



ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020

LIVERPOOL
CITY
COUNCIL 

Liverpool City Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

LIVERPOOL
CITY
COUNCIL



General Purpose Financial Statements

for the year ended 30 June 2020

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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.

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

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 2020.

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 Office of Local Government within the Department of Planning, Industry and Environment.

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.

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements (continued)

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 Office of Local Government within the Department of Planning, Industry and Environment.

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 25 November 2020.



Wendy Waller
Mayor
25 November 2020



Mazhar Hadid
Deputy Mayor
25 November 2020



Dr Eddie Jackson
A/Chief Executive Officer
25 November 2020



Vishwa Nadan
Responsible Accounting Officer
25 November 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
136,453	Rates and annual charges	3a	137,631	131,133
20,001	User charges and fees	3b	14,988	18,881
9,011	Other revenues	3c	11,394	21,724
16,885	Grants and contributions provided for operating purposes	3d,3e	19,247	19,804
102,938	Grants and contributions provided for capital purposes	3d,3e	98,847	94,664
7,748	Interest and investment revenue	4	6,320	8,978
8,753	Net gains from the disposal of assets	6	909	–
4,432	Rental income	13e	4,175	–
600	Net share of interests in joint ventures and associates using the equity method	18	437	708
306,821	Total income from continuing operations		293,948	295,892
Expenses from continuing operations				
78,520	Employee benefits and on-costs	5a	76,908	73,181
1,424	Borrowing costs	5b	1,920	1,624
62,450	Materials and contracts	5c	61,152	55,749
40,672	Depreciation and amortisation	5d	41,166	39,245
19,245	Other expenses	5e	16,964	17,091
–	Net losses from the disposal of assets	6	–	10,479
3,750	Revaluation decrement / impairment of IPP&E	5d	–	2,048
206,061	Total expenses from continuing operations		198,110	199,417
100,760	Operating result from continuing operations		95,838	96,475
100,760	Net operating result for the year		95,838	96,475
(2,178)	Net operating result for the year before grants and contributions provided for capital purposes		(3,009)	1,811

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		95,838	96,475
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	8,938	119,471
Total other comprehensive income for the year		8,938	119,471
Total comprehensive income for the year		104,776	215,946

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	114,162	85,346
Investments	7(b)	28,663	25,025
Receivables	8	17,855	21,309
Inventories	9a	232	122
Other	9b	1,288	1,370
Total current assets		<u>162,200</u>	<u>133,172</u>
Non-current assets			
Investments	7(b)	157,805	160,725
Receivables	8	80	15
Infrastructure, property, plant and equipment	10	2,790,660	2,709,110
Intangible Assets	11	1,457	1,247
Right of use assets	13a	7,240	–
Investments accounted for using the equity method	18	7,112	8,142
Total non-current assets		<u>2,964,354</u>	<u>2,879,239</u>
Total assets		<u>3,126,554</u>	<u>3,012,411</u>
LIABILITIES			
Current liabilities			
Payables	14	22,175	18,203
Income received in advance	14	–	597
Contract liabilities	12	4,971	–
Lease liabilities	13b	1,943	–
Borrowings	14	6,190	7,421
Provisions	15	25,628	27,736
Total current liabilities		<u>60,907</u>	<u>53,957</u>
Non-current liabilities			
Payables	14	9,285	7,487
Contract liabilities	12	263	–
Lease liabilities	13b	5,278	–
Borrowings	14	32,087	38,277
Provisions	15	3,386	2,199
Total non-current liabilities		<u>50,299</u>	<u>47,963</u>
Total liabilities		<u>111,206</u>	<u>101,920</u>
Net assets		<u>3,015,348</u>	<u>2,910,491</u>
EQUITY			
Accumulated surplus	16	1,917,503	1,821,584
Revaluation reserves	16	1,097,845	1,088,907
Council equity interest		<u>3,015,348</u>	<u>2,910,491</u>
Total equity		<u>3,015,348</u>	<u>2,910,491</u>

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

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

Statement of Changes in Equity
for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		1,821,584	1,088,907	2,910,491	1,725,109	969,436	2,694,545
Changes due to AASB 1058 and AASB 15 adoption	16	18	–	18	–	–	–
Changes due to AASB 16 adoption	16	63	–	63	–	–	–
Restated opening balance		1,821,665	1,088,907	2,910,572	1,725,109	969,436	2,694,545
Net operating result for the year		95,838	–	95,838	96,475	–	96,475
Restated net operating result for the period		95,838	–	95,838	96,475	–	96,475
Other comprehensive income							
– Gain (loss) on revaluation of infrastructure, property, plant and equipment	10	–	8,938	8,938	–	119,471	119,471
Other comprehensive income		–	8,938	8,938	–	119,471	119,471
Total comprehensive income		95,838	8,938	104,776	96,475	119,471	215,946
Equity – balance at end of the reporting period		1,917,503	1,097,845	3,015,348	1,821,584	1,088,907	2,910,491

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
137,017	Rates and annual charges		136,497	130,145
18,830	User charges and fees		14,945	21,070
5,985	Investment revenue and Interest		6,910	8,464
104,032	Grants and contributions		76,832	80,238
–	Bonds, deposits and retentions received		921	415
18,942	Other		33,109	25,976
Payments:				
(78,520)	Employee benefits and on-costs		(75,146)	(71,150)
(56,450)	Materials and contracts		(65,504)	(57,198)
(1,427)	Borrowing costs		(1,804)	(1,286)
(19,246)	Other		(24,345)	(27,321)
129,163	Net cash provided from (or used in) operating activities	17b	102,415	109,353
Cash flows from investing activities				
Receipts:				
–	Sale of investments		112,014	70,637
17,232	Sale of infrastructure, property, plant and equipment		10,220	286
Payments:				
(66,326)	Purchase of investment securities		(112,393)	(102,044)
(138,122)	Purchase of infrastructure, property, plant and equipment		(74,209)	(109,201)
(2,785)	Purchase of intangible assets		(964)	(465)
–	Contributions paid to joint ventures and associates		1,467	(1)
(190,001)	Net cash provided from (or used in) investing activities		(63,865)	(140,788)
Cash flows from financing activities				
Receipts:				
–	Proceeds from borrowings and advances		–	19,500
Payments:				
(6,657)	Repayment of borrowings and advances		(7,537)	(6,724)
–	Lease liabilities (principal repayments)		(2,197)	–
(6,657)	Net cash flow provided from (used in) financing activities		(9,734)	12,776
(67,495)	Net increase/(decrease) in cash and cash equivalents		28,816	(18,659)
85,346	Plus: cash and cash equivalents – beginning of reporting period	17a	85,346	104,005
17,851	Cash and cash equivalents – end of the year	17a	114,162	85,346

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 27 October 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted 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 22 – Material budget variations

and are clearly marked.

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 23
- (ii) estimated employee benefits, including self-insured workers compensation claims liability – refer Note 15
- (iii) estimated hazardous waste remediation costs – refer Note 15.

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 8.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

(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.

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

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

- General purpose operations

(b) The Trust Fund

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

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

Goods and Services Tax (GST)

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.

Volunteer services

Council engages volunteers to help in delivery of some community events. The value of volunteer services Council receives cannot be reliably measured and is not material.

New accounting standards and interpretations issued not yet effective

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

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

As at the date of authorisation of these financial statements Council does not consider that any of these new (and still to be applied) standards and interpretations are expected to impact on the Council's future financial statements, financial position, financial performance or cash flows.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective for the first time at 30 June 2020:

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

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 16.

Significant Events

The COVID-19 pandemic has had significant impact on Council's operations which is reflected in the financial statements.

In April 2020, Council endorsed several initiatives to support its ratepayers and business community. Apart from a general slowdown in business activities, several Council facilities, services and events were affected due to mandatory restrictions which resulted in reduced revenues.

Council recognised the financial difficulties experienced by ratepayers and suspended its debt collection activity which resulted in higher than normal level of outstanding rates and annual charges at 30 June 2020.

The pandemic is expected to have a continued impact on Councils operations in 2020/21.

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

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

Income, expenses and assets have been directly attributed to the following functions or activities.
Details of those functions or activities are provided in Note 2(b).

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Governance	9	–	1,035	1,177	(1,026)	(1,177)	–	–	–	–
Creating Connection	8,106	7,382	32,675	31,964	(24,569)	(24,582)	5,321	3,651	913,545	904,819
Strengthening and protecting our environment	96,669	102,597	77,835	68,957	18,834	33,640	3,947	6,277	542,968	532,467
Generating opportunity	22,513	30,770	52,706	49,998	(30,193)	(19,228)	9,545	16,774	1,653,207	1,558,426
Leading through collaboration	55,883	47,638	33,859	47,321	22,024	317	502	478	16,833	16,699
Share of gains/ (losses) in Associates & Joint Ventures (using the Equity Method)	–	–	–	–	–	–	–	–	–	–
General purpose income	110,768	107,505	–	–	110,768	107,505	8,912	8,783	–	–
Total functions and activities	293,948	295,892	198,110	199,417	95,838	96,475	28,227	35,963	3,126,554	3,012,411

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058	78,883	75,132
Farmland	1058	437	459
Business	1058	20,897	20,833
Less: pensioner rebates	1058	(1,700)	(1,696)
Rates levied to ratepayers		98,517	94,728
Pensioner rate subsidies received	1058	880	857
Total ordinary rates		99,397	95,585
Special rates			
Environmental	1058	1,766	1,703
Town improvement	1058	1,503	1,515
Rates levied to ratepayers		3,269	3,218
Total special rates		3,269	3,218
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058	33,388	30,809
Stormwater management services	1058	1,571	1,521
Waste management services (non-domestic)	1058	262	266
Section 611 charges	1058	128	120
Less: pensioner rebates	1058	(677)	(672)
Annual charges levied		34,672	32,044
Pensioner subsidies received:			
– Domestic waste management	1058	293	286
Total annual charges		34,965	32,330
TOTAL RATES AND ANNUAL CHARGES		137,631	131,133

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 which is the beginning of the rating period to which they relate.

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

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 2020

Note 3. Revenue 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 and are in substance a rates payment.

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Inspection services	15	2,026	1,983
Planning and building regulation	15	4,982	7,609
Section 10.7 certificates (EP&A Act)	15	520	486
Regulatory/ statutory fees	15	344	319
Section 603 certificates	15	273	198
Animal impounding fees	15	86	84
Other	15	62	121
Total fees and charges – statutory/regulatory		8,293	10,800
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Child care	15	1,975	2,688
Parking fees	15	3,432	3,806
Community hall rental	15	802	1,116
Sports field hire	15	272	293
Leaseback fees – Council vehicles	15	70	58
Other	15	144	120
Total fees and charges – other		6,695	8,081
<u>TOTAL USER CHARGES AND FEES</u>		<u>14,988</u>	<u>18,881</u>

Accounting policy for user charges and fees

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

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence.

