	4.94%	9,051	19,376	–	–	28,427	28,427
Loans and advances	4.94%	–	7,554	24,862	5,189	37,605	32,707
<b>Total financial liabilities</b>		<b>9,051</b>	<b>26,930</b>	<b>24,862</b>	<b>5,189</b>	<b>66,032</b>	<b>61,134</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 27 June 2018 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 and the actual results that amount to **10%** or more.

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----		
<b>REVENUES</b>					
<b>Rates and annual charges</b>	<b>129,395</b>	<b>131,133</b>	<b>1,738</b>	<b>1%</b>	<b>F</b>
<b>User charges and fees</b>	<b>21,545</b>	<b>18,881</b>	<b>(2,664)</b>	<b>(12)%</b>	<b>U</b>
The variation is mainly in planning related charges due to decline in development activity.					
<b>Interest and investment revenue</b>	<b>5,927</b>	<b>8,978</b>	<b>3,051</b>	<b>51%</b>	<b>F</b>
The variation is due to higher than planned monthly average investment portfolio holdings throughout the year and significant gains in capital value of investments.					
<b>Other revenues</b>	<b>9,988</b>	<b>21,724</b>	<b>11,736</b>	<b>118%</b>	<b>F</b>
The variation mainly comprised of the following:					
+\$5.4m ex-gratia sum payment from Moorebank Intermodal Company backed dated to 1 January 2017					
+\$2.7m restatement of excess impairment on Land Under Roads in 2017/18					
+\$1.1m increase in Parking and Other fines.					
+\$0.9m settlement sum from class legal action taken against Standard & Poor's International					
+\$0.6m sale of energy saving certificates.					
<b>Operating grants and contributions</b>	<b>16,193</b>	<b>19,804</b>	<b>3,611</b>	<b>22%</b>	<b>F</b>
The variation comprised of the the following:					
+ \$2.6m grant for Western Sydney Planning Partnership Office					
+ \$1.1m increased childcare grants to offset decrease in user fees					
<b>Capital grants and contributions</b>	<b>102,873</b>	<b>94,664</b>	<b>(8,209)</b>	<b>(8)%</b>	<b>U</b>
<b>Net gains from disposal of assets</b>	<b>2,891</b>	<b>–</b>	<b>(2,891)</b>	<b>100%</b>	<b>U</b>
The variation is mainly due to delay in sale of surplus land					
<b>Joint ventures and associates – net profits</b>	<b>325</b>	<b>708</b>	<b>383</b>	<b>118%</b>	<b>F</b>
The variation is due to significantly improved operating results of CivicRisk West and Mutual					

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
<b>EXPENSES</b>				
Employee benefits and on-costs	70,731	73,181	(2,450)	(3)% U
Borrowing costs	1,661	1,624	37	2% F
Materials and contracts	55,929	55,749	180	0% F
Depreciation and amortisation	38,134	39,245	(1,111)	(3)% U
Other expenses	18,566	17,091	1,475	8% F
Net losses from disposal of assets	2,000	10,479	(8,479)	(424)% U

The variation comprised of the following non-cash adjustments:

- \$5.3m disposal of road surfaces and other infrastructure due to renewal works;
- \$3.2m disposal of duplicate infrastructure assets identified in the asset register.

Revaluation decrement / impairment of IPP&E	750	2,048	(1,298)	(173)% U
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The variance is due to 90% discount applied to the cost of land purchased for road purposes during 2018/19

### STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	112,185	109,353	(2,832)	(3)% U
Net cash provided from (used in) investing activities	(154,599)	(140,788)	13,811	(9)% F
Net cash provided from (used in) financing activities	23,697	12,776	(10,921)	(46)% U

The variation is mainly due to Council not proceeding with proposed borrowings for Basin 14 construction project.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 20. Fair Value Measurement

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The Council measures the following assets and liabilities at fair value on a recurring basis.

- Financial assets - Investments
- Investment property
- Infrastructure, property, plant and equipment

#### *Fair value hierarchy*

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* - Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value by the Council:



Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

2019	Notes	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	
<b>Recurring fair value measurements</b>						
<b>Financial assets</b>						
	6(b)					
			–	130,750	–	130,750
			–	<b>130,750</b>	–	<b>130,750</b>
<b>Infrastructure, property, plant and equipment</b>						
	9(a)					
			–	–	239,899	239,899
			–	–	350,218	350,218
			–	–	19,939	19,939
			–	–	224,427	224,427
			–	–	1,169,852	1,169,852
			–	–	531,448	531,448
			–	–	98,604	98,604
			–	–	<b>2,634,387</b>	<b>2,634,387</b>
2018	Notes	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
<b>Recurring fair value measurements</b>						
<b>Financial assets</b>						
	6(b)					
			–	66,341	–	66,341
			–	<b>66,341</b>	–	<b>66,341</b>
<b>Infrastructure, property, plant and equipment</b>						
	9(a)					
			–	–	238,289	238,289
			–	–	348,916	348,916
			–	–	17,946	17,946
			–	–	217,558	217,558
			–	–	1,089,802	1,089,802
			–	–	432,754	432,754
			–	–	102,515	102,515
			–	–	<b>2,447,780</b>	<b>2,447,780</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 20. Fair Value Measurement (continued)

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

The Council's financial assets relate investments in Floating Rate Notes and Mortgage Backed Securities. Investments in Floating Rate Notes and Mortgage Backed Securities are reported at market values. The information included under 6(b) for Term Deposits is considered sufficient to meet the Fair Value disclosures requirements.

The Council does not have any liabilities which are fair valued.

#### Financial Assets - Investments

Investments are measured at Level 2 Inputs.

Investments in Floating Rate Notes and Reverse Back Mortgages are carried at fair value. Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

The valuation method used for the reporting year for financial assets listed above is consistent with prior years' measurement techniques.

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#### Infrastructure, Property, Plant and Equipment (IPP&E)

Council reported Infrastructure, Property, Plant and Equipment using Level 3 Inputs- Unobservable inputs for which market data are not readily available.

##### Valuation processes

Council's infrastructure assets (Roads, Drainage, Bridges, Footpath and Parks assets) are annually indexed to reflect their current replacement cost (CRC). The written down value of Plant & Equipment, Office Equipment, Heritage and Library books are considered a close proxy for their fair values therefore are not revalued. Assets. A comprehensive revaluation of Infrastructure assets and Building, Community, Operational Land and Land under Roads assets is carried out every 5 years in accordance with the fair valuation policy as mandated by the former Office of Local Government. Further details of the revaluations policy is provided under note 1(l).

##### Buildings

The Council engages external, independent and qualified valuers to determine the fair value of the Council's buildings. Buildings were last revalued in the 30 June 2018 financial year and the fair values were determined by Scott Fullarton Valuations Pty Ltd.

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

Land (Operational, Community and Land Under Road)The Council engages external, independent and qualified valuers to determine the fair value of Operational Land. Operational land was last revalued as at 30 June 2019.

Community Land is valued using the Valuer General Valuations and Land Under Road (LUR) is valued at the average unit rate derived from Valuer General (VG) land values discounted by 90%.

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. The fair value for community land has been determined using the Valuer General (VG) land values. Land under roads has been valued based on the average Valuer General (VG) land values discounted by 90%.

