

2019-20

Financial Statements



Randwick City Council
a sense of community

Financial Statements
for the year ended 30 June 2020

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Overview

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

30 Frances Street
Randwick NSW 2031

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:
<http://www.randwick.nsw.gov.au/> .

Randwick City Council

GENERAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2020



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.

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 NSW Audit Office.

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements (continued)

Changes to Financial Statements

Special Purpose Financial Statements

For the financial year ended 30 June 2020, the decision was taken to undeclare Council's business activities. This removes the need to produce Special Purpose Financial Statements which were previously produced for the following business activities:

- Property Management
- Childcare Centre
- Leisure Centre
- Community Nursery
- Trade Waste

Council resolved that there are no declared business activities requiring the preparation of Special Purpose Financial Statements at the Council meeting of 25 August 2020.

Key Events of 2019-20

The 2019-20 financial year saw some major events occur that have affected Council's Financial Statements.

Handback of Light Rail assets

With the completion of the Light Rail project during the 2019-20 financial year, there was a handback of assets from Transport for NSW. These assets have been brought back onto Council's asset register.

The official handover of assets took place on the 1st June 2020 and included over 600 individual assets with a value of \$15.624 million.

This transaction is reflected in the Income Statement with the Net Operating Result of \$23.241 million being inclusive of the \$15.624 million of non-cash contributions.

COVID-19

The global health crisis from the COVID-19 virus has had material impact on Council's operations which is reflected in the financial statements.

In March 2020 Council endorsed a COVID-19 Community Support Package that provided financial support to Randwick's business community. Additionally a number of facilities, services and events were significantly affected during the period of pandemic restrictions which resulted in reduced revenues.

The financial difficulty experienced by many ratepayers led to a higher than normal level of outstanding collections for the financial year.

Randwick City Council

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:

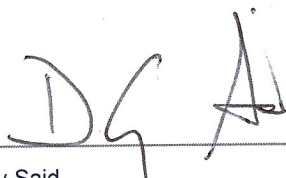
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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 August 2020.



Danny Said
Mayor
25 August 2020



Philipa Veitch
Councillor
25 August 2020



Therese Manns
General Manager
25 August 2020



Greg Byrne
CFO / Responsible Accounting Officer
25 August 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Revenue from continuing operations				
121,913	Rates and annual charges	3a	122,504	116,726
19,383	User charges and fees	3b	18,598	21,022
8,737	Other revenues	3c	6,532	9,095
7,269	Grants and contributions provided for operating purposes	3d,3e	8,704	8,348
2,889	Grants and contributions provided for capital purposes	3d,3e	20,856	7,042
1,825	Interest and investment income	4	1,937	2,444
–	Rental income	12e	2,621	–
162,016	Total Revenue from continuing operations		181,752	164,677
Expenses from continuing operations				
67,454	Employee benefits and on-costs	5a	66,371	64,207
1,084	Borrowing costs	5b	6	–
38,701	Materials and contracts	5c	45,647	45,874
24,439	Depreciation and amortisation	5d	28,021	24,450
16,466	Other expenses	5e	14,023	14,258
4,251	Net losses from the disposal of assets	6	4,443	2,840
152,395	Total expenses from continuing operations		158,511	151,629
9,621	Operating result from continuing operations		23,241	13,048
9,621	Net operating result for the year		23,241	13,048
9,621	Net operating result attributable to council		23,241	13,048
6,732	Net operating result for the year before grants and contributions provided for capital purposes		2,385	6,006

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		23,241	13,048
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	—	194,253
Total items which will not be reclassified subsequently to the operating result		—	194,253
Total other comprehensive income for the year		—	194,253
Total comprehensive income for the year		23,241	207,301
 Total comprehensive income attributable to Council		 23,241	 207,301

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	11,612	5,449
Investments	7(b)	72,907	64,216
Receivables	8	10,538	8,128
Inventories	9a	627	512
Other	9b	745	835
Total current assets		96,429	79,140
Non-current assets			
Receivables	8	502	483
Infrastructure, property, plant and equipment	10(a)	1,829,019	1,820,770
Right of use assets	12a	238	—
Investments accounted for using the equity method	17	7	7
Total non-current assets		1,829,766	1,821,260
Total assets		1,926,195	1,900,400
LIABILITIES			
Current liabilities			
Payables	13	15,382	12,461
Income received in advance	13	1,730	2,198
Contract liabilities	11	1,457	—
Provisions	14	19,901	18,895
Total current liabilities		38,470	33,554
Non-current liabilities			
Lease liabilities	12b	242	—
Provisions	14	262	286
Total non-current liabilities		504	286
Total liabilities		38,974	33,840
Net assets		1,887,221	1,866,560
EQUITY			
Accumulated surplus	15	840,366	819,705
Revaluation reserves	15	1,046,855	1,046,855
Council equity interest		1,887,221	1,866,560
Total equity		1,887,221	1,866,560

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '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		819,705	1,046,855	1,866,560	806,657	790,165	1,596,822
Correction of prior period errors		–	–	–	–	62,437	62,437
Changes due to AASB 1058 and AASB 15 adoption	15	(2,580)	–	(2,580)	–	–	–
Changes due to AASB 16 adoption	15	–	–	–	–	–	–
Restated opening balance		817,125	1,046,855	1,863,980	806,657	852,602	1,659,259
Net operating result for the year		23,241	–	23,241	13,048	–	13,048
Restated net operating result for the period		23,241	–	23,241	13,048	–	13,048
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10(a)	–	–	–	–	194,253	194,253
Other comprehensive income		–	–	–	–	194,253	194,253
Total comprehensive income		23,241	–	23,241	13,048	194,253	207,301
Equity – balance at end of the reporting period		840,366	1,046,855	1,887,221	819,705	1,046,855	1,866,560