2019 accounting policy:

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(c) Other revenues			
Fines – parking	1058	2,427	3,529
External works	1058	2,343	1,376
Ex gratia rates ¹	1058	2,200	5,447
Fines – other	1058	645	551
Sales – general	1058	634	573
Sales – art galleries	1058	226	383
Sales – recycling materials	1058	455	315
Animal control	1058	127	102
Diesel rebate	1058	120	103
Rental income – other council properties	1058	–	3,113
Photocopy income	1058	77	95
Compensation – easements	1058	63	310
Legal fees recovery – other	1058	41	41
Room hire	1058	40	37
Insurance claims recoveries	1058	5	526
Long service levy commission	1058	6	6
Sales – printing services	1058	5	13
Adjustment: reversal of impairment of Land Under Roads	1058	–	2,702
Settlement: claim against Standard & Poor's International ²	1058	–	888
Other	1058	1,980	1,301
Sales - energy saving certificates ³	1058	–	313
TOTAL OTHER REVENUE		11,394	21,724

Accounting policy for other revenue

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

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

2019 accounting policy:

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

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

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

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

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

(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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

- (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 in 2018/19 under a settlement scheme is its share of the net proceeds from settlement.
- (3) Under Western Sydney Regional Organisation of Councils (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 previous financial year.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058	3,185	3,164	–	–
Financial assistance – local roads component	1058	1,142	1,148	–	–
Payment in advance - future year allocation ¹					
Financial assistance – general component	1058	3,373	3,280	–	–
Financial assistance – local roads component	1058	1,212	1,191	–	–
Amount recognised as income during current year		8,912	8,783	–	–
Specific purpose					
Aged care	1058	–	3	–	–
Bushfire and emergency services	1058	170	170	–	–
Better waste and recycling	1058	218	217	–	–
Child care	1058	5,372	4,132	–	–
Community care	1058	86	198	–	–
Cultural services	1058	340	470	–	–
Drainage	1058	88	30	–	77
Employment and training programs	1058	2	25	–	–
Library	1058	556	468	50	86
LIRS subsidy	1058	588	478	–	–
Recreation and culture	1058	53	–	–	–
Street lighting	1058	813	798	–	–
Town Planning	1058	300	2,500	–	–
Transport	1058	–	–	–	–
- Roads to recovery	1058	–	–	1,431	950
- Other roads and bridges	1058	235	462	4,566	13,858
- Other	1058	1,286	996	3,161	1,262
Total grants		19,019	19,730	9,208	16,233
Grant revenue is attributable to:					
– Commonwealth funding		13,921	12,367	1,707	1,003
– State funding		4,958	7,066	7,482	15,230
– Other funding		140	297	19	–
		19,019	19,730	9,208	16,233

(1) \$4.585m of the 2020-2021 Financial Assistance Grant from State Government was received by Council in June 2020 and hence is reported as 2019-20 income although it relates to 2020-2021 financial year

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		1058	–	–	41,055	41,079
Total developer contributions – cash			–	–	41,055	41,079
Non-cash contributions						
S 7.11 – contributions towards amenities/services		1058	–	–	–	1,882
Total developer contributions non-cash			–	–	–	1,882
Total developer contributions	26		–	–	41,055	42,961
Other contributions:						
Cash contributions						
Roads and bridges		1058	–	–	2,685	1,604
Other		1058	228	74	–	1,144
Total other contributions – cash			228	74	2,685	2,748
Non-cash contributions						
Dedications – subdivisions (other than by s7.11) ¹		1058	–	–	43,710	30,207
Land Under Roads		1058	–	–	2,189	2,515
Total other contributions – non-cash			–	–	45,899	32,722
Total other contributions			228	74	48,584	35,470
Total contributions			228	74	89,639	78,431
TOTAL GRANTS AND CONTRIBUTIONS			19,247	19,804	98,847	94,664

Accounting policy for grants and contributions

Accounting policy from 1 July 2019

Grant income under AASB 15

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Grant income

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

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

Capital grants

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

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

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

Contributions

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of 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 26.

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.

Accounting policy prior to 1 July 2019

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

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

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

(1) Refer Note 10 v(iii) for valuation methodology

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions ^{1., 2.}		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	6,155	1,588
operating grants recognised as income in the current period but not yet spent	378	2,955
operating grants received for the provision of goods and services in a future period	3,543	–
operating grants recognised in a previous reporting period now spent	(3,609)	(484)
operating grants received in a previous reporting period now spent and recognised as income	–	–
Unexpended and held as externally restricted assets (operating grants)	6,467	4,059
Capital grants		
Capital grants recognised as income in the current period that have not been spent	15,963	18,472
capital grants recognised as income in the current period but not yet spent	770	2,540
capital grants received for the provision of goods and services in a future period	55	–
capital grants recognised in a previous reporting period now spent	(2,582)	(2,953)
capital grants received in a previous reporting period now spent and recognised as income	–	–
Unexpended and held as externally restricted assets (capital grants)	14,206	18,059
Contributions		
Contributions recognised as income in the current period that have not been spent	3,956	1,336
contributions recognised as income in the current period but not yet spent	2,685	2,670
contributions received for the provision of goods and services in a future period	603	–
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	–	–
contributions recognised in a previous reporting period now spent	(176)	(50)
Unexpended and held as externally restricted assets (contributions)	7,068	3,956

(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 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB 15 2020	AASB 1058 2020
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(g) Disaggregation of material revenue streams

The following shows the revenue recognition pattern for the material revenue streams of Council.

Revenue recognition at a point in time

Rates and annual charges	–	137,631
Financial assistance grants	–	8,912
User charges and fees	14,898	–
Grant revenue and non-developer contributions	–	22,079
Fines	–	2,427
External Works	–	2,328
	<u>14,898</u>	<u>173,377</u>

Revenue recognised over time

Grant revenue	147	–
	<u>147</u>	<u>7,320</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment revenue

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges	478	431
– Cash and investments	5,517	7,682
Fair value adjustments		
– Fair valuation movements in investments (at Fair Value through Profit and Loss)	325	865
Total Interest and investment income	6,320	8,978
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	478	431
General Council cash and investments	1,693	2,674
Restricted investments/funds – external:		
Development contributions		
– Section 7.11 – interest on investments	3,329	4,521
– Section 7.11 – share of fair value gain/(loss) on investments	190	510
Domestic waste management operations	408	555
Other externally restricted assets	222	287
Total interest and investment revenue	6,320	8,978

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 Office of Local Government within the Department of Planning, Industry and Environment 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 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	62,991	59,380
Travel expenses	85	195
Employee leave entitlements (ELE)	10,206	10,212
Superannuation – defined contribution plans	6,339	6,067
Superannuation – defined benefit plans	342	370
Workers' compensation insurance	1,463	1,639
Fringe benefit tax (FBT)	340	382
Training costs (other than salaries and wages)	441	366
Other	605	686
Less: capitalised costs	(5,904)	(6,116)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>76,908</u>	<u>73,181</u>
Number of 'full-time equivalent' employees (FTE) at year end	761	773

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 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2020

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

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 \$ 580,238.08.

(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 2020 is:

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

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

The 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.

The share of the surplus in the scheme is about 0.61%.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

Additional contributions are estimated to remain in place until 30 June 2021 i.e. \$245,800 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 2020 was \$574,441.62. The last valuation of the Fund was performed by Mr Richard Boyfield (Fellow of the Institute of Actuaries of Australia) on 31 December 2019, relating to the period ending 30 June 2020.

\$ '000	2020	2019
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on leases	220	–
Interest on loans	1,584	1,517
Total interest bearing liability costs	1,804	1,517
Less: capitalised costs	–	(108)
Total interest bearing liability costs expensed	1,804	1,409
(ii) Other borrowing costs		
Fair value adjustments on recognition of advances and deferred debtors		
Amortisation on interest free (and favourable) loans to Council	116	215
Total other borrowing costs	116	215
TOTAL BORROWING COSTS EXPENSED	1,920	1,624

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 as incurred

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	61,449	50,610
Contractor and consultancy costs	90,614	93,535
Auditors remuneration	159	155
Legal expenses:		
– Planning and development	465	481
– Other	619	384
Expenses from short-term leases	351	–
Expenses from leases of low value assets	402	–
Variable lease expense relating to usage	418	–
Operating leases expense :		
– Operating lease rentals	–	2,205
Total materials and contracts	<u>154,477</u>	<u>147,370</u>
Less: capitalised costs	(93,325)	(91,621)
TOTAL MATERIALS AND CONTRACTS	<u>61,152</u>	<u>55,749</u>

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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

Auditor remuneration

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	159	155
Remuneration for audit and other assurance services	<u>159</u>	<u>155</u>
Total Auditor-General remuneration	<u>159</u>	<u>155</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		2,041	2,107
Office equipment		531	433
Furniture and fittings		181	173
Land improvements (depreciable)		5	5
Infrastructure:	10		
– Buildings – non-specialised		7,532	7,060
– Other structures		153	142
– Roads		18,557	19,969
– Stormwater drainage		5,613	4,713
– Other open space/recreational assets		3,166	3,257
Right of use assets	13	2,241	–
Other assets:			
– Heritage collections		164	164
– Library books		696	690
Intangible assets	11	286	532
Total gross depreciation and amortisation costs		<u>41,166</u>	<u>39,245</u>
Total depreciation and amortisation costs		<u>41,166</u>	<u>39,245</u>
Impairment / revaluation decrement of IPP&E			
Other assets:			
– Land under roads (Fair Value Decrement)		–	2,048
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		<u>–</u>	<u>2,048</u>
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		<u>–</u>	<u>2,048</u>
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>41,166</u>	<u>41,293</u>

Accounting policy for depreciation, amortisation and impairment expenses of non-financial assets**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE 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 2020

Note 5. 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	2020	2019
(e) Other expenses		
Repairs and maintenance	3,862	3,583
Street lighting	2,727	3,180
Insurance	1,829	1,563
Electricity and heating	1,707	1,848
Donations, contributions and assistance to other organisations (Section 356)	792	668
Subscriptions and publications	502	461
Bank charges	445	444
Postage	368	337
Councillor expenses – councillors' fees	335	326
Advertising	311	341
Telephone and communications	289	665
Contributions/levies to other levels of government		
– NSW fire brigade levy	1,404	1,333
– NSW rural fire service levy	290	242
– Sydney Water	674	688
– Emergency services levy (includes FRNSW, SES, and RFS levies)	314	289
– Australian communication authority	201	119
– Department of planning levy	148	145
Printing and stationery	227	262
Bad and doubtful debts	294	444
Councillor expenses – mayoral fee	89	86
Councillors' expenses (incl. mayor) – other (excluding fees above)	71	120
Travel expenses	12	–
Other	245	127
Total other expenses	17,136	17,271
Less: capitalised costs	(172)	(180)
TOTAL OTHER EXPENSES	16,964	17,091

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Proceeds from disposal – property		10,000	–
Less: carrying amount of property assets disposed		(4,311)	(610)
Net gain/(loss) on disposal		5,689	(610)
Plant and equipment			
	10		
Proceeds from disposal – plant and equipment		220	205
Less: carrying amount of plant and equipment assets disposed		(19)	(16)
Net gain/(loss) on disposal		201	189
Infrastructure			
	10		
Proceeds from disposal – infrastructure		–	81
Less: carrying amount of infrastructure assets disposed		(4,369)	(10,119)
Net gain/(loss) on disposal		(4,369)	(10,038)
Investments			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		112,014	70,637
Less: carrying amount of investments sold/redeemed/matured		(112,000)	(70,500)
Net gain/(loss) on disposal		14	137
Intangible assets			
	11		
Proceeds from disposal – intangible assets		–	–
Less: carrying amount of intangible assets sold/written off		(468)	–
Net gain/(loss) on disposal		(468)	–
Other (Library Books)			
Proceeds from disposal – Other – Library Books		–	–
Less: carrying amount of Other – Library Books assets disposed		(158)	(157)
Net gain/(loss) on disposal		(158)	(157)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		909	(10,479)

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	2,248	1,395
Cash-equivalent assets		
– Deposits at call	41,901	16,184
– Managed funds	37,013	21,767
– Short-term deposits	33,000	46,000
Total cash and cash equivalents	114,162	85,346

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 2020

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Designated at fair value on initial recognition'	20,663	140,805	5,025	125,725
b. 'Financial assets at amortised cost' / 'held to maturity'	8,000	17,000	20,000	35,000
Total Investments	28,663	157,805	25,025	160,725
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	142,825	157,805	110,371	160,725
Financial assets at fair value through the profit and loss				
Non-convertible debentures or floating rate notes	20,663	139,220	5,025	124,148
Mortgage backed securities	–	1,585	–	1,577
Total	20,663	140,805	5,025	125,725
Financial assets at amortised cost / held to maturity				
Long term deposits	8,000	17,000	20,000	35,000
Total	8,000	17,000	20,000	35,000

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.

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.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

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.