Each class of assets for Property Plant and Equipment are revalued on a 3 to 5 year cycle using various methods; Independent external valuation for Buildings, Operational Land and Land under Road, Valuer General land values for Community Land, depreciated cost for Plant & Equipment, library books etc. Council uses external consultants for current replacement unit rates to fair value Infrastructure assets (Roads, Bridges Drainage etc.).

Current use of some of the assets noted above reflects the highest and best use.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Related Party Transactions

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 comprising of the following :

- (a) Mayor;
- (b) Councillors;
- (c) Chief Executive Officer;
- (d) Directors; and
- (e) The Responsible Accounting Officer

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

\$ '000	2019	2018
<b>Compensation:</b>		
Short-term benefits	2,854	2,034
Post-employment benefits	218	151
Other long-term benefits	182	122
Termination benefits	-	-
<b>Total</b>	<b>3,254</b>	<b>2,307</b>

(b) Other transactions with KMP and their related parties/entities

Council has determined that transactions at arm's length with KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Note 22. Events occurring after the reporting date

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Statement of developer contributions

Preamble

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

\$ '000	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	22,105	11,161	394	645	(6,973)	–	26,938	–
Parking	5,500	1,073	–	165	9	1	6,748	–
Roads & Traffic Facilities	7,871	6,357	775	602	(10,382)	(3)	4,445	–
Local Open Space	31,523	20,560	1,035	1,037	(12,341)	1	40,780	–
Embellishment of Local Open Space	29,345	729	91	763	(1,280)	1	29,558	–
Community Facilities (Local)	28,793	487	13	743	88	2	30,113	–
Community Facilities (District)	4,966	235	–	130	(306)	2	5,027	–
Tree Planting Other	6,577	10	–	168	8	–	6,763	–
Professional & Legal Fees (Other)	2,087	165	2	54	(217)	(1)	2,088	–
Administration Fees	(1,146)	294	16	3	(343)	(3)	(1,195)	–
Implementation	3,861	7	–	99	12	–	3,979	–
Other- Moorebank Intermodal	4,238	–	–	108	13	–	4,359	–
<b>S7.11 contributions – under a plan</b>	<b>145,720</b>	<b>41,078</b>	<b>2,326</b>	<b>4,517</b>	<b>(31,712)</b>	<b>–</b>	<b>159,603</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>145,720</b>	<b>41,078</b>	<b>2,326</b>	<b>4,517</b>	<b>(31,712)</b>	<b>–</b>	<b>159,603</b>	<b>–</b>
<b>Total contributions</b>	<b>145,720</b>	<b>41,078</b>	<b>2,326</b>	<b>4,517</b>	<b>(31,712)</b>	<b>–</b>	<b>159,603</b>	<b>–</b>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
<b>S7.11 Contributions – under a plan <sup>1</sup></b>								
<b>CONTRIBUTION PLAN – Liverpool City Centre Contribution Plan</b>								
Parking	5,500	1,073	–	165	9	1	6,748	–
Community Facilities (District)	427	32	–	11	1	1	472	–
Embellishment of Local Open Space	13,022	(825)	–	340	(187)	(2)	12,348	–
Administration Fees	–	1	–	–	1	(2)	–	–
<b>Total</b>	<b>18,949</b>	<b>281</b>	<b>–</b>	<b>516</b>	<b>(176)</b>	<b>(2)</b>	<b>19,568</b>	<b>–</b>
<b>CONTRIBUTION PLAN – 2009 Plan</b>								
Drainage	6,252	4,356	–	200	(66)	–	10,742	–
Roads & Traffic Facilities	(11,385)	3,071	–	124	(1,283)	–	(9,473)	–
Local Open Space	11,213	411	–	353	(2,432)	1	9,546	–
Community Facilities (Local)	23,873	15	–	613	73	1	24,575	–
Community Facilities (District)	4,539	203	–	119	(307)	1	4,555	–
Embellishment of Local Open Space	9,743	1,195	–	251	(1,112)	–	10,077	–
Tree Planting Other	6,577	10	–	168	8	–	6,763	–
Professional & Legal Fees (Other)	1,567	100	–	42	(2)	(1)	1,706	–
Administration Fees	(942)	68	–	–	(80)	–	(954)	–
Implementation	3,861	7	–	99	12	–	3,979	–
<b>Total</b>	<b>55,298</b>	<b>9,436</b>	<b>–</b>	<b>1,969</b>	<b>(5,189)</b>	<b>2</b>	<b>61,516</b>	<b>–</b>
<b>CONTRIBUTION PLAN – Edmondson Park</b>								
Drainage	5,513	563	64	140	(773)	–	5,443	–
Roads & Traffic Facilities	16,195	2,614	411	400	(8,692)	(3)	10,514	–
Local Open Space	9,507	2,968	288	241	(9,937)	1	2,780	–
Community Facilities (Local)	4,740	179	–	123	14	–	5,056	–
Embellishment of Local Open Space	5,993	320	88	157	18	1	6,489	–
Professional & Legal Fees (Other)	520	65	2	12	(215)	–	382	–
Administration Fees	(319)	20	7	–	(59)	(1)	(359)	–
<b>Total</b>	<b>42,149</b>	<b>6,729</b>	<b>860</b>	<b>1,073</b>	<b>(19,644)</b>	<b>(2)</b>	<b>30,305</b>	<b>–</b>

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

Note 23. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
<b>CONTRIBUTION PLAN – Austral Leppington North</b>								
Drainage	5,509	6,242	330	182	(6,149)	–	5,784	–
Community Facilities (Local)	180	293	13	7	1	1	482	–
Roads & Traffic Facilities	1,394	661	364	39	(221)	–	1,873	–
Local Open Space	8,511	17,169	747	384	21	(1)	26,084	–
Embellishment of Local Open Space	494	34	3	13	1	1	543	–
Administration Fees	62	205	9	2	(183)	–	86	–
<b>Total</b>	<b>16,150</b>	<b>24,604</b>	<b>1,466</b>	<b>627</b>	<b>(6,530)</b>	<b>1</b>	<b>34,852</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER – Moorebank Intermodal</b>								
Other– Moorebank Intermodal	4,238	–	–	108	13	–	4,359	–
<b>Total</b>	<b>4,238</b>	<b>–</b>	<b>–</b>	<b>108</b>	<b>13</b>	<b>–</b>	<b>4,359</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER - East Leppington</b>								
Drainage	4,831	–	–	123	15	–	4,969	–
Roads & Traffic Facilities	1,667	11	–	39	(186)	–	1,531	–
Local Open Space	2,292	12	–	59	7	–	2,370	–
Embellishment of Local Open Space	93	5	–	2	–	1	101	–
Administration Fees	53	–	–	1	(22)	–	32	–
<b>Total</b>	<b>8,936</b>	<b>28</b>	<b>–</b>	<b>224</b>	<b>(186)</b>	<b>1</b>	<b>9,003</b>	<b>–</b>