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
122,261	Rates and annual charges		120,111	115,742
19,053	User charges and fees		18,728	22,383
1,615	Investment and interest revenue received		1,917	2,152
10,409	Grants and contributions		13,223	15,605
258	Bonds, deposits and retention amounts received		2,357	1,905
8,751	Other		15,887	17,086
Payments:				
(67,401)	Employee benefits and on-costs		(65,133)	(63,934)
(38,834)	Materials and contracts		(50,978)	(52,344)
(304)	Borrowing costs		(6)	–
–	Bonds, deposits and retention amounts refunded		(1,615)	(1,478)
(21,319)	Other		(15,051)	(18,925)
34,489	Net cash provided (or used in) operating activities	16b	39,440	38,192
Cash flows from investing activities				
Receipts:				
55,000	Sale of investment securities		60,074	68,948
1,564	Sale of infrastructure, property, plant and equipment		1,050	1,820
Payments:				
(61,280)	Purchase of investment securities		(68,627)	(72,000)
(27,476)	Purchase of infrastructure, property, plant and equipment		(25,774)	(35,882)
(32,192)	Net cash provided (or used in) investing activities		(33,277)	(37,114)
Cash flows from financing activities				
Payments:				
(898)	Repayment of borrowings and advances		–	–
(898)	Net cash flow provided (used in) financing activities		–	–
1,399	Net increase/(decrease) in cash and cash equivalents		6,163	1,078
4,371	Plus: cash and cash equivalents – beginning of year	16a	5,449	4,371
5,770	Cash and cash equivalents – end of the year	16a	11,612	5,449
27,206	plus: Investments on hand – end of year	7(b)	72,907	64,216
32,976	Total cash, cash equivalents and investments		84,519	69,665

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 25 August 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

(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 10
- (ii) employee benefit provisions – refer Note 14.

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.

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations

(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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

No trust funds are currently held by the Council.

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council does not have material dependence on volunteer services. Volunteers are utilised in Library Services, Aquatic Services, Cultural Events & Sustainability. These services are not recognised due to their nature as a large percentage would not go ahead should there not be volunteers to undertake the roles and their non-material value.

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but 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 likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

AASB 1059 Service Concession Arrangements: Grantors

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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

New accounting standards adopted during the year

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

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

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 15.

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										
Responsible management	113,478	93,832	43,591	11,366	69,887	82,466	3,612	3,886	291,607	270,426
A sense of community	1,769	2,005	7,130	9,557	(5,361)	(7,552)	949	924	135,314	136,916
Places for people	26,986	30,818	73,428	88,082	(46,442)	(57,264)	3,559	5,437	1,052,769	1,042,131
A prospering City	123	105	710	825	(587)	(720)	10	15	6,698	6,787
Moving around	2,529	2,076	5,564	5,902	(3,035)	(3,826)	10	15	26,776	26,865
Looking after our environment	36,867	35,841	28,088	35,897	8,779	(56)	582	783	413,031	417,275
Total functions and activities	181,752	164,677	158,511	151,629	23,241	13,048	8,722	11,060	1,926,195	1,900,400

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:

Responsible management

Outcome 1: Leadership in sustainability

We will demonstrate leadership by continuously improving the sustainability and rigour of our internal systems of governance, including financial and administrative management, as well as the sustainability of our facilities and activities for the benefit (including environmental and social) of the whole community.

A sense of community

Outcome 2: A vibrant and diverse community

Our community will be proud to be part of our City and celebrate and support its range of cultures and people.

Outcome 3: An informed and engaged community

Our community will participate in shaping our City.

Places for people

Outcome 4: Excellence in urban design and development

Our places and spaces will be inviting, safe, sustainable and contribute to our City's liveability.

Outcome 5: Excellence in recreation and lifestyle opportunities

We will have world class parks, beaches, and a wide range of passive and active recreational facilities and activities.

Outcome 6: A liveable City

We will proactively plan and manage for the built environment to meet our diverse community's needs now and into the future.

Outcome 7: Heritage that is protected and celebrated

Our natural, Aboriginal, built and cultural heritage will be recognised and conserved.

A prospering City

Outcome 8: A strong local economy

Our commercial centres, businesses, industries and institutions will foster innovation and will be thriving, vibrant and attractive places to work, shop and interact.

Moving around

Outcome 9: Integrated and accessible transport

A range of transport choices will enable effective movement to, from and around our City.

Looking after our environment

Outcome 10: A healthy environment

Our natural environment will be protected, enhanced and promoted for future generations.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	64,479	61,012
Business	1058 (1)	18,162	17,162
Less: pensioner rebates (mandatory)	1058 (1)	(743)	(758)
Rates levied to ratepayers		81,898	77,416
Pensioner rate subsidies received	1058 (1)	409	442
Total ordinary rates		82,307	77,858
Special rates			
Environmental	1058 (1)	4,622	4,383
Less: pensioner rebates (Council policy)	1058 (1)	(110)	(6)
Rates levied to ratepayers		4,512	4,377
Total special rates		4,512	4,377
Annual charges			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1058 (1)	34,867	33,680
Stormwater management services	1058 (1)	1,132	1,130
Section 611 charges	1058 (1)	181	158
Less: pensioner rebates (mandatory)	1058 (1)	(351)	(366)
Less: pensioner rebates (Council policy)	1058 (1)	(336)	(340)
Annual charges levied		35,493	34,262
Pensioner subsidies received:			
– Domestic waste management	1058 (1)	192	229
Total annual charges		35,685	34,491
Total Rates and Annual Charges		122,504	116,726

Council has used 2019 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and charges

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

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

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government. Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are in substance a rates payment.

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

- 15 (1)** indicates income recognised under AASB 15 "at a point in time",
- 15 (2)** indicates income recognised under AASB 15 "over time",
- 1058 (1)** indicates income recognised under AASB 1058 "at a point in time", while
- 1058 (2)** indicates income recognised under AASB 1058 "over time".