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	142,825	157,805	110,371	160,725
attributable to:				
External restrictions	93,526	157,805	54,083	160,725
Internal restrictions	13,132	–	12,215	–
Unrestricted	36,167	–	44,073	–
	142,825	157,805	110,371	160,725

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** – 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** – 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** – 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.
- **Carnes Hill Stage 2** - Proceeds from disposal of 88 Kurrajong Road (DP 1236888) set aside for concept design and planning costs for Carnes Hill Stage 2 development.

Notes to the Financial Statements

for the year ended 30 June 2020

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

- **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** - unspent funds drawn down from a special purpose loan facility.

\$ '000	2020	2019
Details of restrictions		
External restrictions – included in liabilities		
Specific purpose unexpended grants – general fund	3,600	–
External restrictions – included in liabilities	3,600	–
External restrictions – other		
Developer contributions – general	195,724	159,603
Specific purpose unexpended grants – Capital	14,150	18,059
Domestic waste management	17,375	17,795
Environmental levy	5,771	5,017
Edmondson park reserve (unexpended loan)	2,726	2,672
Specific purpose unexpended grants – Operating	2,923	4,059
City development fund (previously TIF)	1,755	2,719
Better waste and recycling reserve	479	391
Stormwater management	358	307
Collingwood house restoration works	4	230
Other contributions reserve	6,466	3,956
External restrictions – other	247,731	214,808
Total external restrictions	251,331	214,808
Internal restrictions		
Loan Reserve	–	4,134
Carnes Hill stage 2 precinct development reserve	4,889	–
Employees leave entitlement	4,027	3,621
Insurance reserve	1,796	1,796
Parking strategy reserve	1,500	1,500
General property reserve	837	677
Moorebank voluntary acq reserve	83	487
Total internal restrictions	13,132	12,215
TOTAL RESTRICTIONS	264,463	227,023

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

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	7,798	40	6,498	15
Interest and extra charges	536	–	594	–
User charges and fees	3,846	–	3,286	–
Accrued revenues				
– Interest on investments	713	–	1,570	–
– Other income accruals	3,640	–	7,366	–
Net investment in finance lease	–	–	–	–
Government grants and subsidies	–	–	300	–
Net GST receivable	2,015	–	2,183	–
Other debtors	112	40	112	–
Total	18,660	80	21,909	15
Less: provision of impairment				
User charges and fees	(805)	–	(600)	–
Total provision for impairment – receivables	(805)	–	(600)	–
<u>TOTAL NET RECEIVABLES</u>	<u>17,855</u>	<u>80</u>	<u>21,309</u>	<u>15</u>
Externally restricted receivables				
Domestic waste management	1,978	–	1,724	–
Town improvement	98	–	52	–
Other				
– Environmental levy	111	–	96	–
Total external restrictions	2,187	–	1,872	–
Unrestricted receivables	15,668	80	19,437	15
TOTAL NET RECEIVABLES	17,855	80	21,309	15

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	600	535
+ new provisions recognised during the year	702	444
Unused amounts reversed	(408)	(300)
– amounts already provided for and written off this year	(89)	(79)
Balance at the end of the year	805	600

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

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

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

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 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.

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 365 days past due, whichever occurs first.

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	232	–	122	–
Total inventories at cost	232	–	122	–
<u>TOTAL INVENTORIES</u>	<u>232</u>	<u>–</u>	<u>122</u>	<u>–</u>
(b) Other assets				
Prepayments	1,288	–	1,370	–
<u>TOTAL OTHER ASSETS</u>	<u>1,288</u>	<u>–</u>	<u>1,370</u>	<u>–</u>

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 2020

Note 10. Infrastructure, property, plant and equipment

\$ '000	as at 30/06/19			Asset movements during the reporting period							as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	74,723	–	74,723	12,075	37,703	–	–	(26,340)	3,149	–	101,310	–	101,310
Plant and equipment	21,280	(15,860)	5,420	–	–	(3)	(2,041)	2,690	–	–	22,947	(16,881)	6,066
Office equipment	6,091	(4,241)	1,850	–	–	(15)	(531)	922	–	–	6,874	(4,648)	2,226
Furniture and fittings	3,160	(2,101)	1,059	–	–	–	(181)	127	–	–	3,287	(2,282)	1,005
Land:													
– Operational land	239,899	–	239,899	–	–	(4,006)	–	4,765	(606)	(1,551)	238,501	–	238,501
– Community land	305,299	–	305,299	–	–	–	–	–	–	12,436	317,735	–	317,735
– Crown land	44,919	–	44,919	–	–	–	–	–	–	(755)	44,164	–	44,164
– Land under roads (post 30/6/08)	19,939	–	19,939	–	2,189	–	–	–	–	–	22,128	–	22,128
Land improvements – non-depreciable	16,969	–	16,969	1,105	–	–	–	733	(1,838)	–	16,969	–	16,969
Land improvements – depreciable	342	(45)	297	–	–	–	(5)	–	–	–	342	(50)	292
Infrastructure:													
– Buildings – non-specialised	380,287	(155,860)	224,427	2,875	–	(303)	(7,532)	3,661	1,370	(599)	388,468	(164,569)	223,899
– Other structures	6,381	(899)	5,482	378	23	(16)	(153)	322	(223)	–	6,864	(1,051)	5,813
– Roads	1,438,394	(268,542)	1,169,852	12,345	32,963	(3,982)	(18,557)	12,124	(1,716)	(584)	1,488,371	(285,926)	1,202,445
– Stormwater drainage	629,946	(98,498)	531,448	2,001	14,452	(29)	(5,613)	35	(350)	(9)	646,328	(104,393)	541,935
– Other open space/recreational assets	77,547	(12,419)	65,128	1,909	87	(342)	(3,166)	243	214	–	79,549	(15,476)	64,073
Other assets:													
– Heritage collections	1,654	(1,213)	441	–	–	–	(164)	–	–	–	1,654	(1,377)	277
– Library books	5,065	(3,107)	1,958	–	–	(158)	(696)	718	–	–	4,687	(2,865)	1,822
Total Infrastructure, property, plant and equipment	3,271,895	(562,785)	2,709,110	32,688	87,417	(8,854)	(38,639)	–	–	8,938	3,390,178	(599,518)	2,790,660

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

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

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

	as at 30/06/18			Asset movements during the reporting period								as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	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
\$ '000														
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
Land:														
– Operational land	238,289	–	238,289	–	–	–	–	–	–	–	1,610	239,899	–	239,899
– Community land	348,916	–	348,916	–	–	–	–	–	–	–	1,302	305,299	–	305,299
– Crown land	–	–	–	–	–	–	–	–	–	–	–	44,919	–	44,919
– 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
Infrastructure:														
– 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
Other assets:														
– 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
Total Infrastructure, property, plant and equipment	3,000,697	(504,272)	2,496,425	62,826	79,334	(10,888)	(38,713)	(2,348)	–	–	122,474	3,271,895	(562,785)	2,709,110

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. 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 Office of Local Government within the Department of Planning, Industry and Environment.

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 2020

Note 10. 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.

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% using Englobo method 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.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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.

The carrying value of RFS assets is not material and excluded in the financial statements.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
Software		
Opening values at 1 July		
Gross book value	4,418	4,091
Accumulated amortisation	(3,171)	(2,777)
Net book value – opening balance	1,247	1,314
Movements for the year		
– Other movements	2,439	13
– Purchases	1,047	452
– Amortisation charges	(286)	(532)
– Gross book value written off	(3,533)	(138)
– Accumulated amortisation charges written off	543	138
Closing values at 30 June		
Gross book value	1,924	4,418
Accumulated amortisation	(467)	(3,171)
Total software – net book value	1,457	1,247
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	1,457	1,247

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

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

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

Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities

\$ '000	Notes	2020 Current	2020 Non-current
Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	55	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	3,512	31
Unexpended capital contributions (to construct Council controlled assets)	(i)	–	10
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	594	–
Total grants received in advance		4,161	41
User fees and charges received in advance:			
Other		810	222
Total user fees and charges received in advance		810	222
Total contract liabilities		4,971	263

Notes

(i) Council has received funding to construct assets including sporting facilities, bridges, library and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

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

\$ '000	2020
(ii) Revenue recognised (during the financial year) from opening contract liability balances	
Grants and contributions received in advance:	
Capital grants (to construct Council controlled assets)	–
Operating grants (received prior to performance obligation being satisfied)	–
Capital contributions (to construct Council controlled assets)	–
Operating contributions (received prior to performance obligation being satisfied)	–
User Fees and Charges received in advance:	
Other	–
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	–

Significant changes in contract assets and liabilities

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

Accounting policy for contract assets and liabilities

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities (continued)

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

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

Note 13. Leases

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

(i) Council as a lessee

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

Buildings

Council leases land and buildings for their corporate offices and other buildings; the leases are generally between 2 and 7 years and some of them include a renewal option to allow Council to renew for up to twice the noncancellable lease term at their discretion.

The building leases contains an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

Vehicles

Council leases vehicles and equipment with lease terms varying from 2 to 3 years; the lease payments are fixed during the lease term and there is generally no renewal option.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 3 and 4 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

Extension options

Council includes options in the building leases to provide flexibility and certainty to Council operations and reduce costs of moving premises; and the extension options are at Council's discretion.

At commencement date and each subsequent reporting date, Council assesses where it is reasonably certain that the extension options will be exercised.

There are no potential future lease payments which are not included in lease liabilities as Council has assessed that the exercise of the option is not reasonably certain.

\$ '000	Land and Buildings	Vehicles	Office and IT Equipment	Total
Opening balance at 30 June 2019	–	–	–	–
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	7,032	973	165	8,170
Additions to right-of-use assets	21	1,290	–	1,311
Depreciation charge	(1,223)	(977)	(41)	(2,241)
Impairment of right-of-use assets	–	–	–	–
Balance at 30 June 2020	5,829	1,287	124	7,240

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

\$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liabilities	1,943	5,278
<u>TOTAL LEASE LIABILITIES</u>	<u>1,943</u>	<u>5,278</u>

(i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	2,129	4,924	695	7,748	7,221
\$ '000					2020

(c) Income Statement

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

Interest on lease liabilities	220
Variable lease payments based on usage not included in the measurement of lease liabilities	418
Depreciation of right of use assets	2,241
Expenses relating to short-term leases	351
Expenses relating to low-value leases	402
	<u>3,632</u>

(d) Statement of Cash Flows

Total cash outflow for leases	2,956
	<u>2,956</u>

Accounting policy

Accounting policies under AASB 16 – applicable from 1 July 2019

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

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

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

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives. The right-of-use

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / concessionary leases

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

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

Refer to Note 5c and Note 16.

(ii) Council as a lessor

(e) Operating leases

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

\$ '000	2020
(i) Operating lease income	
Rental properties	
Lease income (excluding variable lease payments not dependent on an index or rate)	3,243
Other lease income	
Leaseback fees - council vehicles	932
Total income relating to operating leases	4,175

(iv) Maturity analysis of contractual lease income

Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

< 1 year	2,610
1–2 years	2,432
2–3 years	2,266
Total undiscounted contractual lease income receivable	7,308

Accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	13,769	–	11,746	–
Accrued expenses:				
– Borrowings	227	–	227	–
– Other expenditure accruals	5,799	–	3,159	–
Advances	25	–	30	–
Security bonds, deposits and retentions	1,102	9,285	1,979	7,487
Prepaid rates	1,253	–	1,062	–
Total payables	22,175	9,285	18,203	7,487
Income received in advance				
Payments received in advance	–	–	597	–
Total income received in advance	–	–	597	–
Borrowings				
Loans – secured ¹	6,190	32,087	7,421	38,277
Total borrowings	6,190	32,087	7,421	38,277
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>28,365</u>	<u>41,372</u>	<u>26,221</u>	<u>45,764</u>

(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 21.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
LIRS borrowings	2,395	8,531	3,773	10,926
Payables and borrowings relating to externally restricted assets	2,395	8,531	3,773	10,926
Total payables and borrowings relating to restricted assets	2,395	8,531	3,773	10,926
Total payables and borrowings relating to unrestricted assets	25,970	32,841	22,448	34,838
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>28,365</u>	<u>41,372</u>	<u>26,221</u>	<u>45,764</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

\$ '000	2020	2019
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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	276	495
Total payables and borrowings	276	495

(c) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	45,698	(7,421)	–	–	–	–	38,277
Lease liabilities	–	7,221	–	–	–	–	7,221
TOTAL	45,698	(200)	–	–	–	–	45,498

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	32,707	12,775	–	–	216	45,698
TOTAL	32,707	12,775	–	–	216	45,698

\$ '000	2020	2019
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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	5,000	3,500
Total financing arrangements	15,550	14,050

Drawn facilities as at balance date:

– Credit cards/purchase cards	6	144
– Bank Guarantees	3,534	3,341
Total drawn financing arrangements	3,540	3,485

Undrawn facilities as at balance date:

– Bank overdraft facilities	500	500
– Credit cards/purchase cards	6,544	6,406
– Standby credit facilities	3,500	3,500
– Bank Guarantees	1,466	159
Total undrawn financing arrangements	12,010	10,565

Breaches and defaults

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

During the current and prior year, there were no defaults or breaches on any of the loan terms and conditions, including repayments

Security over loans

In accordance with Section 229 of the Local Government (General) Regulation 2005, (NSW), all loans are secured as a charge of Council's general income.