(1) Council levies Section 7.11 & 7.12/ 7.11 & 7.12A Contributions upon various development across the Council area through the required Contributions Plans. As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans. As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General Funds. These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Council's intention to spend funds in the matter and timing set out in those Plans.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	2018	Prior periods		Benchmark
				2017	2016	
<b>1. Operating performance ratio</b>						
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>12,765</b>	<b>6.39%</b>	5.43%	2.40%	(2.63)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions	<b>199,655</b>					
<b>2. Own source operating revenue ratio</b>						
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>178,708</b>	<b>60.72%</b>	55.18%	54.52%	55.03%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>294,319</b>					
<b>3. Unrestricted current ratio</b>						
Current assets less all external restrictions	<b>77,217</b>	<b>2.20x</b>	2.11x	1.94x	1.76x	>1.50x
Current liabilities less specific purpose liabilities	<b>35,036</b>					
<b>4. Debt service cover ratio</b>						
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>53,634</b>	<b>6.42x</b>	6.42x	4.71x	3.70x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>8,348</b>					
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>						
Rates, annual and extra charges outstanding	<b>7,107</b>	<b>5.21%</b>	4.61%	4.30%	4.25%	<5.00%
Rates, annual and extra charges collectible	<b>136,433</b>					
<b>6. Cash expense cover ratio</b>						
Current year's cash and cash equivalents plus all term deposits	<b>140,346</b>	<b>10.29</b>	15.16	8.50	7.90	>3.00
Monthly payments from cash flow of operating and financing activities	<b>13,640</b>	<b>mths</b>	mths	mths	mths	mths

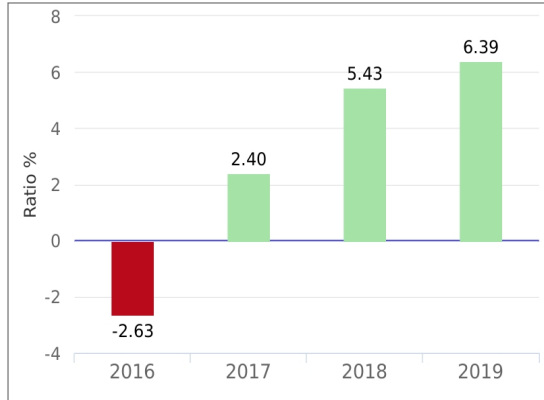
(1) Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets, and net loss of interests in joint ventures and associates.

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

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

Note 24(b). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



**Purpose of operating performance ratio**

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

**Commentary on 2018/19 result**

**2018/19 ratio 6.39%**

The Operating Performance Ratio improved from last year mainly due to recognition of ex-gratia payment from Moorebank Intermodal Company and continued application of strong budgetary control measures.

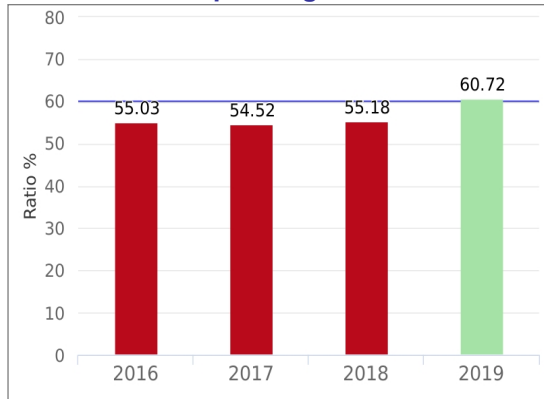
On a three year average, Council achieved 4.74% operating performance ratio compared to >0% benchmark to demonstrate financial sustainability.

Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark (green bar)  
Ratio is outside benchmark (red bar)

2. Own source operating revenue ratio



**Purpose of own source operating revenue ratio**

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

**Commentary on 2018/19 result**

**2018/19 ratio 60.72%**

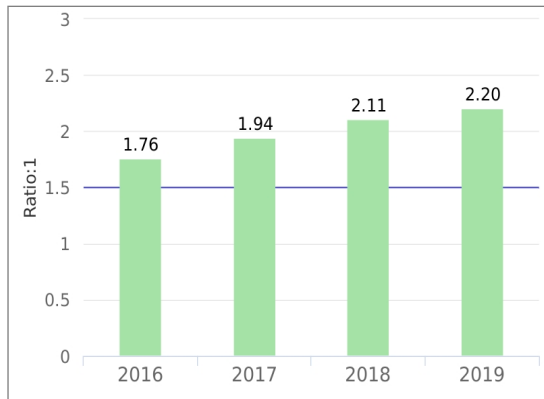
Own source operating revenue as a percentage of total operating revenue is adversely impacted by significant levels of developer contributions (both cash & non-cash) which is reflective of the growth activities in the LGA.

Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark (green bar)  
Ratio is outside benchmark (red bar)

3. Unrestricted current ratio



**Purpose of unrestricted current ratio**

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

**Commentary on 2018/19 result**

**2018/19 ratio 2.20x**

The Unrestricted Current Ratio improved from previous periods and remained above the industry benchmark demonstrating the fact that Council's liquidity is good and it can readily pay its debts as they fall due.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

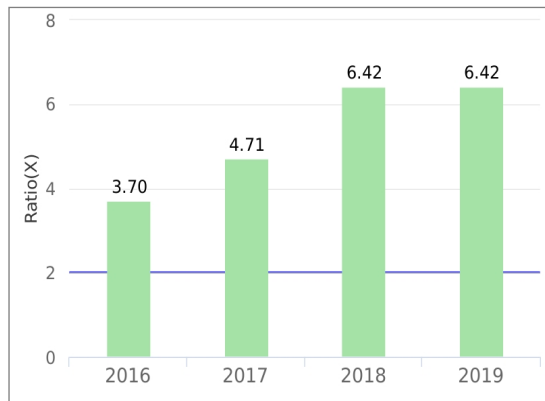
Ratio achieves benchmark (green bar)  
Ratio is outside benchmark (red bar)



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

Note 24(b). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



**Purpose of debt service cover ratio**

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

**Commentary on 2018/19 result**

**2018/19 ratio 6.42x**

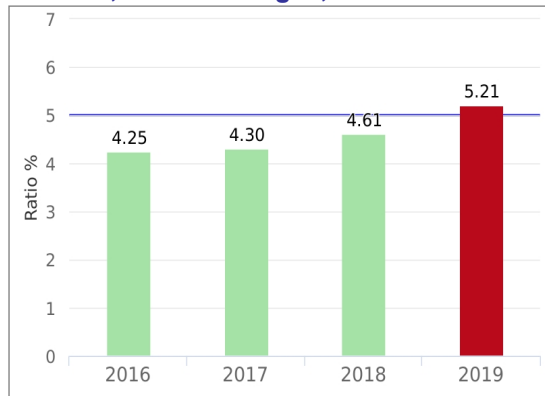
Compared to last year, Council maintained its ability to service its debt obligation at 6.42 times, which is significantly higher than industry benchmark of >2%.

Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark  
Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



**Purpose of rates, annual charges, interest and extra charges outstanding percentage**

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

**Commentary on 2018/19 result**

**2018/19 ratio 5.21%**

This measure indicates effectiveness of Council debt recovery process.

Council's unpaid debts at 30 June 2019 was higher than last year and benchmark set by OLG.