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Waste management services (non-domestic)	15 (1)	1,326	1,376
Total specific user charges		1,326	1,376
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	15 (1)	1,812	2,166
Regulatory/ statutory fees	15 (1)	1,626	1,768
Alignment fees	15 (1)	93	75
Construction zones	15 (1)	1,093	558
Other	15 (1)	36	40
Total fees and charges – statutory/regulatory		4,660	4,607
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Leaseback fees – Council vehicles	15 (1)	570	605
Bus shelter advertising fees	15 (1)	402	504
Cemetery fees	15 (1)	38	37
Child care centre fees	15 (1)	522	538
Community facilities and park hire	15 (1)	1,360	2,147
Enquiries	15 (1)	91	59
Filming permits	15 (1)	67	121
Home maintenance services	15 (1)	38	34
Leisure centre fees	15 (1)	6,190	7,934
Library	15 (1)	6	10
Microfilm prints	15 (1)	159	196
Parking meters	15 (1)	732	859
Parking schemes and traffic management	15 (1)	169	133
Photocopying	15 (1)	65	70
Road and other infrastructure reinstatements	15 (1)	1,425	1,066
Sale of recycled materials	15 (1)	264	78
Shrub and tree sales	15 (1)	277	307
Other	15 (1)	237	341
Total fees and charges – other		12,612	15,039
Total User Charges and Fees		18,598	21,022

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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 or in some cases such as caravan parks, the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

Where an upfront fee is charged such as membership fees for the leisure centre the fee is recognised on a straight-line basis over the expected life of the membership.

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.

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

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

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

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

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

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			
Rental income – other council properties	1058 (2)	–	3,121
Fines – parking	1058 (1)	4,144	4,007
Fines – other	1058 (1)	282	512
Legal fees recovery – other	1058 (1)	122	46
Commissions and agency fees	1058 (1)	51	52
Insurance claims recoveries	1058 (1)	51	33
Other	1058 (1)	1,109	290
Aquatic centre kiosk and merchandise sales	15 (1)	773	1,034
Total Other Revenue		6,532	9,095

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

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

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

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

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

Accounting policy for other revenue

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

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

2019 accounting policy:

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	1,062	1,177	–	–
Financial assistance – local roads component	1058 (1)	996	914	–	–
Payment in advance - future year allocation					
Financial assistance	1058 (1)	2,181	2,169	–	–
Total general purpose		4,239	4,260	–	–
Specific purpose					
Child care	1058 (1)	337	355	–	–
Environmental programs	1058 (1)	612	283	–	–
Community services	1058 (1)	378	469	–	–
Library	1058 (1)	435	434	–	–
Parks and beaches	1058 (1)	–	–	–	700
Recreation and culture	1058 (1)	–	–	88	–
Street lighting	1058 (1)	406	398	–	–
Transport (roads to recovery)	1058 (1)	617	450	–	–
Transport (other roads and bridges funding)	1058 (1)	–	–	134	625
Stronger Community Fund	1058 (2)	–	–	1,123	2,580
Smart City Grants	1058 (1)	44	436	–	–
Other	1058 (1)	309	70	–	–
Total specific purpose		3,138	2,895	1,345	3,905
Total Grants		7,377	7,155	1,345	3,905
Grant revenue is attributable to:					
– Commonwealth funding		4,856	5,506	–	–
– State funding		2,521	1,649	1,345	3,905
		7,377	7,155	1,345	3,905

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
s7.12 – fixed development consent levies	1058 (1)		–	–	2,688	2,302
s7.2 – affordable housing	1058 (1)		–	–	276	281
Total developer contributions – cash			–	–	2,964	2,583
Total developer contributions	24		–	–	2,964	2,583
Other contributions:						
Cash contributions						
Driveways	1058 (1)		320	246	296	65
Ex gratia rates	1058 (1)		19	18	–	–
Other	1058 (1)		24	61	270	26
Parks and beaches	1058 (1)		217	18	–	–
RMS contributions (regional roads, block grant)	1058 (1)		558	490	269	264
Insurance Incentive Schemes	1058 (1)		–	52	–	–
Surf Club Facility	1058 (1)		–	–	88	199
Tree amenity income	1058 (1)		41	62	–	–
Paid parental leave scheme	1058 (1)		50	76	–	–
Interest free loan for IT devices	1058 (1)		98	111	–	–
Lexington Place Community Hub	1058 (1)		–	59	–	–
Total other contributions – cash			1,327	1,193	923	554
Non-cash contributions						
Drainage	1058 (1)		–	–	1,821	–
Paving	1058 (1)		–	–	11,979	–
Other	1058 (1)		–	–	1,824	–
Total other contributions – non-cash			–	–	15,624	–
Total other contributions			1,327	1,193	16,547	554
Total contributions			1,327	1,193	19,511	3,137
Total Grants and Contributions			8,704	8,348	20,856	7,042

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

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

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

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

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

Accounting policy for 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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.

Grant income

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

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

Capital grants

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

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

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

Contributions

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

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

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

Accounting policy prior to 1 July 2019

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	1,182	590
Add: operating grants recognised as income in the current period but not yet spent	314	7,826
Less: operating grants recognised in a previous reporting period now spent	(443)	(7,234)
Unexpended and held as externally restricted assets (operating grants)	1,053	1,182
Capital grants		
Unexpended at the close of the previous reporting period	3,228	148
Add: capital grants recognised as income in the current period but not yet spent	260	3,905
Less: capital grants recognised in a previous reporting period now spent	(1,125)	(825)
Less: capital grants received in a previous reporting period now recognised as liability and transferred to internal restrictions	(1,457)	–
Unexpended and held as externally restricted assets (capital grants)	906	3,228
Contributions		
Unexpended at the close of the previous reporting period	8,142	9,104
Add: contributions recognised as income in the current period but not yet spent	3,039	2,670
Less: contributions recognised in a previous reporting period now spent	(1,272)	(3,632)
Unexpended and held as externally restricted assets (contributions)	9,909	8,142