Bank overdrafts

During the current and prior year, Council did not use its bank overdraft facility.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	7,838	–	6,679	–
Sick leave	202	–	196	–
Long service leave	11,684	879	11,520	399
Other leave	1,365	–	1,343	–
Sub-total – aggregate employee benefits	21,089	879	19,738	399
Asset remediation/restoration:				
Site Contamination	3,008	–	4,925	–
Sub-total – asset remediation/restoration	3,008	–	4,925	–
Other provisions				
Self insurance – workers compensation	760	2,230	620	1,800
Other	771	277	2,453	–
Sub-total – other provisions	1,531	2,507	3,073	1,800
TOTAL PROVISIONS	25,628	3,386	27,736	2,199

\$ '000	2020	2019
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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	15,817	14,653
	<u>15,817</u>	<u>14,653</u>

(b) Description of and movements in non-employee benefit provisions

\$ '000	Other provisions			Total
	Self insurance	Asset remediation	Other	
2020				
At beginning of year	2,420	4,925	2,453	9,798
Additional provisions	570	–	543	1,113
Amounts used (payments)	–	(1,917)	(1,948)	(3,865)
Total other provisions at end of year	2,990	3,008	1,048	7,046
2019				
At beginning of year	1,450	2,500	1,902	5,852
Additional provisions	970	4,000	1,193	6,163
Amounts used (payments)	–	(1,575)	(642)	(2,217)
Total other provisions at end of year	2,420	4,925	2,453	9,798

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

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 2020. 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 20 (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 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments / decrements of non-current asset values due to their revaluation.

(b) Changes in accounting policies due to adoption of new accounting standards

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

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

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

(ii) AASB 15 and AASB 1058

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

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

Costs incurred in fulfilling customer contracts

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

Revenue recognition from contract modifications

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

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

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

Principal v agent

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

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

Licences

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Prepaid rates

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

Grants – operating

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

Grants – capital

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

Changes in presentation

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

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract assets	
– Under AASB 15	–
– Under AASB 1058	–
Total Contract assets	–
Contract liabilities	
– Under AASB 15	18
– Under AASB 1058	–
Total Contract liabilities	18

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

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	114,162	–	–	114,162	
Investments	28,663	–	–	28,663	
Receivables	17,855	–	–	17,855	
Inventories	232	–	–	232	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
Other	1,288	–	–	1,288	
Total current assets	162,200	–	–	162,200	
Current liabilities					
Payables	22,175	–	–	22,175	
Income received in advance	–	–	–	–	(i)
Contract liabilities	4,971	–	(4,971)	–	(i)
Lease liabilities	1,943	–	(1,943)	–	
Borrowings	6,190	–	–	6,190	
Provisions	25,628	–	–	25,628	
Total current liabilities	60,907	–	(6,914)	53,993	
Non-current assets					
Investments	157,805	–	–	157,805	
Receivables	80	–	–	80	
Infrastructure, property, plant and equipment	2,790,660	–	–	2,790,660	
Intangible assets	1,457	–	–	1,457	
Right of use assets	7,240	–	–	7,240	
Investments accounted for using equity method	7,112	–	–	7,112	
Total non-current assets	2,964,354	–	–	2,964,354	
Non-current liabilities					
Payables	9,285	–	–	9,285	
Contract liabilities	263	–	(263)	–	
Lease liabilities	5,278	–	(5,278)	–	
Borrowings	32,087	–	–	32,087	
Provisions	3,386	–	(277)	3,109	
Total Non-current liabilities	50,299	–	(5,818)	44,481	
Net assets	3,015,348	–	12,732	3,028,080	
Equity					
Accumulated surplus	1,917,503	(118)	198	1,917,583	
Revaluation reserves	1,097,845	–	–	1,097,845	
Council equity interest	3,015,348	(118)	198	3,015,428	
Total equity	3,015,348	(118)	198	3,015,428	

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**Income Statement**

\$ '000	Income Statement and comprehen- sive income under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Income Statement and comprehen- sive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	137,631	–	–	137,631	
User charges and fees	14,988	–	–	14,988	
Other revenues	11,394	–	–	11,394	
Grants and contributions provided for operating purposes	19,247	(135)	–	19,112	
Grants and contributions provided for capital purposes	98,847	–	–	98,847	
Interest and investment income	6,320	–	–	6,320	
Net gains from the disposal of assets	909	–	–	909	
Rental income	4,175	118	–	4,293	
Net share of interests in joint ventures and associates using the equity method	437	–	–	437	
Total Income from continuing operations	293,948	(17)	–	293,931	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	76,908	–	–	76,908	
Borrowing costs	1,920	–	–	1,920	
Materials and contracts	61,152	–	–	61,152	
Depreciation and amortisation	41,166	–	–	41,166	
Other expenses	16,964	–	–	16,964	
Total Expenses from continuing operations	198,110	–	–	198,110	
Total Operating result from continuing operations	95,838	(17)	–	95,821	
Net operating result for the year	95,838	(17)	–	95,821	
Total comprehensive income	104,776	–	–	104,776	

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

(ii) Difference in costs incurred to fulfil a contract and the amortisation during the year.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	–	–	–
Total assets	–	–	–
Contract liabilities	–	(18)	(18)
Total liabilities	–	(18)	(18)
Accumulated surplus	–	18	18
Total equity	–	18	18

(iii) AASB 16 Leases

Council as a lessee

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

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

Practical expedients used on transition

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

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

Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$ 8.17 m at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 4%.

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	10,461

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Balance at 1 July 2019
Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases	
Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	10,166
Less:	
Leases for low-value assets included in commitments note	(1,318)
Other	(972)
Lease liabilities recognised at 1 July 2019	<u>7,876</u>

Council as a lessor

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

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	–	8,170	8,170
Total assets	–	8,170	8,170
Payables – accrued interest on leases (30/6/2019)	–	(17)	(17)
Leases	–	8,187	8,187
Total liabilities	–	8,170	8,170
Accumulated surplus	–	63	63
Total equity	–	63	–

(c) Changes in accounting estimates

Nature and effect of changes in accounting estimates on current year

Council made no changes in accounting estimates during the year.

Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	114,162	85,346
Balance as per the Statement of Cash Flows		<u>114,162</u>	<u>85,346</u>

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Statement of cash flow information (continued)

\$ '000	2020	2019
Net operating result from Income Statement	95,838	96,475
Adjust for non-cash items:		
Depreciation and amortisation	41,166	39,245
Net losses/(gains) on disposal of assets	(909)	10,479
Non-cash capital grants and contributions	(45,899)	(34,604)
Adoption of AASB 15/1058	18	–
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as ‘at fair value’ or ‘held for trading’	(325)	(865)
– Revaluation decrements / impairments of IPP&E direct to P&L	–	2,048
– Other (New Assets Recognised in Operational Land)	–	(1,072)
Amortisation of premiums, discounts and prior period fair valuations		
– Interest exp. on interest-free loans received by Council (previously fair valued)	116	215
Share of net (profits)/losses of associates/joint ventures using the equity method	(437)	(708)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	3,184	(3,644)
Increase/(decrease) in provision for impairment of receivables	205	65
Decrease/(increase) in inventories	(110)	15
Decrease/(increase) in other current assets	82	334
Increase/(decrease) in payables	2,023	(1,464)
Increase/(decrease) in accrued interest payable	–	123
Increase/(decrease) in other accrued expenses payable	2,640	(2,855)
Increase/(decrease) in other liabilities	510	(411)
Increase/(decrease) in contract liabilities	5,234	–
Increase/(decrease) in provision for employee benefits	1,831	2,031
Increase/(decrease) in other provisions	(2,752)	3,946
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	102,415	109,353
(c) Non-cash investing and financing activities		
Dedications	45,899	32,722
Section 7.11 Contribution in Kind	–	1,882
Total non-cash investing and financing activities	45,899	34,604

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2020	2019	2020	2019
Joint ventures	437	708	7,112	8,142
Total	437	708	7,112	8,142

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

Council has no interest in any controlled entities.

(b) Joint arrangements

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 2020

Note 18. Interests in other entities (continued)

(a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2020	2019
Civic Risk Mutual	Joint Venture	Equity Accounting	670	629
Civic Risk West	Joint Venture	Equity Accounting	6,441	7,513
Total carrying amounts – material joint ventures			7,111	8,142

(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	
	2020	2019	2020	2019	2020	2019	2020	2019
Civic Risk	670	629	9.4%	9.1%	9.4%	9.1%	5.3%	5.9%
Civic Risk West	6,441	7,513	15.3%	15.9%	15.3%	15.9%	7.7%	9.1%

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities (continued)

(d) Summarised financial information for joint ventures

\$ '000	Civic Risk		Civic Risk West	
	2020	2019	2020	2019
Statement of financial position				
Current assets				
Cash and cash equivalents	6,177	1,813	14,665	2,961
Other current assets	5,924	7,215	15,584	27,371
Non-current assets	5,102	5,368	33,048	36,522
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	(5,923)	(4,827)	(8,617)	(740)
Other current liabilities	(490)	(346)	(4,561)	(6,657)
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	(3,635)	(2,279)	(7,999)	(12,116)
Net assets	27,251	21,848	84,474	86,367
Reconciliation of the carrying amount				
Opening net assets (1 July)	6,944	8,468	47,340	41,761
Other adjustments to equity	–	–	1,467	–
Profit/(loss) for the period	211	(1,524)	3,181	5,579
Closing net assets	7,155	6,944	51,988	47,340
Council's share of net assets (%)	9.4%	9.1%	15.3%	15.9%
Council's share of net assets (\$)	2,562	629	12,925	7,513
Statement of comprehensive income				
Income	14,679	11,320	7,969	9,918
Interest income	205	448	1,321	3,623
Interest expense	–	–	(18)	(18)
Other expenses	(14,673)	(13,292)	(6,091)	(7,944)
Profit/(loss) from continuing operations	211	(1,524)	3,181	5,579
Profit/(loss) for the period	211	(1,524)	3,181	5,579
Total comprehensive income	211	(1,524)	3,181	5,579
Share of income – Council (%)	9.4%	9.1%	15.3%	15.9%
Profit/(loss) – Council (\$)	20	(139)	487	887
Total comprehensive income – Council (\$)	20	(139)	487	887
Dividends received by Council	1,467	–	–	–
Summarised Statement of cash flows				
Cash flows from operating activities	1,614	2,904	(1,887)	2,439
Cash flows from investing activities	2,750	(2,250)	12,681	(2,500)
Net increase (decrease) in cash and cash equivalents	4,364	654	10,794	(61)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Commitments

\$ '000	2020	2019
(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	194,129	195,500
Buildings	4,474	8,331
Car Parks	–	289
Drainage	771	1,013
Parks	23,940	511
Roads	9,030	5,177
Other – IT Equipment	2,999	1,968
Other – Land Improvement	222	–
Other - Office Furniture and Fixture	303	–
Other - Plant and Fleet	2,572	–
Total commitments	238,440	212,789
These expenditures are payable as follows:		
Within the next year	44,511	22,789
Later than one year and not later than 5 years	193,929	190,000
Total payable	238,440	212,789
Sources for funding of capital commitments:		
Unrestricted general funds	23,920	21,155
Sect 64 and 7.11 funds/reserves	8,232	2,842
Unexpended grants	18,919	1,499
Externally restricted reserves	1,371	236
Internally restricted reserves	4,498	5,557
Loan Borrowings	177,000	170,000
Developer Rights/DA Fees	4,500	11,500
Total sources of funding	238,440	212,789

(b) Non-cancellable operating lease commitments**a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

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

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

Refer to Note 13 for information relating to leases for 2020.