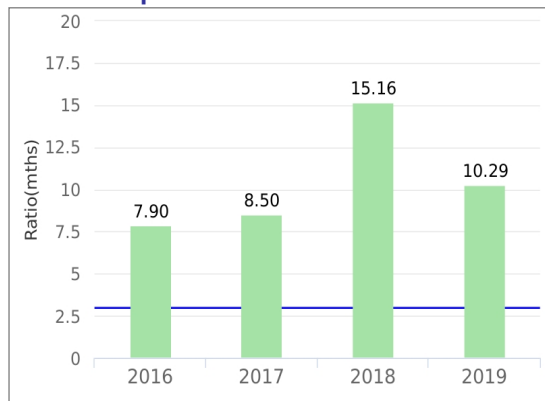
The actual result at 30 June 2019 is however showing an industry trend of ratepayers deferring their rate payments to a later date.

Benchmark: — < 5.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark  
Ratio is outside benchmark

6. Cash expense cover ratio



**Purpose of cash expense cover ratio**

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

**Commentary on 2018/19 result**

**2018/19 ratio 10.29 mths**

The code only accounts for cash on hand and term deposits when calculating this ratio. Floating Rate Notes (FRN's) which are more liquid form of investment compared to TD's are excluded. The decrease in the ratio compared to last year represents shift in Council's investment portfolio in favour of FRN's. Notwithstanding this, Council's cash expense cover ratio is higher than industry benchmark.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark  
Ratio is outside benchmark

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 25. Council information and contact details

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**Principal place of business:**

33 Moore Street  
Liverpool NSW 2170

**Contact details**

**Mailing Address:**

Locked Bag 7064  
Liverpool BC NSW 1871

**Telephone:** 1300 362 170

**Opening hours:**

8:30am - 5:00pm  
Monday to Friday

**Internet:** <http://www.liverpool.nsw.gov.au>

**Email:** [lcc@liverpool.nsw.gov.au](mailto:lcc@liverpool.nsw.gov.au)

**Officers**

**Chief Executive Officer**

Kiersten Fishburn

**Responsible Accounting Officer**

Vishwa Nadan

**Public Officer**

Ellen Whittingstall

**Auditors**

Audit Office of New South Wales  
Level 19, Tower 2 Darling Park, 201 Sussex Street, Sydney  
New South Wales 2000

**Elected members**

**Mayor**

Wendy Waller

**Councillors**

Ali Karnib  
Tony Hadchiti  
Charisma Kaliyanda  
Karess Rhodes  
Gus Balloot  
Mazhar Hadid  
Nathan Hagarty  
Tina Ayyad  
Geoff Shelton  
Peter Harle

**Other information**

**ABN:** 84 181 182 471



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial statements**  
**Liverpool City Council**

To the Councillors of the Liverpool City Council

## Opinion

I have audited the accompanying financial statements of Liverpool City Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

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 presented, 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 2019, 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' (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 Information**

The Council's annual report for the year ended 30 June 2019 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 purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

### **The Councillors' Responsibilities for the Financial Statements**

The Councillors are responsible for the preparation and fair presentation of the financial statements 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 except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

### **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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 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.



Lawrissa Chan  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 October 2019  
SYDNEY



Ms Wendy Waller  
 Mayor  
 Liverpool City Council  
 33 Moore Street  
 LIVERPOOL NSW 2170

Contact: Lawrissa Chan  
 Phone no: 02 9275 7255  
 Our ref: D1924103/1670

28 October 2019

Dear Mayor

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

I have audited the general purpose financial statements (GPFS) of the Liverpool City Council (the Council) for the year ended 30 June 2019 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 2019 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**

	<b>2019</b>	<b>2018</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
Rates and annual charges revenue	131.1	125.7	↑ 4.3
Grants and contributions revenue	114.5	133.0	↓ 13.9
Operating result for the year	96.5	116.9	↓ 17.5
Net operating result before capital grants and contributions	1.8	0.8	↑ 125

The Council's operating result for the year was a surplus of \$96.5 million, which was \$20.4 million lower compared with the prior year. This was mainly due to an increase in operating expenses by \$16.8 million and a reduction in total income by \$3.7 million. The Council budgeted for an operating surplus of \$101.4 million.

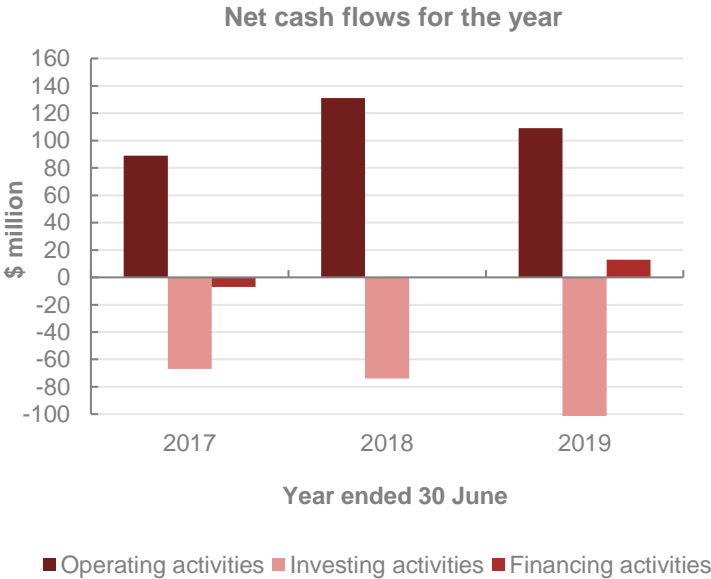
The Council's net operating result before capital grants and contributions was a surplus of \$1.8 million, which was \$1.0 million higher than the 2017–18 net operating result. The movement is mainly attributable to the following factors:

- an increase of \$5.4 million in rates and annual charges (4.3 per cent) consistent with the 2.3 per cent rate peg increase and the rise in the total number of rateable properties
- an increase of \$10.1 million in other revenue from the receipt of \$5.4 million ex-gratia rate payment by Moorebank Intermodal Company and \$2.7 million reversal of prior year impairment on the valuation of land under roads
- an increase of \$9.3 million in employee benefits and on-costs (14.5 per cent) mainly as a result of increase in number of full-time equivalent employees from 743 to 773 and increase in award rates and leave entitlement expense
- an increase of \$2.0 million in materials and contracts expenditure mainly attributable to additional contract work undertaken by the Council.

Grants and contributions revenue decreased by \$18.5 million (13.9 per cent) in 2018–19, mainly due to a reduction in cash contributions by \$16.7 million.