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	193	254
– Cash and investments	1,600	2,006
– Other	6	9
Fair value adjustments		
– Movements in investments at fair value through profit and loss	138	175
Total Interest and investment income	1,937	2,444

Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	136	186
General Council cash and investments	1,598	2,028

Restricted investments/funds – external:

Development contributions		
– Section 7.12 fixed development consent levies	30	39
– Section 7.2 affordable housing	45	47
Domestic waste management operations	50	60
Domestic waste management operations – overdue annual charges	56	68
Stormwater management operations – overdue annual charges	1	1

Restricted investments/funds – internal:

Internally restricted assets	21	15
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Total interest and investment revenue	1,937	2,444
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Accounting policy for interest and investment revenue

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	52,653	50,474
Employee termination costs (where material – other than vested leave paid)	96	–
Travel expenses	57	74
Employee leave entitlements (ELE)	6,064	7,051
Superannuation – defined contribution plans	4,304	4,094
Superannuation – defined benefit plans	1,106	1,084
Workers' compensation insurance	1,327	653
Fringe benefits tax (FBT)	324	360
Training costs (other than salaries and wages)	467	801
Other	524	471
Total employee costs	66,922	65,062
Less: capitalised costs	(551)	(855)
Total Employee Costs Expensed	66,371	64,207
Number of 'full-time equivalent' employees (FTE) at year end	527	523

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 19 for more information.

\$ '000	2020	2019
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on leases	6	–
Total interest bearing liability costs	6	–
Total interest bearing liability costs expensed	6	–
(ii) Other borrowing costs		
Fair value adjustments on recognition of advances and deferred debtors	–	–
TOTAL BORROWING COSTS EXPENSED	6	–

Accounting policy for borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed 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	6,781	7,443
Contractor and consultancy costs		
– Garbage and recycling contracts	17,222	16,221
– Other contractor and consultancy costs	20,035	19,839
Auditors remuneration ¹	97	78
Infringement notice contract costs (SEINS)	579	570
Legal expenses:		
– Legal expenses: planning and development	750	1,428
– Legal expenses: other	183	295
Total materials and contracts	45,647	45,874
Total Materials and Contracts	45,647	45,874

1. 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:

(i) Audit and other assurance services

Audit and review of financial statements	97	78
Remuneration for audit and other assurance services	97	78
Total Auditor-General remuneration	97	78
Total Auditor remuneration	97	78

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		2,790	2,934
Office equipment		2,122	1,786
Furniture and fittings		359	321
Land improvements (depreciable)		532	273
Infrastructure:	10(a)		
– Buildings – non-specialised		1,845	1,842
– Buildings – specialised		2,367	2,285
– Roads		11,116	8,759
– Footpaths		1,973	1,807
– Stormwater drainage		2,716	2,375
– Swimming pools		90	51
– Other open space/recreational assets		1,800	1,700
Right of use assets	12	3	–
Other assets:			
– Library books		308	317
Total gross depreciation and amortisation costs		28,021	24,450
Total depreciation and amortisation costs		28,021	24,450
Total Depreciation, Amortisation and Impairment for Non-Financial Assets		28,021	24,450

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 this assessment.

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.

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(e) Other expenses		
Animal pest control	32	22
Bad and doubtful debts	18	52
Bank charges, investment charges and payments to council collection	375	412
Community events and functions	1,152	1,175
Contributions/levies to other levels of government		
– Department of planning levy	282	276
– Emergency services levy (includes FRNSW, SES, and RFS levies)	236	203
– NSW fire brigade levy	2,376	2,153
– Other contributions/levies	–	(664)
Councillor expenses – mayoral fee	70	67
Councillor expenses – councillors' fees	387	377
Councillors' expenses (incl. mayor) – other (excluding fees above)	104	111
Donations, contributions and assistance to other organisations (Section 356)	737	907
Electricity and heating	1,150	1,313
Insurance	2,203	2,392
Street lighting	1,933	2,574
Subscriptions and publications	314	412
Telephone and communications	1,164	1,097
Valuation fees	177	168
Vehicle registration fees	234	215
Water and sewerage	572	525
Other	507	471
Total other expenses	14,023	14,258
Total Other Expenses	14,023	14,258

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
Plant and equipment	10(a)		
Proceeds from disposal – plant and equipment		1,050	1,320
Less: carrying amount of plant and equipment assets sold/written off		(1,341)	(1,044)
Net gain/(loss) on disposal		(291)	276
Infrastructure	10(a)		
Proceeds from disposal – infrastructure		–	500
Less: carrying amount of infrastructure assets sold/written off		(4,152)	(3,616)
Net gain/(loss) on disposal		(4,152)	(3,116)
Investments	7(b)		
Proceeds from disposal/redemptions/maturities – investments		60,074	68,948
Less: carrying amount of investments sold/redeemed/matured		(60,074)	(68,948)
Net gain/(loss) on disposal		–	–
Net Gain/(Loss) on Disposal of Assets		(4,443)	(2,840)

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	238	801
Cash-equivalent assets		
– Deposits at call	11,374	4,648
Total cash and cash equivalents	11,612	5,449

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				
'Financial assets at fair value through profit and loss'				
– 'Held for trading'	72,907	–	64,216	–
Total Investments	72,907	–	64,216	–
Total Cash Assets, Cash Equivalents and Investments	84,519	–	69,665	–
Financial assets at fair value through the profit and loss				
Long term deposits	40,100	–	32,500	–
NCD's, FRN's (with maturities > 3 months)	32,807	–	31,716	–
Total	72,907	–	64,216	–

Accounting policy for investments

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Financial assets through profit or loss

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	84,519	–	69,665	–
attributable to:				
External restrictions	26,587	–	24,899	–
Internal restrictions	45,782	–	38,090	–
Unrestricted	12,150	–	6,676	–
	84,519	–	69,665	–

\$ '000	2020	2019
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Details of restrictions