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 2020

Note 20. Contingencies

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 \$2.31 million be increased to \$3.05 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 2020, Sydney Water Corporation held bank guarantees for a total amount of \$1.221 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 and compliance 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 is continuing to identify sites within the local government area containing hazardous materials which require remediation works. Cost to Council to carry out these works is not known.
3. Council has been notified of Common Law Works 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.
4. 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%). All the time of reporting a reliable cost exposure to Council is not available.

(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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies (continued)

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 10.20 million points with an estimated value of \$ 0.051 million which was not recognised as an asset.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	114,162	85,346	114,162	85,346
Receivables	17,935	19,141	17,935	19,141
Investments				
– 'Financial assets at amortised cost'	25,000	55,000	25,000	55,000
Fair value through profit and loss				
Investments				
– 'Designated at fair value on initial recognition'	161,468	130,750	161,468	130,750
Total financial assets	318,565	290,237	318,565	290,237
Financial liabilities				
Payables	31,460	25,690	31,460	25,690
Loans/advances	38,277	45,698	38,277	45,698
Lease liabilities	7,221	–	7,221	–
Total financial liabilities	76,958	71,388	76,958	71,388

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 2020

Note 21. 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
2020				
Possible impact of a 10% movement in market values	16,147	16,174	(16,147)	(16,147)
Possible impact of a 1% movement in interest rates	2,428	2,428	(2,428)	(2,428)
2019				
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) 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.

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.

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

Credit risk profile

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	–	5,981	678	714	465	7,838
2019						
Gross carrying amount	–	4,978	538	573	424	6,513

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 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	6,368	2,249	39	298	1,412	10,366
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	57.01%	7.77%
ECL provision	–	–	–	–	805	805
2019						
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%
ECL provision	–	–	–	–	600	600

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2020							
Trade/other payables	4.30%	10,387	19,820	–	–	30,207	30,207
Loans and advances	4.30%	–	7,521	27,950	7,701	43,172	38,277
Lease liabilities	4.30%	–	–	–	–	–	–
Total financial liabilities		10,387	27,341	27,950	7,701	73,379	68,484
2019							
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
Total financial liabilities		9,466	24,168	27,143	16,029	76,806	70,326

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 26/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	136,453	137,631	1,178	1% F
User charges and fees	20,001	14,988	(5,013)	(25)% U
The variation is mainly due to decline in developer and other Council business activities following COVID 19.				
Other revenues	9,011	11,394	2,383	26% F
The variation is mainly due to receipt of ex-gratia payment from Moorebank Intermodal Company.				
Operating grants and contributions	16,885	19,247	2,362	14% F
The variation is mainly due to increased childcare grant funding to compensate for waiver of fees following COVID 19.				
Capital grants and contributions	102,938	98,847	(4,091)	(4)% U
Interest and investment revenue	7,748	6,320	(1,428)	(18)% U
The variation is mainly due to lower market interest yields on cash investments.				
Net gains from disposal of assets	8,753	909	(7,844)	(90)% U
The variation mainly comprised of the following:				
- \$4.3m loss on disposal of road infrastructure as part of the renewals process				
- \$1.9m delay in disposal of 24 Scott Street				
- \$0.9m loss on disposal of buildings & library books				
Rental income	4,432	4,175	(257)	(6)% U
Joint ventures and associates – net profits	600	437	(163)	(27)% U
The variation is due to re-adjustment of Councils share of equity post distribution of surplus contributions.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----		
EXPENSES					
Employee benefits and on-costs	78,520	76,908	1,612	2%	F
Borrowing costs	1,424	1,920	(496)	(35)%	U
The variation is mainly due to recognition of interest on operating leases as requires under AASB 16.					
Materials and contracts	62,450	61,152	1,298	2%	F
Depreciation and amortisation	40,672	41,166	(494)	(1)%	U
Other expenses	19,245	16,964	2,281	12%	F
The variation is mainly due to lower than budgeted expenditure on utilities, software and other miscellaneous costs.					
Net losses from disposal of assets	-	-	-	∞	F
Revaluation decrement / impairment of IPP&E	3,750	-	3,750	100%	F
The variation comprised of the following:					
+ \$3m loss on disposal of road infrastructure netted off against gain from disposal of assets;					
+ \$0.8m budget savings from nil expenditure on revaluation of land bought for road purposes.					
STATEMENT OF CASH FLOWS					
Cash flows from operating activities	129,163	102,415	(26,748)	(21)%	U
The variation is due to decrease in grants & contributions for capital purposes following COVID 19.					
Cash flows from investing activities	(190,001)	(63,865)	126,136	(66)%	F
The variation comprised of the following:					
+ \$66m hold on investments post COVID 19 to maintain liquidity;					
+ \$60m lower than budget expenditure on IPPE.					
Cash flows from financing activities	(6,657)	(9,734)	(3,077)	46%	U
The variation is due to reclassification of leasing expenditure following adoption of AASB 16.					

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement

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

- Financial assets - Investments
- 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 2020

Note 23. Fair Value Measurement (continued)

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

2020	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
Recurring fair value measurements					
Financial assets					
Investments					
– ‘Designated at fair value on initial recognition’		–	161,468	–	161,468
Total financial assets		–	161,468	–	161,468
Infrastructure, property, plant and equipment					
– Operational land		–	–	238,501	238,501
– Community land		–	–	361,899	361,899
– Land under roads		–	–	22,128	22,128
– Buildings (specialised and non-specialised)		–	–	223,899	223,899
– Roads, Bridges & Footpaths		–	–	1,202,445	1,202,445
– Storm water drainage		–	–	541,935	541,935
– Other assets		–	–	199,853	199,853
Total infrastructure, property, plant and equipment		–	–	2,790,660	2,790,660
2019					
2019	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
Recurring fair value measurements					
Financial assets					
Investments					
– ‘Designated at fair value on initial recognition’		–	130,750	–	130,750
Total financial assets		–	130,750	–	130,750
Infrastructure, property, plant and equipment					
– Operational land		–	–	239,899	239,899
– Community land		–	–	350,218	350,218
– Land under roads		–	–	19,939	19,939
– Buildings (specialised and non-specialised)		–	–	224,427	224,427
– Roads, Bridges & Footpaths		–	–	1,169,852	1,169,852
– Storm water drainage		–	–	531,448	531,448
– Other assets		–	–	98,604	98,604
Total infrastructure, property, plant and equipment		–	–	2,634,387	2,634,387

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 2020

Note 23. Fair Value Measurement (continued)

(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.

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 Office of Local Government within the Department of Planning, Industry and Environment. 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 and appropriate adjustments are also made for decline in value due to contamination.

Land under roads has been valued based on the average Valuer General (VG) land values discounted by 90%.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

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 2020

Note 24. Related party disclosures

Key management personnel

Key management personnel (KMP) of the Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly 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	2020	2019
Compensation:		
Short-term benefits	3,233	2,854
Post-employment benefits	251	218
Other long-term benefits	–	182
Termination benefits	216	–
Total	3,700	3,254

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

Council has determined that there were no material transactions at arm's length with KMP and their related parties as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP).

Note 25. 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 2020

Note 26. Statement of developer contributions

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

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

Summary of contributions and levies

\$ '000	as at 30/06/19					as at 30/06/20		
	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	26,938	11,871	–	485	(5,140)	–	34,154	–
Parking	6,748	8	–	117	(658)	–	6,215	–
Roads & Traffic Facilities	4,445	6,593	–	351	3,641	–	15,030	–
Local Open Space	40,780	17,604	–	880	(2,162)	–	57,102	–
Embellishment of Local Open Space	29,558	3,211	–	543	(3,746)	–	29,566	–
Community Facilities (Local)	30,113	413	–	543	32	–	31,101	–
Community Facilities (District)	5,027	680	–	97	6	–	5,810	–
Tree Planting Other	6,763	42	–	121	7	–	6,933	–
Professional & Legal Fees (Other)	2,088	207	–	39	(4)	–	2,330	–
Administration Fees	(1,195)	316	–	4	(246)	–	(1,121)	–
Implementation	3,979	108	–	72	4	–	4,163	–
Other- Moorebank Intermodal	4,359	–	–	78	4	–	4,441	–
S7.11 contributions – under a plan	159,603	41,053	–	3,330	(8,262)	–	195,724	–
Total S7.11 and S7.12 revenue under plans	159,603	41,053	–	3,330	(8,262)	–	195,724	–
Total contributions	159,603	41,053	–	3,330	(8,262)	–	195,724	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	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					
S7.11 Contributions – under a plan ¹								
CONTRIBUTION PLAN – Liverpool City Centre Contribution Plan								
Parking	6,748	8	–	117	(658)	–	6,215	–
Community Facilities (District)	472	251	–	11	1	–	735	–
Roads & Traffic Facilities	–	1,216	–	14	–	–	1,230	–
Embellishment of Local Open Space	12,348	566	–	227	3	–	13,144	–
Total	19,568	2,041	–	369	(654)	–	21,324	–
CONTRIBUTION PLAN – 2009 Plan								
Drainage	10,742	7,325	–	223	8	–	18,298	–
Roads & Traffic Facilities	(9,473)	3,772	–	86	4,971	–	(644)	–
Local Open Space	9,546	2,574	–	238	(516)	–	11,842	–
Community Facilities (Local)	24,575	119	–	442	26	–	25,162	–
Community Facilities (District)	4,555	429	–	86	5	–	5,075	–
Embellishment of Local Open Space	10,077	2,201	–	186	(3,681)	–	8,783	–
Tree Planting Other	6,763	42	–	121	7	–	6,933	–
Professional & Legal Fees (Other)	1,706	191	–	32	(3)	–	1,926	–
Administration Fees	(954)	159	–	1	(94)	–	(888)	–
Implementation	3,979	108	–	72	4	–	4,163	–
Total	61,516	16,920	–	1,487	727	–	80,650	–
CONTRIBUTION PLAN – Edmondson Park								
Drainage	5,443	98	–	97	6	–	5,644	–
Roads & Traffic Facilities	10,514	727	–	184	(659)	–	10,766	–
Local Open Space	2,780	1,257	–	46	(1,673)	–	2,410	–
Community Facilities (Local)	5,056	66	–	91	5	–	5,218	–
Embellishment of Local Open Space	6,489	290	–	118	(69)	–	6,828	–
Professional & Legal Fees (Other)	382	16	–	7	(1)	–	404	–
Administration Fees	(359)	5	–	–	(23)	–	(377)	–
Total	30,305	2,459	–	543	(2,414)	–	30,893	–