### STATEMENT OF CASH FLOWS

- The Council's cash and cash equivalents was \$85.3 million (\$104.0 million for the year ended 30 June 2018). There was a net reduction in cash and cash equivalents of \$18.7 million at 30 June 2019.
- Net cash inflows from operating activities decreased by \$21.3 million mainly due to a reduction in grants and contributions received during the year.
- Net cash outflows from investing activities increased by \$67.1 million mainly due to increased investments in infrastructure, property, plant and equipment.
- Net cash inflows from financing activities of \$12.8 million represents proceeds from borrowings and advances received during the year.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	214.8	192.6	<ul style="list-style-type: none"> <li>Externally restricted cash and investments are restricted in their use by externally imposed requirements. Council's externally restricted cash and investments have increased by \$22.2 million due to an increase in developer contributions by \$13.9 million and specific purpose operating grants by \$2.5 million.</li> <li>Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The decrease in internally restricted cash of \$4.5 million is due to a reduction in the available cash balance for the general property reserve by \$2.9 million.</li> <li>The Council has unrestricted cash of \$44.1 million at 30 June 2019, which is available to provide liquidity for the day-to-day operations of the Council.</li> </ul>
Internal restrictions	12.2	16.7	
Unrestricted	44.1	48.0	
<b>Cash and investments</b>	<b>271.1</b>	<b>257.3</b>	

### Debt

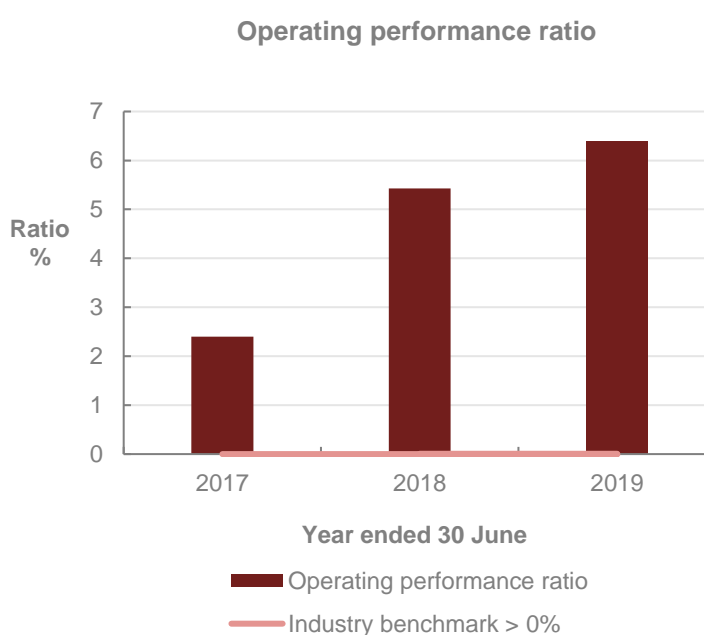
The Council has \$45.7 million of borrowings as at 30 June 2019 (2018: \$32.7 million).

The Council has an aggregate overdraft facility limit of \$4.0 million as at 30 June 2019 (2018: \$4.0 million) which remained unutilised at the year-end.

## PERFORMANCE

### Operating performance ratio

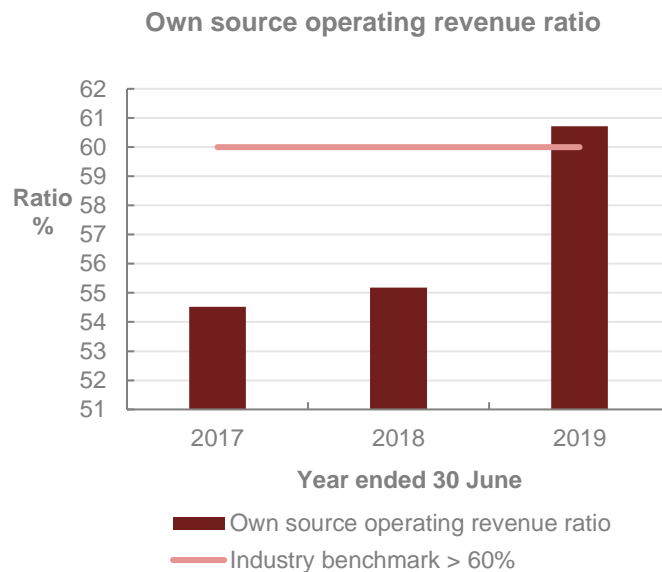
- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater than zero per cent.
- The Council's operating performance ratio of 6.4% is above the industry benchmark of zero per cent.
- The operating performance ratio has increased from prior year mainly due to the increase in Council's operating revenue.





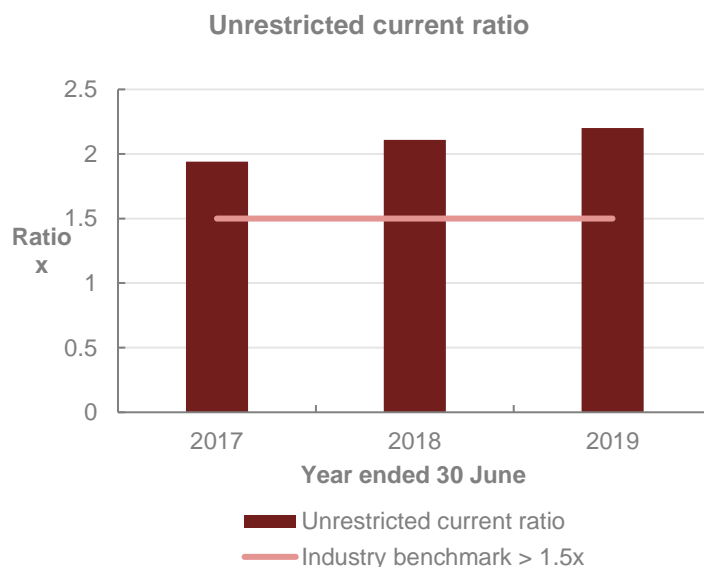
## Own source operating revenue ratio

- 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 the former OLG is greater than 60 per cent.
- The Council's own source operating revenue ratio of 60.7% is above the industry benchmark of 60%. This indicates that the Council has a diversified source of income and does not have an overly strong reliance on operating grants and contributions.
- The Council's own source operating revenue ratio has increased from prior year mainly due to an increase in revenue generated from the rates and annual charges and the receipt of ex-gratia rate payment from Moorebank International Company.



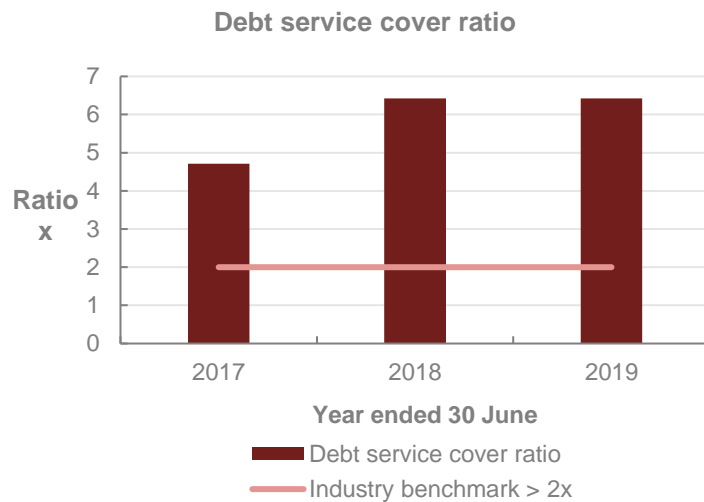
## Unrestricted current ratio

- 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 the former OLG is greater than 1.5 times.
- The Council's liquidity ratio of 2.2 is above the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.
- The Council's unrestricted current ratio has increased from prior year mainly due to a decrease in current liabilities expected to be settled within the next 12 months.