External restrictions – other

Developer contributions – general	9,909	8,142
Specific purpose unexpended grants (recognised as revenue) – general fund	1,959	4,410
Stormwater management	1,198	1,722
Environmental levy	2,708	2,796
Domestic waste management	10,813	7,829

External restrictions – other	26,587	24,899
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Total external restrictions	26,587	24,899
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Internal restrictions

Plant and vehicle replacement	5,407	4,516
Employees leave entitlement	7,292	6,992
Carry over works	–	2,907
Deposits, retentions and bonds	3,266	3,266
Affordable housing rental scheme	1,069	1,069
Building levy	4,116	5,225
Des Renford Leisure Centre	385	296
Economic development	85	85
Election of councillors	415	207
Information and communication technology	580	570
Infrastructure reserve	9,034	1,429
Insurance claims / risk management	172	172
Light rail support plan	531	814
Our Community Our Future	3,009	1,094
Prince Henry Centre	62	62
Property development	1,404	1,404
Randwick Environmental Park	1,309	1,442
Randwick Literary Institute	35	35
The Heffron Centre	6,154	6,505
Coogee SLSC	1,457	–

Total internal restrictions	45,782	38,090
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TOTAL RESTRICTIONS	72,369	62,989
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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	5,464	409	3,116	364
Interest and extra charges	206	39	204	60
User charges and fees	2,470	–	2,086	–
Accrued revenues				
– Interest on investments	351	–	450	–
– Other income accruals	705	54	898	59
Government grants and subsidies	435	–	742	–
Net GST receivable	1,077	–	830	–
Total	10,708	502	8,326	483
Less: provision of impairment				
User charges and fees	(170)	–	(198)	–
Total provision for impairment – receivables	(170)	–	(198)	–
Total Net Receivables	10,538	502	8,128	483
Externally restricted receivables				
Domestic waste management	1,326	102	941	141
Total external restrictions	1,326	102	941	141
Unrestricted receivables	9,212	400	7,187	342
Total Net Receivables	10,538	502	8,128	483

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	198	182
+ new provisions recognised during the year	25	52
– amounts already provided for and written off this year	(53)	(36)
Balance at the end of the year	170	198

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.

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

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

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	362	–	306	–
Trading stock	265	–	206	–
Total inventories at cost	627	–	512	–
Total Inventories	627	–	512	–
(b) Other assets				
Prepayments	745	–	835	–
Total Other Assets	745	–	835	–

Externally restricted assets

There are no restrictions applicable to the above assets.

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

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

Note 10(a). 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	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	9,692	–	9,692	8,400	3,980	–	–	(5,330)	491	17,233	–	17,233
Plant and equipment	24,620	(11,085)	13,535	–	3,678	(1,341)	(2,790)	–	–	24,765	(11,683)	13,082
Office equipment	31,604	(21,946)	9,658	–	1,288	–	(2,122)	35	–	32,927	(24,068)	8,859
Furniture and fittings	8,756	(5,869)	2,887	–	410	–	(359)	280	–	9,446	(6,228)	3,218
Land:												
– Operational land	210,292	–	210,292	–	15	–	–	–	–	210,307	–	210,307
– Community land	159,604	–	159,604	–	–	–	–	–	–	159,604	–	159,604
– Crown land	189,801	–	189,801	–	–	–	–	–	–	189,801	–	189,801
– Land under roads (post 30/6/08)	4,075	–	4,075	–	–	–	–	–	–	4,075	–	4,075
Land improvements – depreciable	30,095	(9,228)	20,867	20	1,426	–	(532)	–	379	31,977	(9,817)	22,160
Infrastructure:												
– Buildings – non-specialised	120,695	(56,375)	64,320	156	–	(47)	(1,845)	122	(122)	120,699	(58,115)	62,584
– Buildings – specialised	161,425	(58,394)	103,031	1,051	9	(517)	(2,367)	2,634	122	164,585	(60,622)	103,963
– Roads	1,038,148	(469,744)	568,404	4,117	4,776	(1,592)	(11,116)	1,409	4,748	1,049,969	(479,223)	570,746
– Footpaths	170,157	(51,683)	118,474	2,721	5,419	(944)	(1,973)	253	(5,112)	171,881	(53,043)	118,838
– Stormwater drainage	356,844	(82,355)	274,489	690	2,096	(531)	(2,716)	339	7	359,194	(84,820)	274,374
– Swimming pools	6,419	(1,281)	5,138	91	8	–	(90)	69	144	6,731	(1,371)	5,360
– Other open space/recreational assets	77,164	(14,011)	63,153	647	741	(520)	(1,800)	189	(657)	77,388	(15,635)	61,753
Other assets:												
– Heritage collections	2,472	–	2,472	18	–	–	–	–	–	2,490	–	2,490
– Library books	7,799	(6,921)	878	2	–	–	(308)	–	–	7,802	(7,230)	572
Total Infrastructure, property, plant and equipment	2,609,662	(788,892)	1,820,770	17,913	23,846	(5,492)	(28,018)	–	–	2,640,874	(811,855)	1,829,019