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

Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20		
	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						
CONTRIBUTION PLAN – Austral Leppington North									
Drainage	5,784	3,744	–	69	(4,950)	–	4,647	–	
Community Facilities (Local)	482	228	–	10	1	–	721	–	
Roads & Traffic Facilities	1,873	633	–	38	(673)	–	1,871	–	
Local Open Space	26,084	13,148	–	547	25	–	39,804	–	
Embellishment of Local Open Space	543	123	–	10	1	–	677	–	
Administration Fees	86	140	–	2	(111)	–	117	–	
Total	34,852	18,016	–	676	(5,707)	–	47,837	–	
CONTRIBUTION PLAN NUMBER – Moorebank Intermodal									
Other– Moorebank Intermodal	4,359	–	–	78	4	–	4,441	–	
Total	4,359	–	–	78	4	–	4,441	–	
CONTRIBUTION PLAN NUMBER - East Leppington									
Drainage	4,969	704	–	96	(204)	–	5,565	–	
Roads & Traffic Facilities	1,531	245	–	29	2	–	1,807	–	
Local Open Space	2,370	625	–	49	2	–	3,046	–	
Embellishment of Local Open Space	101	31	–	2	–	–	134	–	
Administration Fees	32	12	–	1	(18)	–	27	–	
Total	9,003	1,617	–	177	(218)	–	10,579	–	

(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 2020

Note 27(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	2019	Prior periods 2018	2017	Benchmark
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(4,680)	(2.42)%	6.39%	5.43%	2.40%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	193,430					
2. Own source operating revenue ratio						
Total continuing operating revenue excluding all grants and contributions ¹	174,183	59.60%	61.11%	55.18%	54.52%	>60.00%
Total continuing operating revenue	292,277					
3. Unrestricted current ratio						
Current assets less all external restrictions	66,487					
Current liabilities less specific purpose liabilities	38,819	1.71x	2.20x	2.11x	1.94x	>1.50x
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	38,406	3.30x	6.42x	6.42x	4.71x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	11,654					
5. Rates, annual charges, interest and extra charges outstanding percentage						
Rates, annual and extra charges outstanding	8,374					
Rates, annual and extra charges collectible	145,216	5.77%	5.17%	4.61%	4.30%	<5.00%
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	139,162	9.46	10.29	15.16	8.50	>3.00
Monthly payments from cash flow of operating and financing activities	14,711	mths	mths	mths	mths	mths

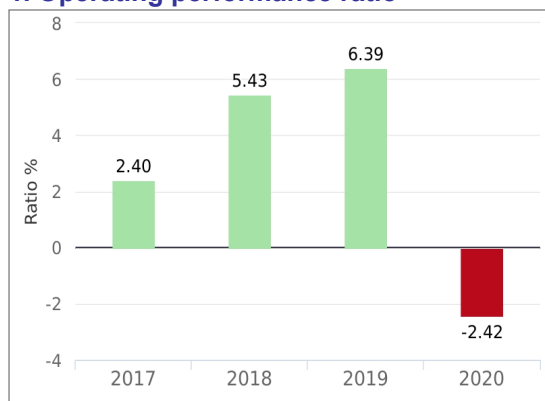
(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

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

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

Note 27(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 2019/20 result

2019/20 ratio (2.42)%

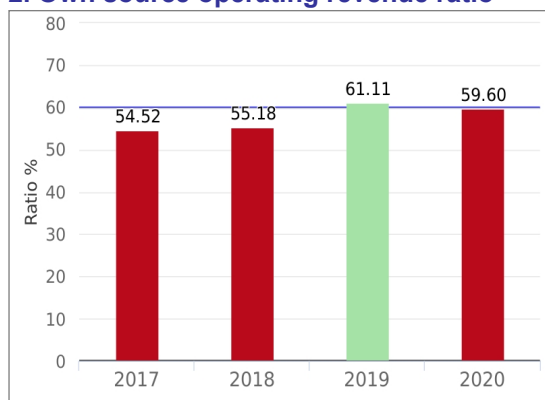
The operating performance ratio for this year was significantly impacted by COVID 19 pandemic. On a 3-year average, however, Council achieved 2.9% operating performance ratio compared to > 0% benchmark to demonstrate financial sustainability.

Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 59.60%

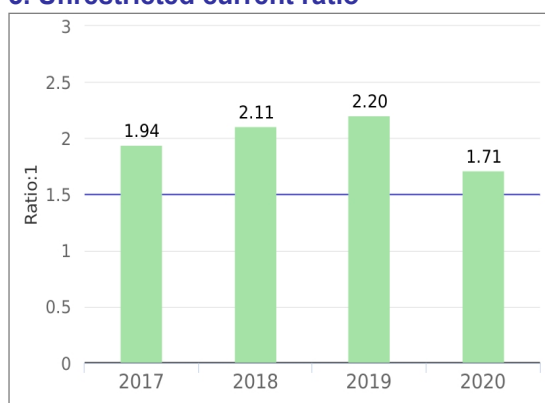
Own source operating revenue as a percentage of total operating revenue is adversely impacted by significant levels of developer contributions (both cash & non-cash) which is reflective of the growth activities in the LGA.

Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 1.71x

The unrestricted current ratio remained above 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

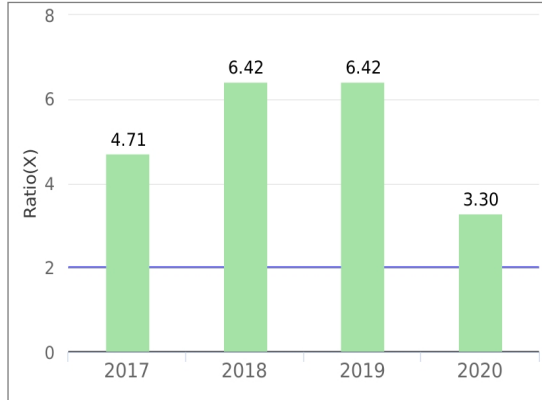
Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark (Green bar)
Ratio is outside benchmark (Red bar)

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

Note 27(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 2019/20 result

2019/20 ratio 3.30x

Despite the impact of COVID 19 on income, Council maintained its ability to service its debt obligation at above industry benchmark level.

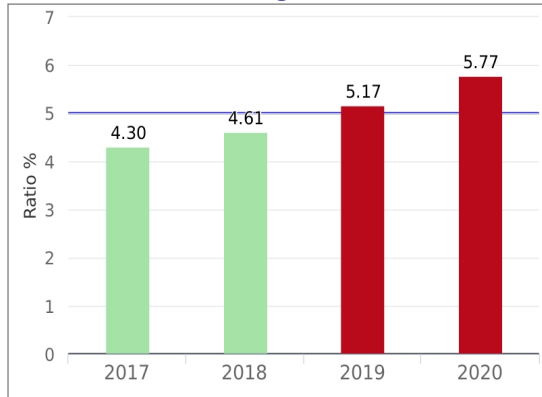
Benchmark: — > 2.00x

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 5.77%

An industry trend of ratepayers deferring their rate payment to a later date was observed last year. COVID 19 further fuelled the trend with Council recording outstanding debt ratio outside the benchmark.

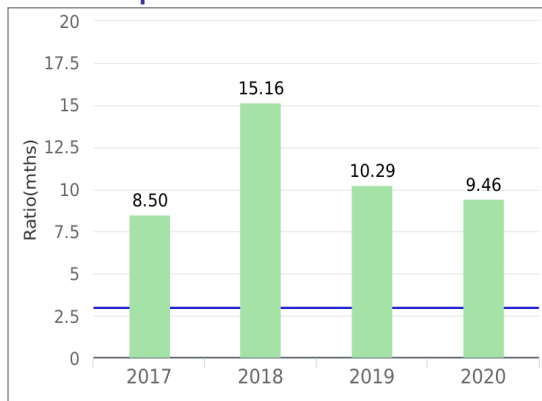
Benchmark: — < 5.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 9.46 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 term deposits are excluded. A further 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 significantly higher than industry benchmark

Benchmark: — > 3.00mths

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Council information and contact details

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

Officers

A/Chief Executive Officer

Dr Eddie Jackson

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 Liverpool City Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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/ar3.pdf OR www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 22 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

25 November 2020
SYDNEY



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

Contact: Lawrissa Chan
Phone no: 02 9275 7255
Our ref: D2026196/1670

25 November 2020

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2020 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 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issues and observations during my audit of the Council's financial statements. These matters will be included in the Management letter as high risk items in more detail:

Assessment of impairment for contaminated land

Management carried out a revaluation of community land but did not consider that some parcels of land were contaminated. This resulted in an overstatement of the value of community land by \$11 million, which was subsequently corrected. We have recommended that council implement a process for regularly assessing the impairment of contaminated land and that key assumptions are documented.

Liverpool Civic Place matters





We noted various matters in our review of the Liverpool Civic Place project. We have recommended that council:

- perform a comprehensive assessment over the contract with the developer to ensure the accounting implications are fully considered
- update the projected cashflows and net present value calculations for the project as there have been major events that would impact future cashflows, such as COVID-19 and the loss of a major tenant.

We acknowledge that council has already made a considered decision to proceed with the project, including major scope changes and subsequent cost increases. However, we have made recommendations around how the business case for the project could have been strengthened and ensuring value for money is appropriately considered. These recommendations are relevant for future projects that the council may undertake.

INCOME STATEMENT

Operating result

	2020	2019	Variance
	\$m	\$m	%
Rates and annual charges revenue	137.6	131.1	 5.0
Grants and contributions revenue	118.0	114.5	 3.1
Operating result from continuing operations	95.8	96.5	 0.7
Net operating result before capital grants and contributions	(3.0)	1.8	 266.7

Rates and annual charges revenue increased by \$6.5 million (5.0 per cent) to \$137.6 million, mainly due to the 2.7 per cent rate peg increase and the rise in the total number of rateable properties.

Grants and contributions revenue increased by \$3.5 million (3.1 per cent) to \$118.0 million due to an increase in non-cash contributions.

Council's net operating result from continuing operations was a surplus of \$95.8 million, which was \$0.7 million lower than the 2018-19 net operating result. The decline in the net operating result was mainly due to impacts from the COVID-19 pandemic. This included a reduction in user charges and other revenue.

Council's net operating result before capital grants and contributions was a deficit of \$3 million, which was \$4.8 million lower than the prior year. The movement is mainly attributable to the overall decrease in operating revenue, as noted above.

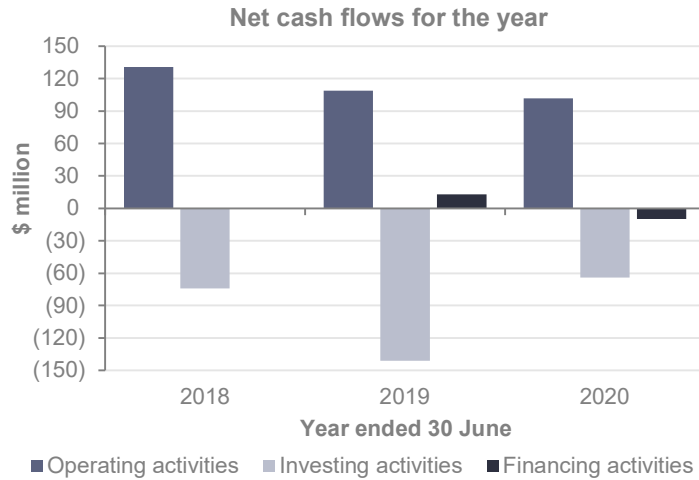
STATEMENT OF CASH FLOWS

Council's cash and cash equivalents was \$114.2 million (\$85.3 million in the prior year). There was a net increase in cash and cash equivalents of \$28.9 million at 30 June 2020.

Net cash inflows from operating activities decreased by \$6.9 million mainly due to a reduction in receipts from user charges and fees and an increase in payments for materials and contracts.

Net cash outflows from investing activities decreased by \$76.9 million mainly due to a reduction in purchases of infrastructure, property, plant and equipment and an increase in receipts from sale of investments.

Net cash inflows from financing activities decreased by \$22.5 million due to a reduction in receipts from borrowing and advances.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	251.3	214.8	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. Council's externally restricted cash and investments have increased by \$36.5 million primarily due to developer contributions. Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified program of works and any forward plans identified by Council. Council's internally restricted cash and investments have remained steady. Unrestricted cash of \$36.2 million was available to provide liquidity for the day-to-day operations of the Council.
Internal restrictions	13.1	12.2	
Unrestricted	36.2	44.1	
Cash and investments	300.6	271.1	

Debt

The Council has \$38.3 million of borrowings as at 30 June 2020 (2019: \$45.7 million).