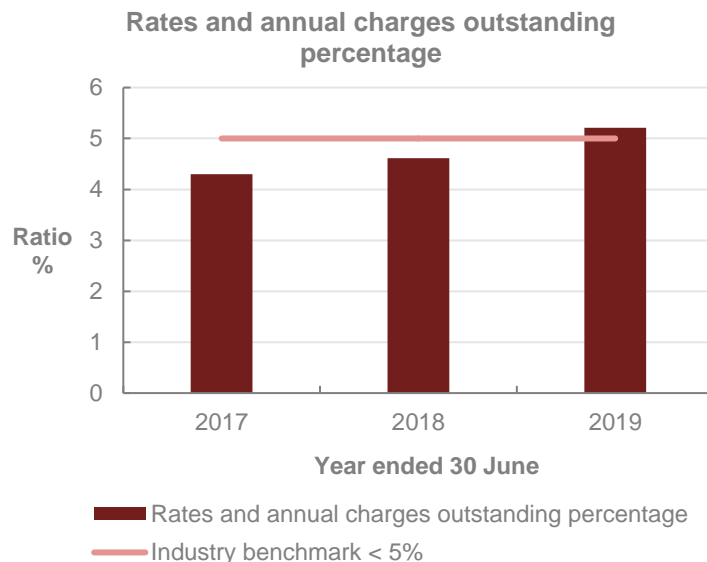
## Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.
- The Council's debt service cover ratio of 6.4 times is above the industry benchmark of greater than 2 times.
- The increase in the ratio in the current year was due to the improved net operating result before capital grants and contributions.



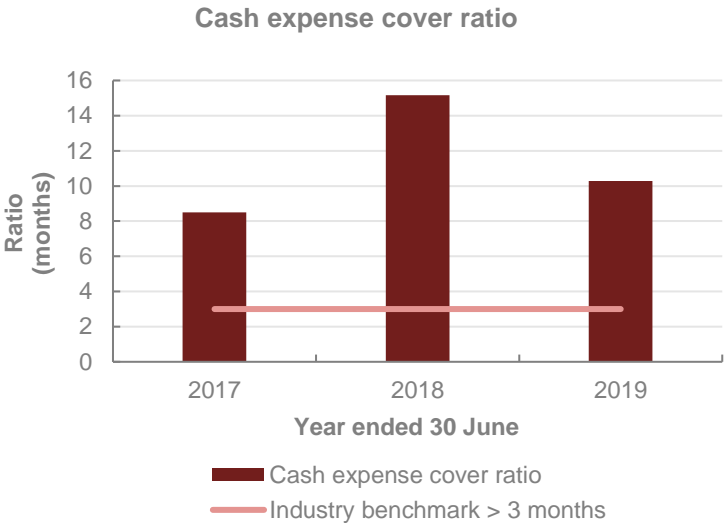
## Rates and annual charges outstanding percentage

- The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 5 per cent for metro councils.
- The Council's rates and annual charges outstanding percentage of 5.2% is not meeting the prescribed benchmark of less than 5% for metropolitan councils.
- The Council's rates and annual charges outstanding balance was higher than last year as a result of more ratepayers deferring their rate payments to later dates.
- In the past two years, the Council's collection procedures operated effectively to collect more than 90 per cent of the rates and annual charges revenue within the receivable due dates.



### Cash expense cover ratio

- 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 the former OLG is greater than three months.
- The Council's cash expense cover ratio was 10.3 months, which is above the industry benchmark of greater than 3 months. This indicates that the Council had the capacity to cover 10.3 months of operating cash expenditure without additional cash inflows at 30 June 2019.
- The cash expense cover ratio decreased compared with the prior year due to increased cash outflows in relation to the employee benefits and materials and contract expenditure.



### Infrastructure, property, plant and equipment renewals

The Council has renewed \$62.8 million of assets in 2018–19 financial year, compared to \$40.9 million of assets in the prior year. The increase is mainly due to higher asset renewals in roads and stormwater drainage in 2018–19.

## OTHER MATTERS

### New accounting standards implemented

Application period	Overview
<b>AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'</b>	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"> <li>• a simplified model for classifying and measuring financial assets</li> <li>• a new method for calculating impairment</li> <li>• a new type of hedge accounting that more closely aligns with risk management.</li> </ul> <p>The revised AASB 7 includes new disclosures as a result of AASB 9. Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 14.</p>

## 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.



Lawrissa Chan  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Kiersten Fishburn, Chief Executive Officer  
Andrew McLeod, Chair of Audit, Risk and Improvement Committee  
Jim Betts, Secretary of the Department of Planning, Industry and Environment

# Liverpool City Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

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LIVERPOOL  
CITY  
COUNCIL



## Special Purpose Financial Statements

for the year ended 30 June 2019

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<b>Special Purpose Financial Statements</b>	
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Statement of Financial Position – Carpark	5
<b>Note 1 – Significant Accounting Policies</b>	<b>6</b>
<b>Auditor's Report on Special Purpose Financial Statements</b>	<b>9</b>

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### Background

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the former Office of Local Government in fulfilling their requirements under National Competition Policy.
- ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

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

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

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

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

Special Purpose Financial Statements

for the year ended 30 June 2019

---

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

The attached Special Purpose Financial Statements have been prepared in accordance with:

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

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

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

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

Signed in accordance with a resolution of Council made on 28 October 2019



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Wendy Waller  
Mayor  
28 October 2019



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Ali Karnib  
Deputy Mayor  
28 October 2019



---

Kiersten Fishburn  
Chief Executive Officer  
28 October 2019



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Vishwa Nadan  
Responsible Accounting Officer  
28 October 2019

## Income Statement – Carpark

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
<b>Income from continuing operations</b>		
User charges	1,715	1,663
<b>Total income from continuing operations</b>	<b>1,715</b>	<b>1,663</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	70	76
Materials and contracts	141	134
Depreciation, amortisation and impairment	37	37
Other expenses	1,899	1,623
<b>Total expenses from continuing operations</b>	<b>2,147</b>	<b>1,870</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(432)</b>	<b>(207)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(432)</b>	<b>(207)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(432)</b>	<b>(207)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(432)</b>	<b>(207)</b>
<b>Plus Opening accumulated surplus</b>	<b>(2,733)</b>	<b>(2,526)</b>
<b>Plus adjustments for amounts unpaid:</b>		
<b>Closing accumulated surplus</b>	<b>(3,165)</b>	<b>(2,733)</b>
<b>Return on capital %</b>	<b>(203.8)%</b>	<b>(83.1)%</b>
<b>Subsidy from Council</b>	<b>435</b>	<b>214</b>



Statement of Financial Position – Carpark

as at 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
<b>ASSETS</b>		
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	212	249
<b>Total non-current assets</b>	<u>212</u>	<u>249</u>
<b>TOTAL ASSETS</b>	<u>212</u>	<u>249</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Provisions	34	31
<b>Total current liabilities</b>	<u>34</u>	<u>31</u>
<b>Non-current liabilities</b>		
Payables	3,343	2,951
<b>Total non-current liabilities</b>	<u>3,343</u>	<u>2,951</u>
<b>TOTAL LIABILITIES</b>	<u>3,377</u>	<u>2,982</u>
<b>NET ASSETS</b>	<u>(3,165)</u>	<u>(2,733)</u>
<b>EQUITY</b>		
Accumulated surplus	(3,165)	(2,733)
<b><u>TOTAL EQUITY</u></b>	<u>(3,165)</u>	<u>(2,733)</u>

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

### Note 1. Significant Accounting Policies

---

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

#### National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

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

#### Declared business activities

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

##### Category 1

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

NIL

##### Category 2

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

Carpark - Warren Service Way

#### Monetary amounts

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

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

### Note 1. Significant Accounting Policies (continued)

---

#### (i) Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

Corporate income tax rate – 27.5%

Land tax – the first \$692,000 of combined land values attracts 0%. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$850,000.

#### Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

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

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

The rate applied of 27.5% is/is not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

#### Local government rates and charges

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

#### Loan and debt guarantee fees

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

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

#### (ii) Subsidies

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

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

### Note 1. Significant Accounting Policies (continued)

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

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

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

#### (iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

***Operating result before capital income + interest expense***

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

#### (iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.



## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the special purpose financial statements**

#### **Liverpool City Council**

To the Councillors of the Liverpool City Council

### **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Liverpool City Council's (the Council) declared business activity, Carpark, which comprise the Income Statement of the declared business activity for the year ended 30 June 2019, the Statement of Financial Position of the declared business activity as at 30 June 2019, Note 1 Significant accounting policies for the business activity declared by Council, and the Statement by Councillors and Management.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared business activity as at 30 June 2019, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code).

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

### **Basis for Opinion**

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

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Statements**

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

## **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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'Lawrissa Chan', written in a cursive style.

Lawrissa Chan  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 October 2019  
SYDNEY

# Liverpool City Council

SPECIAL SCHEDULES  
for the year ended 30 June 2019

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## Special Schedules

for the year ended 30 June 2019

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## Background

These Special Schedules have been designed to meet the requirements of special purpose users such as;

- the NSW Grants Commission
- the Australian Bureau of Statistics (ABS),
- the former Office of Local Government (OLG).

The financial data is collected for various uses including;

- the allocation of Financial Assistance Grants,
- the incorporation of Local Government financial figures in national statistics,
- the monitoring of loan approvals,
- the allocation of borrowing rights, and
- the monitoring of the financial activities of specific services.

## Permissible income for general rates

\$ '000		Calculation 2019/20	Calculation 2018/19
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	99,241	95,838
Plus or minus adjustments <sup>2</sup>	b	1,785	954
<b>Notional general income</b>	<b>c = a + b</b>	<b>101,026</b>	<b>96,792</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	i = e x (c + g)	2,728	2,226
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>103,754</b>	<b>99,018</b>
Plus (or minus) last year's carry forward total	l	16	14
Less valuation objections claimed in the previous year	m	(221)	–
<b>Sub-total</b>	<b>n = (l + m)</b>	<b>(205)</b>	<b>14</b>
<b>Total permissible income</b>	<b>o = k + n</b>	<b>103,549</b>	<b>99,032</b>
Less notional general income yield	p	103,541	99,241
<b>Catch-up or (excess) result</b>	<b>q = o – p</b>	<b>8</b>	<b>(209)</b>
Plus income lost due to valuation objections claimed <sup>4</sup>	r	13	225
Less unused catch-up <sup>5</sup>	s	(19)	–
<b>Carry forward to next year <sup>6</sup></b>	<b>t = q + r + s</b>	<b>2</b>	<b>16</b>

**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.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's 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**  
**Liverpool City Council**

To the Councillors of Liverpool City Council

### Opinion

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

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

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

## Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Lawrissa Chan  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 October 2019  
SYDNEY

Report on Infrastructure Assets  
as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
<b>Buildings</b>	Buildings	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – non-specialised	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – specialised	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Admin Building	–	–	571	1,069	38,183	54,400	0.0%	0.0%	100.0%	0.0%	0.0%
	Aquatic Centres	673	673	573	901	21,281	47,763	0.0%	90.0%	7.0%	3.0%	0.0%
	Bush Fire / SES	463	463	45	91	2,408	4,281	44.0%	30.0%	3.0%	23.0%	0.0%
	Childcare Centres	–	–	169	483	8,258	14,046	0.0%	91.0%	9.0%	0.0%	0.0%
	Commercial Properties	–	–	126	277	403	12,556	50.0%	0.0%	50.0%	0.0%	0.0%
	Community Centres	444	444	845	245	48,687	80,435	38.0%	50.0%	16.0%	5.0%	(9.0%)
	Heritage Buildings	–	–	560	220	37,441	53,335	59.0%	27.0%	14.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Libraries, Museums	–	–	386	349	24,592	32,188	85.0%	15.0%	0.0%	0.0%	0.0%
	Multi Level Car Parks	–	–	284	192	14,980	28,418	0.0%	65.0%	35.0%	0.0%	0.0%
	Parks Buildings / Structures	626	626	444	6	24,779	44,371	15.0%	42.0%	40.0%	3.0%	0.0%
	Works Depot	2,036	2,036	85	188	3,415	8,494	37.0%	0.0%	12.0%	51.0%	0.0%
	<b>Sub-total</b>	<b>4,242</b>	<b>4,242</b>	<b>4,088</b>	<b>4,021</b>	<b>224,427</b>	<b>380,287</b>	<b>28.2%</b>	<b>40.4%</b>	<b>30.1%</b>	<b>3.2%</b>	<b>(1.9%)</b>
<b>Other structures</b>	Other structures	–	–	–	–	5,482	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5,482</b>	<b>–</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>
	Sealed roads	–	–	8,439	9,116	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Roads Formation	–	–	–	–	53,765	67,352	0.0%	0.0%	0.0%	0.0%	100.0%
	Sealed Roads Surface	17,500	17,500	–	–	107,507	133,219	38.0%	36.0%	5.0%	9.0%	12.0%
	Sealed Roads Structure	16,617	16,617	–	–	514,975	643,325	38.0%	38.0%	19.0%	4.0%	1.0%
	Kerb and Gutter	558	558	1,195	267	175,443	217,340	22.0%	42.0%	35.0%	1.0%	0.0%
	Footpaths	714	714	1,445	801	121,982	144,472	41.0%	27.0%	30.0%	1.0%	1.0%
	Unsealed roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Bridges	1,549	1,549	659	5	54,653	65,915	31.0%	44.0%	20.0%	2.0%	3.0%
	Other road assets	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	21,773	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Road Structures	224	224	1,000	437	66,842	81,185	10.0%	64.0%	25.0%	0.0%	1.0%
	Road Furniture	74	74	–	–	40,321	43,867	95.0%	4.0%	1.0%	0.0%	0.0%

Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost				Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring assets agreed level of service set by Council	2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance			1	2	3	4	5
<b>Roads</b>	Off Street Carparks	122	122	80	13	12,591	16,071	29.0%	35.0%	34.0%	2.0%	0.0%
	<b>Sub-total</b>	<b>37,358</b>	<b>37,358</b>	<b>12,818</b>	<b>10,639</b>	<b>1,169,852</b>	<b>1,412,746</b>	<b>33.8%</b>	<b>36.2%</b>	<b>20.4%</b>	<b>3.0%</b>	<b>6.6%</b>
<b>Water supply network</b>	Water supply network	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>
<b>Sewerage network</b>	Sewerage network	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>
<b>Stormwater drainage</b>	Stormwater drainage	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	(68)	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Reticulation Pipe	3,433	3,433	911	407	423,929	506,000	39.0%	30.0%	30.0%	1.0%	0.0%
	Pits	–	–	115	163	57,670	64,120	46.0%	47.0%	7.0%	0.0%	0.0%
	Headwalls and Culverts	180	180	27	41	10,848	14,752	42.0%	15.0%	41.0%	1.0%	1.0%
	Basins	–	–	87	86	29,446	34,693	48.0%	51.0%	1.0%	0.0%	0.0%
	Gross Pollutant Traps	–	–	261	163	9,623	10,452	15.0%	80.0%	4.0%	0.0%	1.0%
	<b>Sub-total</b>	<b>3,613</b>	<b>3,613</b>	<b>1,401</b>	<b>860</b>	<b>531,448</b>	<b>630,017</b>	<b>39.9%</b>	<b>33.4%</b>	<b>25.9%</b>	<b>0.8%</b>	<b>0.0%</b>
<b>Open space / recreational assets</b>	Swimming pools	–	–	–	–	(27,526)	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sporting Fields and Ovals	475	475	1,405	2,470	23,820	28,092	21.0%	64.0%	12.0%	2.0%	1.0%
	Parks Infrastructure Assets	247	247	401	3,088	40,189	47,187	35.0%	46.0%	18.0%	1.0%	0.0%
	Playground Equipment	462	462	691	618	28,645	34,567	24.0%	52.0%	21.0%	2.0%	1.0%
	<b>Sub-total</b>	<b>1,184</b>	<b>1,184</b>	<b>2,497</b>	<b>6,176</b>	<b>65,128</b>	<b>109,846</b>	<b>28.0%</b>	<b>52.5%</b>	<b>17.4%</b>	<b>1.6%</b>	<b>0.5%</b>
<b>Other infrastructure assets</b>	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>
<b>TOTAL - ALL ASSETS</b>		<b>46,397</b>	<b>46,397</b>	<b>20,804</b>	<b>21,696</b>	<b>1,996,337</b>	<b>2,532,896</b>	<b>34.2%</b>	<b>36.8%</b>	<b>23.1%</b>	<b>2.4%</b>	<b>3.5%</b>

(a) The level of service standards below and required maintenance is identified in Council's Asset Management Plan

## Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

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### Infrastructure asset condition assessment 'key'

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



Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	2018	Prior periods		Benchmark
				2017	2016	
<b>Infrastructure asset performance indicators (consolidated) *</b>						
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>						
Asset renewals <sup>2</sup>	<b>41,026</b>					
Depreciation, amortisation and impairment	<b>35,141</b>	<b>116.75%</b>	94.79%	97.55%	91.14%	>=100.00%
<b>Infrastructure backlog ratio <sup>1</sup></b>						
Estimated cost to bring assets to a satisfactory standard	<b>46,397</b>					
Net carrying amount of infrastructure assets	<b>1,996,337</b>	<b>2.32%</b>	2.60%	3.17%	3.75%	<2.00%
<b>Asset maintenance ratio</b>						
Actual asset maintenance	<b>21,696</b>					
Required asset maintenance	<b>20,804</b>	<b>104.29%</b>	105.90%	104.50%	105.99%	>100.00%
<b>Cost to bring assets to agreed service level</b>						
Estimated cost to bring assets to an agreed service level set by Council	<b>46,397</b>					
Gross replacement cost	<b>2,532,896</b>	<b>1.83%</b>	2.06%	2.49%	2.82%	

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

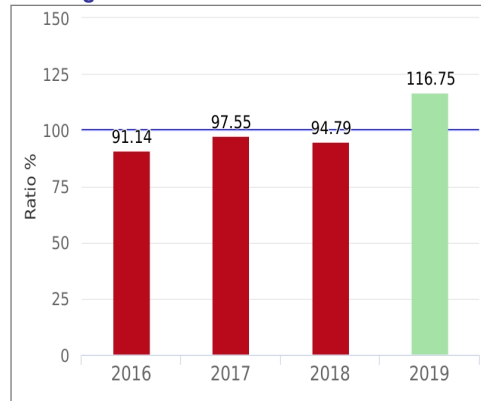
(1) Excludes Work In Progress (WIP)

(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.

Report on Infrastructure Assets (continued)

as at 30 June 2019

**Buildings and infrastructure renewals ratio**



**Infrastructure renewals ratio**

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on result	
18/19 ratio	116.75%

The infrastructure Renewal Ratio shows an improvement compared to the previous period. The trend indicates Council's continued efforts to renew the existing asset network in a sustainable way.

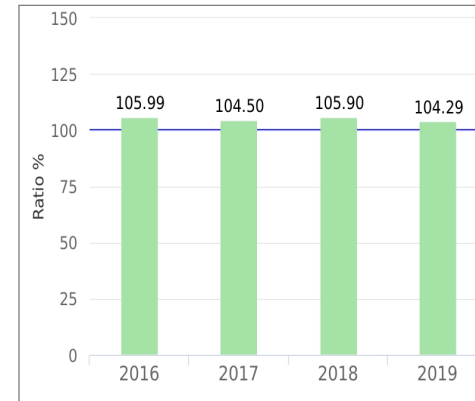
Benchmark: —  $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

**Asset maintenance ratio**



**Asset maintenance ratio**

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on result	
18/19 ratio	104.29%

Council has a history of substantial investment in asset maintenance with overall maintenance expenses generally exceeding the required maintenance expenses. Council has estimated required maintenance cost based on required ongoing maintenance activities over the life of an asset to achieve minimum of its design useful life.

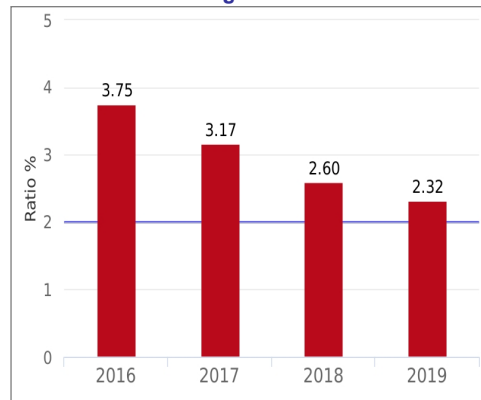
Benchmark: —  $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

**Infrastructure backlog ratio**



**Infrastructure backlog ratio**

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on result	
18/19 ratio	2.32%

With increased renewal funding, targeted renewal program based on modern asset management principles and effective asset maintenance strategy, Council aims to gradually reduce this backlog ratio to less than 2% of fair value.

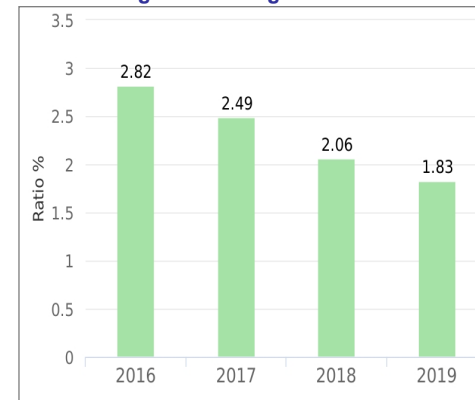
Benchmark: —  $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

**Cost to bring assets to agreed service level**



**Cost to bring assets to agreed service level**

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on result	
18/19 ratio	1.83%

With increased renewal funding, targeted renewal program based on modern asset management principles and effective asset maintenance strategy, Council aims to gradually reduce this backlog ratio to less than 2% of fair value.