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

\$ '000	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	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	13,512	–	13,512	6,812	843	–	–	(11,475)	–	–	9,692	–	9,692
Plant and equipment	23,472	(11,006)	12,466	–	5,048	(1,045)	(2,934)	–	–	–	24,620	(11,085)	13,535
Office equipment	29,114	(20,160)	8,954	–	2,486	–	(1,786)	4	–	–	31,604	(21,946)	9,658
Furniture and fittings	8,323	(5,575)	2,748	–	465	(5)	(321)	–	–	–	8,756	(5,869)	2,887
Land:													
– Operational land	210,292	–	210,292	–	–	–	–	–	–	–	210,292	–	210,292
– Community land	159,604	–	159,604	–	–	–	–	–	–	–	159,604	–	159,604
– Crown land	189,801	–	189,801	–	–	–	–	–	–	–	189,801	–	189,801
– Land under roads (post 30/6/08)	4,075	–	4,075	–	–	–	–	–	–	–	4,075	–	4,075
Land improvements – depreciable	19,380	(6,783)	12,597	289	–	–	(273)	297	(283)	8,240	30,095	(9,228)	20,867
Infrastructure:													
– Buildings – non-specialised	120,492	(54,644)	65,848	208	35	(32)	(1,842)	103	–	–	120,695	(56,375)	64,320
– Buildings – specialised	158,388	(56,199)	102,189	1,884	121	(74)	(2,285)	1,196	–	–	161,425	(58,394)	103,031
– Roads	856,785	(357,820)	498,965	3,856	324	(2,531)	(8,759)	2,773	3,064	70,712	1,038,148	(469,744)	568,404
– Footpaths	104,519	(26,857)	77,662	4,916	4,345	(688)	(1,807)	2,694	13,440	17,912	170,157	(51,683)	118,474
– Stormwater drainage	308,686	(119,553)	189,133	239	293	(68)	(2,375)	628	–	86,639	356,844	(82,355)	274,489
– Swimming pools	3,884	(2,110)	1,774	14	–	–	(51)	–	–	3,401	6,419	(1,281)	5,138
– Other open space/recreational assets	94,760	(26,869)	67,891	2,109	1,113	(212)	(1,700)	3,736	(17,112)	7,328	77,164	(14,011)	63,153
Other assets:													
– Heritage collections	1,479	–	1,479	33	11	(5)	–	42	891	21	2,472	–	2,472
– Library books	7,523	(6,604)	919	–	274	–	(317)	2	–	–	7,799	(6,921)	878
Total Infrastructure, property, plant and equipment	2,314,089	(694,180)	1,619,909	20,360	15,358	(4,660)	(24,450)	–	–	194,253	2,609,662	(788,892)	1,820,770

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

Accounting policy for infrastructure, property, plant and equipment

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

Increases in the carrying amounts arising on revaluation are credited to the revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Open Space assets	Years
Office equipment	5 to 10	Ocean Pools	100
Office furniture	10 to 20	Swimming pools	50
Computer equipment	3 to 10	Playground equipment	15
Vehicles	5 to 7	Irrigation system	6 to 20
Heavy plant/road making equipment	7	Park furniture	15
Other plant and equipment	2 to 20	Skate park	50
		Cricket nets	10
		Turf cricket wicket	15
Transportation assets		Fencing	20
Road formation	Infinite	Lighting	20
Road pavement	120	Scoreboards	30
Road surface	25	Signage and flagpoles	20
Kerb and Gutter	100	Water tank	15 to 50
Footpaths	25 to 80		
Road furniture	10	Buildings	
Retaining walls	80	Buildings: masonry	100
		Buildings: other	20 to 100
Stormwater assets			
Pits	100		
Pipes/conduit	100 to 150		
Library resources			
Library resources	5		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

Land under roads

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

Crown reserves

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

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

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

	as at 30/06/20			as at 30/06/19		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
\$ '000						
Domestic waste management						
Plant and equipment	4,689	2,208	2,481	4,689	1,538	3,151
Total DWM	4,689	2,208	2,481	4,689	1,538	3,151
Total Restricted IPP&E	4,689	2,208	2,481	4,689	1,538	3,151

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. 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)	1,457	—
Total grants received in advance		1,457	—
Total contract liabilities		1,457	—

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)	1,123
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	1,123

Significant changes in contract assets and liabilities

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

Accounting policy for contract assets and liabilities

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer. When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable. When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. 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 one lease for the asset class buildings. Information relating to the leases in place and associated balances and transactions is provided below.

Buildings

Council leases a portion of a building facility for one of its library branches; the lease is for 80 years and the renewal option to allow Council to renew is not specific.

The building lease contains an annual pricing mechanism based on CPI movements at each anniversary of the lease inception.

Vehicles

Council does not lease any vehicles

Office and IT equipment

Council does not lease any office or IT equipment

Extension options

The extension option of the lease has not been specified, therefore extension options are not able to be calculated

\$ '000	Buildings	Total
(a) Right of use assets		
Opening balance at 30 June 2019	–	–
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	241	241
Depreciation charge	(3)	(3)
Right of Use Assets	238	238

\$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liabilities	–	242
Total Lease Liabilities	–	242

(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	5	27	512	544	242

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

\$ '000	2020
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(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	6
Depreciation of right of use assets	3
	9

(d) Statement of Cash Flows

Total cash outflow for leases	5
	5

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 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.

(ii) Council as a lessor

(e) Operating leases

Council leases out a number of properties to community groups; these leases have been classified as operating leases for financial reporting purposes.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

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	
Investment properties	
Other lease income	
Lease Income	2,621
Total income relating to operating leases	2,621

(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	1,531
1–2 years	1,158
2–3 years	987
3–4 years	776
4–5 years	529
> 5 years	20,415
Total undiscounted contractual lease income receivable	25,396

Accounting policy

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

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

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 13. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	2,170	–	2,429	–
Goods and services – capital expenditure	1,036	–	1,067	–
Accrued expenses:				
– Salaries and wages	1,627	–	1,235	–
– Other expenditure accruals	2,854	–	777	–
Security bonds, deposits and retentions	7,695	–	6,953	–
Total payables	15,382	–	12,461	–
Income received in advance				
Payments received in advance	1,730	–	2,198	–
Total income received in advance	1,730	–	2,198	–
Total Payables and Borrowings	17,112	–	14,659	–

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Domestic waste management	1,778	–	2,807	–
Payables and borrowings relating to externally restricted assets	1,778	–	2,807	–
Total payables and borrowings relating to restricted assets	1,778	–	2,807	–
Total payables and borrowings relating to unrestricted assets	15,334	–	11,852	–
Total Payables and Borrowings	17,112	–	14,659	–

\$ '000	2020	2019
(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	5,760	5,009
Total payables and borrowings	5,760	5,009