The Council has an aggregate overdraft facility limit of \$4.0 million as at 30 June 2020 (2019: \$4.0 million) which remained unutilised at the year-end.

PERFORMANCE

Performance measures

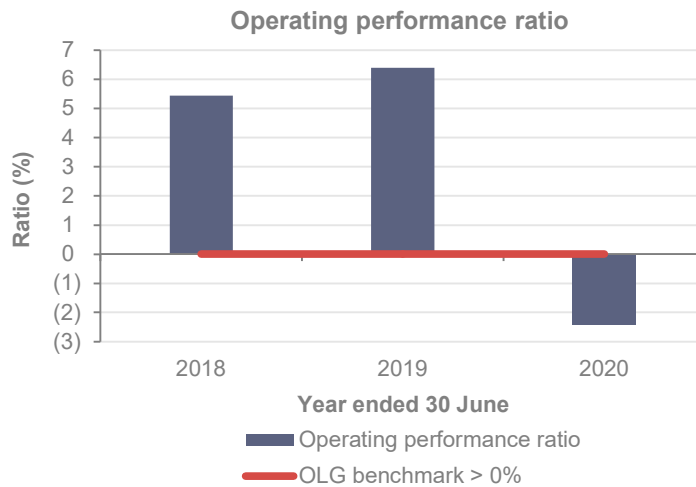
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

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

Council's operating performance ratio of -2.4 per cent is below the industry benchmark of zero per cent.

The operating performance ratio has decreased from the prior year mainly due to the overall decrease in operating revenue, predominantly due to the impacts of COVID-19.

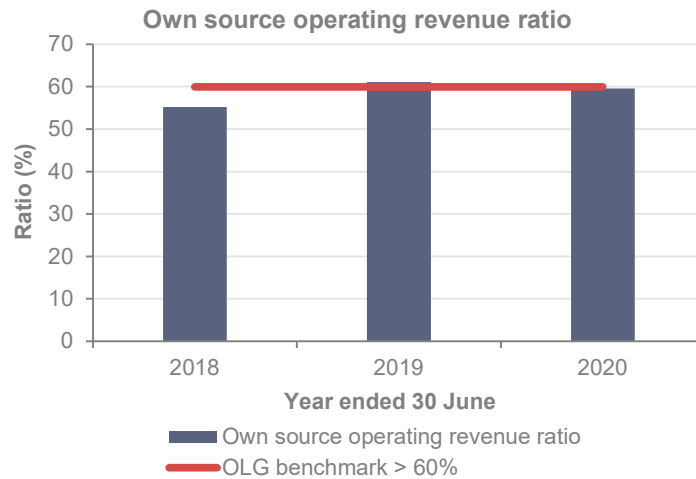


Own source operating revenue ratio

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 OLG is greater than 60 per cent.

Council's own source operating revenue ratio of 59.6 per cent is below the industry benchmark of 60 per cent.

The own source operating revenue ratio has decreased due to a reduction in operating revenue.

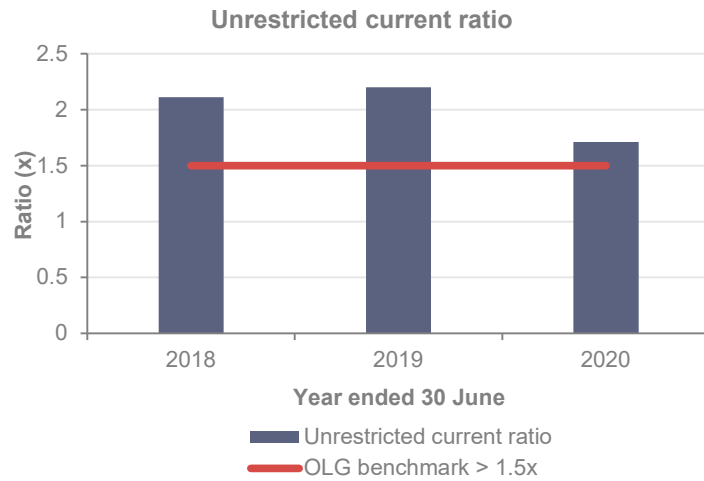


Unrestricted current ratio

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 OLG is greater than 1.5 times.

Council's liquidity ratio of 1.7 times is above the industry benchmark of greater than 1.5 times.

The unrestricted current ratio has decreased from prior year mainly due to the reduction in current assets less external restrictions.

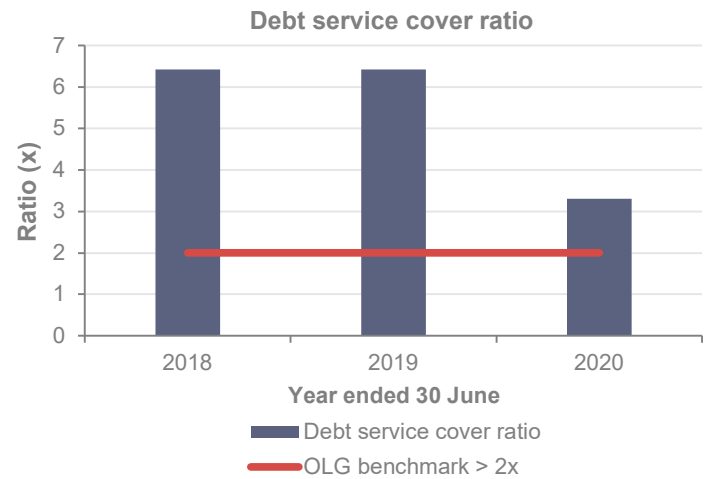


Debt service cover ratio

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

Council's debt service cover ratio of 3.3 times is above the industry benchmark of greater than 2 times.

The debt service cover ratio has decreased from the prior year due to the decline in the net operating result in 2019-20.

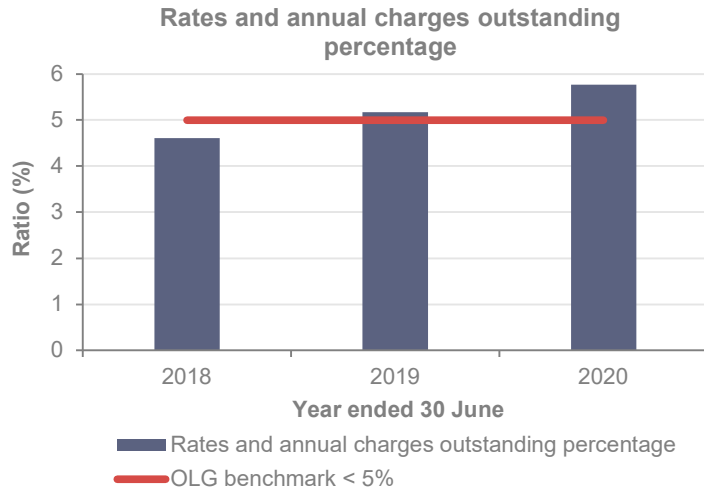


Rates and annual charges outstanding percentage

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 OLG is less than 5 per cent for metro councils.

Council's rates and annual charges outstanding percentage of 5.8 per cent does not meet the industry benchmark of less than 5 percent for metropolitan councils.

The rates and annual charges percentage has increased from the prior year as some ratepayers have experienced financial difficulties due to the impacts of COVID-19.

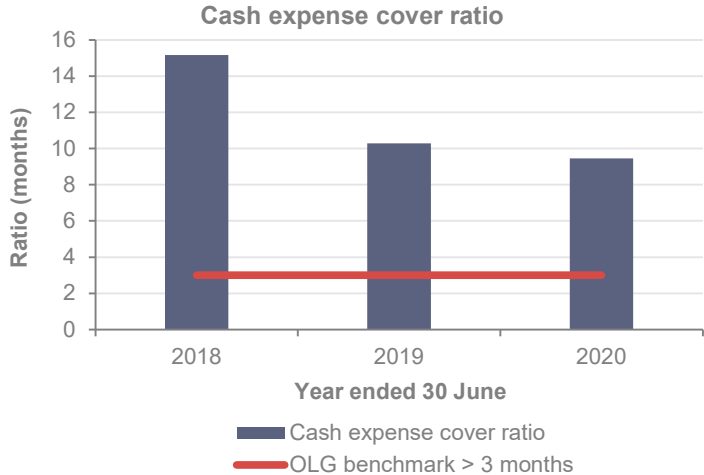


Cash expense cover ratio

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 OLG is greater than three months.

Council's cash expense cover ratio was 9.5 months, which is above the industry benchmark of greater than 3 months.

The cash expense cover ratio decreased compared with the prior year due to the increase in payments from operating and financing activities.



Infrastructure, property, plant and equipment renewals

Council has renewed \$32.7 million of assets in 2019–20 financial year, compared to \$62.8 million of assets in the prior year.

OTHER MATTERS

Impact of new accounting standards

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

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

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

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

Council recognised an \$18,000 adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards. The Council disclosed the impact of adopting the new Revenue Standards in note 18.

AASB 16 'Leases'

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

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

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

Council recognised right-of-use assets and lease liabilities of \$8.2 million at 1 July 2019 on adoption of AASB 16. The Council disclosed the impact of adopting AASB 16 in note 16.

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: Eddie Jackson, A/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 2020

LIVERPOOL
CITY
COUNCIL



Special Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
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Background

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government within the Department of Planning, Industry and Environment 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 2020

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:

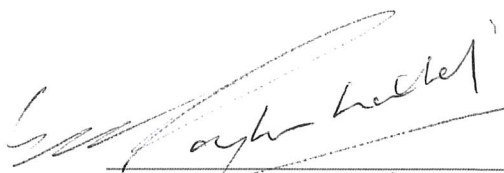
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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 25 November 2020



Wendy Waller
Mayor
25 November 2020



Mazhar Hadid
Deputy Mayor
25 November 2020



Dr Eddie Jackson
A/Chief Executive Officer
25 November 2020



Vishwa Nagan
Responsible Accounting Officer
25 November 2020

Income Statement – Carpark
for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
User charges	1,494	1,715
Total income from continuing operations	<u>1,494</u>	<u>1,715</u>
Expenses from continuing operations		
Employee benefits and on-costs	72	70
Notional Rates and Financial costs	686	739
Materials and contracts	100	141
Depreciation, amortisation and impairment	231	337
Overheads	75	34
Other expenses	74	74
Total expenses from continuing operations	<u>1,238</u>	<u>1,395</u>
Surplus (deficit) from continuing operations before capital amounts	256	320
Surplus (deficit) from continuing operations after capital amounts	256	320
Surplus (deficit) from all operations before tax	256	320
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(70)	(88)
SURPLUS (DEFICIT) AFTER TAX	<u>186</u>	<u>232</u>
Plus Opening accumulated surplus	35	(285)
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	70	88
Closing accumulated surplus	<u>291</u>	<u>35</u>
Return on capital %	3.2%	3.6%
Subsidy from Council	–	–

Statement of Financial Position – Carpark

as at 30 June 2020

\$ '000	2020 Category 2	2019 ¹ Category 2 Restated
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	29,384	29,579
Total non-current assets	<u>29,384</u>	<u>29,579</u>
TOTAL ASSETS	<u>29,384</u>	<u>29,579</u>
LIABILITIES		
Current liabilities		
Notional Borrowings	22,627	23,284
Provisions	38	34
Total current liabilities	<u>22,665</u>	<u>23,318</u>
Non-current liabilities		
Payables	3,223	3,021
Total non-current liabilities	<u>3,223</u>	<u>3,021</u>
TOTAL LIABILITIES	<u>25,888</u>	<u>26,339</u>
NET ASSETS	<u>3,496</u>	<u>3,240</u>
EQUITY		
Accumulated surplus	291	35
Revaluation reserves	3,205	3,205
TOTAL EQUITY	<u>3,496</u>	<u>3,240</u>

(1) Restatement has occurred on comparatives

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

Note 1. Significant Accounting Policies

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

These financial statements are SPFS prepared for use by Council and the Office of Local Government within the Department of Planning, Industry and Environment. 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 Office of Local Government within the Department of Planning, Industry and Environment 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 2020

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%

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$900,000.