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

\$ '000	2020	2019
(c) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Bank overdraft facilities ¹	400	400
Total financing arrangements	400	400
Undrawn facilities as at balance date:		
– Bank overdraft facilities	400	400
Total undrawn financing arrangements	400	400

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

Accounting policy for payables and borrowings

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	5,210	–	4,577	–
Sick leave	1,475	–	1,492	–
Long service leave	12,958	262	12,589	286
Gratuities	190	–	185	–
Other leave	68	–	52	–
Sub-total – aggregate employee benefits	19,901	262	18,895	286
Total Provisions	19,901	262	18,895	286

(a) Provisions relating to restricted assets

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

\$ '000	2020	2019
(b) Current provisions not anticipated to be settled within the next twelve months		

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

Provisions – employees benefits	13,573	12,626
	13,573	12,626

(c) Description of and movements in provisions

	ELE provisions				
\$ '000	Annual leave	Sick leave	Long service leave	Other employee benefits	Total
2020					
At beginning of year	4,577	1,492	12,875	237	19,181
Other	633	(17)	345	21	982
Total ELE provisions at end of year	5,210	1,475	13,220	258	20,163
2019					
At beginning of year	4,649	1,746	12,311	212	18,918
Additional provisions	4,019	—	3,325	88	7,432
Amounts used (payments)	(4,091)	(254)	(2,761)	(63)	(7,169)
Total ELE provisions at end of year	4,577	1,492	12,875	237	19,181

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

On-costs

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. 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 (not-retrospective)

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

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

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

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

Statement of Financial Position

(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.

Upfront fees – Council leisure centre

When an upfront fee is charged such as membership fees for the leisure centre the fee is recognised on a straight-line basis over the expected life of the membership.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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.

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:

Council had a grant with relation to the Coogee Surf Life Saving Club that required to be adjusted due to the adoption of the new accounting standards.

- A grant of \$2.580 million was received in FY2018-19, with requirements that funds would be taken up as works were completed, however as at 30 June 2020 the works were still ongoing, thus requiring the funds to be adjusted between Equity & contract liabilities
- Throughout the year \$1.123 million worth of the grant was taken up to income as the funds were costed
- This left a balance of \$1.457 million in the liability account as at 30 June 2020 and will be taken up when the remaining works are completed

	Balance at 1 July 2019
\$ '000	
Opening contract balances at 1 July 2019	
Contract assets	
– Under AASB 15	–
– Under AASB 1058	–
Total Contract assets	–
Contract liabilities	
– Under AASB 15	2,580
– Under AASB 1058	–
Total Contract liabilities	2,580

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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	Reclassification	Remeasurement	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	11,612	—	—	11,612	
Investments	72,907	—	—	72,907	
Receivables	10,538	—	—	10,538	
Inventories	627	—	—	627	
Other	745	—	—	745	
Total current assets	96,429	—	—	96,429	
Current liabilities					
Payables	15,382	—	—	15,382	
Income received in advance	1,730	—	—	1,730	
Contract liabilities	1,457	—	(1,457)	—	
Provisions	19,901	—	—	19,901	
Total current liabilities	38,470	—	(1,457)	37,013	
Non-current assets					
Receivables	502	—	—	502	
Infrastructure, property, plant and equipment	1,829,019	—	—	1,829,019	
Right of use assets	238	—	—	238	
Investments accounted for using equity method	7	—	—	7	
Total non-current assets	1,829,766	—	—	1,829,766	
Non-current liabilities					
Lease liabilities	242	—	—	242	
Provisions	262	—	—	262	
Total Non-current liabilities	504	—	—	504	
Net assets	1,887,221	—	1,457	1,888,678	
Equity					
Accumulated surplus	840,366	—	1,457	841,823	
Revaluation reserves	1,046,855	—	—	1,046,855	
Total Equity	1,887,221	—	1,457	1,888,678	

The adoption of AASB 15 and AASB 1058 has materially changed the statement of financial position for the year ended 30 June 2020 only with regards to the Coogee SLSC Grant that was first received in FY2018-19 & not completed by milestone finish date of 30 June 2020, thus requiring a correction to the income & retained earnings for the period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	122,504	—	—	122,504	
User charges and fees	18,598	—	—	18,598	
Other revenues	6,532	—	—	6,532	
Grants and contributions provided for operating purposes	8,704	—	—	8,704	
Grants and contributions provided for capital purposes	20,856	—	1,123	21,979	
Interest and investment income	1,937	—	—	1,937	
Rental income	2,621	—	—	2,621	
Total Income from continuing operations	181,752	—	1,123	182,875	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	66,371	—	—	66,371	
Borrowing costs	6	—	—	6	
Materials and contracts	45,647	—	—	45,647	
Depreciation and amortisation	28,021	—	—	28,021	
Other expenses	14,023	—	—	14,023	
Net losses from the disposal of assets	4,443	—	—	4,443	
Total Expenses from continuing operations	158,511	—	—	158,511	
Total Operating result from continuing operations	23,241	—	1,123	24,364	
Net operating result for the year	23,241	—	1,123	24,364	
Total comprehensive income	23,241	—	—	23,241	

The adoption of AASB 15 and AASB 1058 has materially changed the statement of cash flows for the year ended 30 June 2020 only with regards to the Coogee SLSC Grant that was first received in FY2018-19 & not completed by milestone finish date of 30 June 2020, thus requiring a correction to the income & retained earnings for the period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. 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	–	2,580	2,580
Total liabilities	–	2,580	2,580
Accumulated surplus	819,705	(2,580)	817,125
Total equity	–	(2,580)	(2,580)

(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 \$241K 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 2.35%.