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.

The reinstated income and expense include notional financing cost for rates and taxes, Notional financing cost was calculated @ 2.82% based on Tcorp rates on the Written Down Value of Land and Building.

(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 2020

Note 1. Significant Accounting Policies (continued)

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 0.88% at 30/6/20.

(iv) Dividends

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

Comparative Information

The comparative in the financials has been restated to correctly show the value of Car Park Building and Land.

Previously the Special Purpose Financial Statements were prepared on the assumption that the assets were leased by the Council and a notional lease payment was included in the expenses.

Opening Equity within the comparatives were restated going back to 2016 and income and expenses of the car park was recalculated, based on the council owning the car parking building and land.

The notional 30% overheads is based on State Government Overhead ratio.



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

To the Councillors of 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 Statement by Councillors and Management, the Income Statement of the Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of the Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activity declared by Council.

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 2020, 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 28 (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 (including Independence Standards)' (APES 110).

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

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

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as 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 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- 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

25 November 2020
SYDNEY

Liverpool City Council

SPECIAL SCHEDULES
for the year ended 30 June 2020



Special Schedules

for the year ended 30 June 2020

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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 Office of Local Government within the Department of Planning, Industry and Environment.

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	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	103,541	99,241
Plus or minus adjustments ²	b	1,413	1,785
Notional general income	c = a + b	104,954	101,026
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	2,729	2,728
Sub-total	k = (c + g + h + i + j)	107,683	103,754
Plus (or minus) last year's carry forward total	l	2	16
Less valuation objections claimed in the previous year	m	(13)	(221)
Sub-total	n = (l + m)	(11)	(205)
Total permissible income	o = k + n	107,672	103,549
Less notional general income yield	p	107,662	103,541
Catch-up or (excess) result	q = o - p	10	8
Plus income lost due to valuation objections claimed ⁴	r	-	13
Less unused catch-up ⁵	s	-	(19)
Carry forward to next year ⁶	t = q + r + s	10	2

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 2021.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets' as at 30 June 2020.

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

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

25 November 2020
SYDNEY

Report on Infrastructure Assets
as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
(a) Report on Infrastructure Assets - Values													
Buildings	Admin Building	–	–	621	792	39,610	59,156	2.0%	26.0%	71.0%	0.0%	1.0%	
	Aquatic Centres	224	224	573	1,031	20,486	47,763	0.0%	1.0%	98.0%	1.0%	0.0%	
	Bush Fire / SES	463	463	45	89	2,304	4,281	44.0%	30.0%	3.0%	23.0%	0.0%	
	Childcare Centres	66	66	169	349	8,102	14,096	0.0%	79.0%	20.0%	1.0%	0.0%	
	Commercial Properties	–	–	126	10	367	12,556	50.0%	0.0%	50.0%	0.0%	0.0%	
	Community Centres	445	445	847	1,108	47,358	80,695	28.0%	50.0%	16.0%	5.0%	1.0%	
	Heritage Buildings	190	190	565	201	37,452	53,780	59.0%	27.0%	14.0%	0.0%	0.0%	
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Libraries, Museums	–	–	386	188	23,970	32,188	85.0%	15.0%	0.0%	0.0%	0.0%	
	Multi Level Car Parks	–	–	285	172	14,602	28,452	0.0%	65.0%	35.0%	0.0%	0.0%	
	Parks Buildings / Structures	655	655	459	137	25,990	45,865	15.0%	42.0%	40.0%	3.0%	0.0%	
	Works Depot	2,310	2,310	96	485	3,657	9,635	37.0%	0.0%	12.0%	51.0%	0.0%	
	Sub-total		4,353	4,353	4,172	4,562	223,898	388,467	26.1%	32.4%	38.1%	3.1%	0.4%
Other structures	Other structures	–	–	–	–	5,813	6,864	0.0%	0.0%	0.0%	0.0%	100.0%	
	Sub-total	–	–	–	–	5,813	6,864	0.0%	0.0%	0.0%	0.0%	100.0%	
Roads	Sealed roads	–	–	9,518	9,252	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Roads Formation	–	–	–	–	54,640	68,226	100.0%	0.0%	0.0%	0.0%	0.0%	
	Sealed Roads Surface	19,930	19,930	–	–	112,563	140,133	37.0%	38.0%	12.0%	2.0%	11.0%	
	Sealed Roads Structure	18,558	18,558	–	–	525,060	656,923	0.0%	15.0%	67.0%	14.0%	4.0%	
	Kerb and Gutter	555	555	1,218	267	177,879	221,377	24.0%	41.0%	34.0%	1.0%	0.0%	
	Footpaths	208	208	917	801	127,918	152,910	44.0%	27.0%	29.0%	0.0%	0.0%	
	Bridges	2,155	2,155	757	72	60,370	75,666	30.0%	39.0%	25.0%	6.0%	0.0%	
	Bulk earthworks	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Road Structures	569	569	511	384	66,743	82,546	20.0%	56.0%	22.0%	1.0%	1.0%	
	Road Furniture	260	260	–	–	40,573	45,244	54.0%	25.0%	19.0%	1.0%	1.0%	
	Off Street Carparks	110	110	91	11	14,497	18,240	23.0%	38.0%	38.0%	1.0%	0.0%	
	Sub-total		42,345	42,345	13,012	10,787	1,180,243	1,461,265	21.1%	25.9%	43.1%	7.0%	2.9%
Other	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Reticulation Pipe	3,418	3,418	933	690	431,778	518,455	40.0%	29.0%	29.0%	0.0%	2.0%	

Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
Stormwater drainage	Pits	141	141	119	276	58,954	65,980	47.0%	46.0%	6.0%	0.0%	1.0%	
Stormwater drainage	Headwalls and Culverts	704	704	29	69	11,793	15,859	32.0%	15.0%	46.0%	5.0%	2.0%	
Stormwater drainage	Basins	–	–	87	168	29,170	34,718	10.0%	58.0%	31.0%	1.0%	0.0%	
Stormwater drainage	Gross Pollutant Traps	163	163	278	276	10,164	11,117	48.0%	51.0%	1.0%	0.0%	0.0%	
	Sub-total	4,426	4,426	1,446	1,479	541,859	646,129	39.0%	32.3%	26.7%	0.2%	1.8%	
Open space / recreational assets	Swimming pools	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Sporting Fields and Ovals	539	539	2,709	2,742	25,776	31,869	21.0%	64.0%	12.0%	2.0%	1.0%	
	Parks Infrastructure Assets	247	247	3,537	3,427	34,327	39,962	35.0%	46.0%	18.0%	1.0%	0.0%	
	Playground Equipment	461	461	700	685	26,750	35,024	26.0%	51.0%	20.0%	2.0%	1.0%	
	Sub-total	1,247	1,247	6,946	6,854	86,853	106,855	27.9%	53.0%	16.9%	1.6%	0.6%	
	TOTAL - ALL ASSETS	52,371	52,371	25,576	23,682	2,038,666	2,609,580	26.5%	29.5%	37.1%	4.5%	2.4%	

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

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	2019	Prior periods		Benchmark
				2018	2017	
Infrastructure asset performance indicators (consolidated) *						
Buildings and infrastructure renewals ratio ¹						
Asset renewals ²	26,306					
Depreciation, amortisation and impairment	35,021	75.11%	116.75%	94.79%	97.55%	>=100.00%
Infrastructure backlog ratio ¹						
Estimated cost to bring assets to a satisfactory standard	52,371					
Net carrying amount of infrastructure assets	2,038,165	2.57%	2.32%	2.60%	3.17%	<2.00%
Asset maintenance ratio						
Actual asset maintenance	23,682					
Required asset maintenance	25,576	92.59%	104.29%	105.90%	104.50%	>100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	52,371					
Gross replacement cost	2,609,580	2.01%	1.83%	2.06%	2.49%	

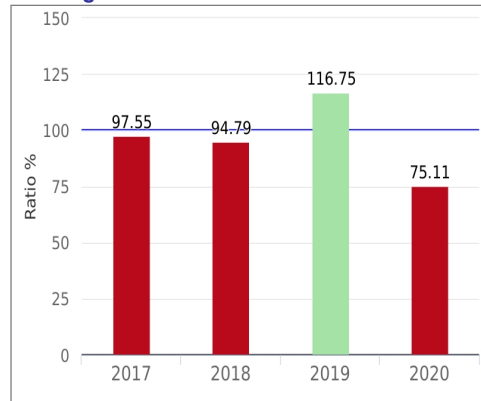
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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 2020

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

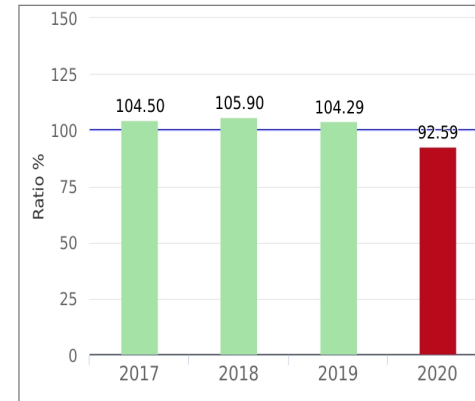
Commentary on result

19/20 ratio 75.11%

Council had higher renewal ratio (117%) last year as it focused on renewing some major assets. The ratio below 100% this year is not considered to be an issue due to assets being maintained in accordance with established asset management plans. Moreover, LCC as a rapidly growing Council is receiving brand new infrastructure assets with quite long service life and does not require renewal in the medium term.

Benchmark: — $\geq 100.00\%$ ■ Ratio achieves benchmark ■ Ratio is outside benchmark
Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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.

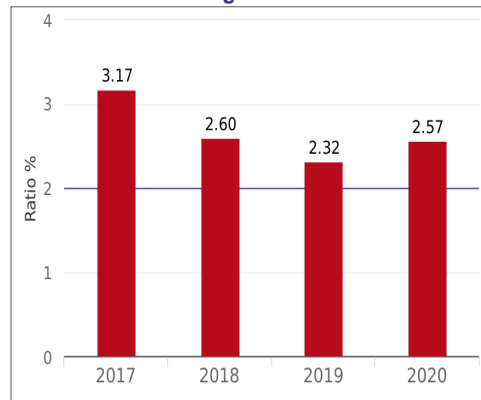
Commentary on result

19/20 ratio 92.59%

Although there is a slight decrease in the asset maintenance ratio, 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 ongoing maintenance activities over the life of an asset to achieve minimum of its useful life

Benchmark: — $> 100.00\%$ ■ Ratio achieves benchmark ■ Ratio is outside benchmark
Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Infrastructure backlog ratio



Infrastructure backlog ratio

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

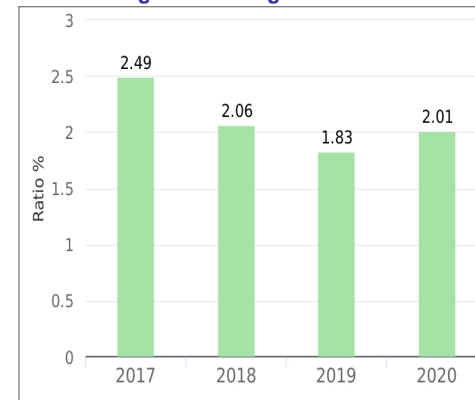
Commentary on result

19/20 ratio 2.57%

Although there is a slight increase in the backlog ratio in the current financial year, 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 over the next few years

Benchmark: — $< 2.00\%$ ■ Ratio achieves benchmark ■ Ratio is outside benchmark
Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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

19/20 ratio 2.01%

Although there is a slight increase in agreed service level ratio in the current financial year, with increased renewal funding, targeted renewal program based on modern asset management principles and effective asset maintenance strategy, Council aims to gradually reduce this ratio to less than 2% of the total value of assets under Council's care over the next few years