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

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

	Balance at 1 July 2019
\$ '000	
Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases	
Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	241
Lease liabilities recognised at 1 July 2019	241

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

	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
\$ '000			
Rights-of-use assets	–	241	241
Total assets	1,900,400	241	1,900,641
Leases	–	241	241
Total liabilities	33,840	241	34,081
Total equity	1,866,560	–	1,866,560

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Statement of cash flow information

\$ '000	Notes	2020	2019
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(a) Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	7(a)	11,612	5,449
Balance as per the Statement of Cash Flows		11,612	5,449

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

Net operating result from Income Statement		23,241	13,048
Adjust for non-cash items:			
Depreciation and amortisation		28,021	24,450
Net losses/(gains) on disposal of assets		4,443	2,840
Non-cash capital grants and contributions		(15,624)	—
Adoption of AASB 15/1058		(2,580)	—
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as ‘at fair value’ or ‘held for trading’		(138)	(175)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(2,401)	(759)
Increase/(decrease) in provision for impairment of receivables		(28)	16
Decrease/(increase) in inventories		(115)	26
Decrease/(increase) in other current assets		90	(83)
Increase/(decrease) in payables		(259)	(1,909)
Increase/(decrease) in other accrued expenses payable		2,077	(58)
Increase/(decrease) in other liabilities		274	533
Increase/(decrease) in contract liabilities		1,457	—
Increase/(decrease) in provision for employee benefits		982	263
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		39,440	38,192

(c) Non-cash investing and financing activities

Other dedications		15,624	—
Total non-cash investing and financing activities		15,624	—

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2020	2019	2020	2019
Joint ventures	—	—	7	7
Total	—	—	7	7

Joint ventures

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

Summarised financial information for individually immaterial joint ventures

Council is a member of the Premsure Insurance Pool, but holds an immaterial interest in the Joint Venture. This has been accounted for using the equity method.

\$ '000	2020	2019
Individually immaterial joint ventures		
Aggregate carrying amount of individually immaterial joint ventures	7	7

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Commitments

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

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Buildings	8,615	2,046
Plant and equipment	470	572
Open Space	5,777	270
Roads	1,324	4,039
Drainage	635	219
Total commitments	16,821	7,146

These expenditures are payable as follows:

Within the next year	16,821	7,146
Total payable	16,821	7,146

Sources for funding of capital commitments:

Unrestricted general funds	1,391	402
Externally restricted reserves	9,292	359
Internally restricted reserves	6,138	6,385
Total sources of funding	16,821	7,146

Details of capital commitments

The Council has committed to a number of projects including renewal of the tennis centre at Heffron Park, the refurbishment of the Coogee SLSC, stormwater harvesting at Maroubra Beach and remediation works at Purcell Park. Orders have also been placed for Council's ongoing plant replacement program.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. 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

(i) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability 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 or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

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

(ii) Defined benefit plans

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

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

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

Description of the funding arrangements.

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

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2019 for 2 years to 30 June 2021 apportioned according to each employer's share of the accrued liabilities as at 30 June 2020. 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$1,069,165.23. The last valuation of the Scheme was performed by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2019, and covers the period ended 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$554,400.

Council's expected contribution to the plan for the next annual reporting period is \$1,024,980.20.

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 share of this deficit that is broadly attributed to Council is estimated to be in the order of 1.35% as at 30 June 2020.

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

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

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

* Plus promotional increases

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

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.

Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

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

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

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

At reporting date, reliable estimates as to the value of any potential liability (and 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 and including 30/6/08.

(ii) Premeasure Insurance Pool

Council has disclosed it holds an immaterial interest in the joint venture Premeasure Insurance Pool in Note 17.

It is known that some funds are held by the Pool and that they will be distributed to members upon closure of the pool. Accordingly, at year end there is a potential asset of the Council in the amount of distribution from the Pool.

However, there is no reliable basis upon which Council is able to determine the value of this potential asset.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. 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	11,612	5,449	11,612	5,449
Receivables	11,040	8,611	11,040	8,611
Fair value through profit and loss				
Investments				
– 'Held for trading'	72,907	64,216	72,907	64,216
Total financial assets	95,559	78,276	95,559	78,276
Financial liabilities				
Payables	15,382	12,461	15,382	12,461
Lease liabilities	242	–	242	–
Total financial liabilities	15,624	12,461	15,624	12,461

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

- **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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 10% movement in market values	328	328	(328)	(328)
Possible impact of a 1% movement in interest rates	771	771	(771)	(771)
2019				
Possible impact of a 10% movement in market values	317	317	(317)	(317)
Possible impact of a 1% movement in interest rates	675	675	(675)	(675)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

(b) Credit risk

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

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

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	1	4,161	698	415	598	5,873
2019						
Gross carrying amount	–	2,272	458	254	496	3,480

Receivables - non-rates and annual charges

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

The loss allowance provision as at 30 June 2020 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	3,177	774	143	27	1,216	5,337
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	13.98%	3.19%
ECL provision	–	–	–	–	170	170
2019						
Gross carrying amount	4,113	461	105	37	613	5,329
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	32.30%	3.72%
ECL provision	–	–	–	–	198	198

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. 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:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2020							
Trade/other payables	0.00%	7,695	7,687	–	–	15,382	15,382
Total financial liabilities		7,695	7,687	–	–	15,382	15,382
2019							
Trade/other payables	0.00%	6,953	5,508	–	–	12,461	12,461
Total financial liabilities		6,953	5,508	–	–	12,461	12,461

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 25/06/2019 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	121,913	122,504	591	0% F
User charges and fees	19,383	18,598	(785)	(4)% U
Other revenues	8,737	6,532	(2,205)	(25)% U
Operating grants and contributions	7,269	8,704	1,435	20% F
The major contributors to the favourable original budget variation to Grants & Contributions - Operating include:				
<ul style="list-style-type: none"> • Organic collection grants program from NSW Environmental Trust • Better waste and recycling fund from NSW Environment Protection Authority • Contribution related to install new bus shelters from light rail contractor • The NSW Grants Commission paid in advance again to all NSW the first two instalments of their 2019/20 Financial Assistance Grant allocation. 				
Capital grants and contributions	2,889	20,856	17,967	622% F
The major contributors to the favourable budget variation to Grants & Contributions - Capital include:				
<ul style="list-style-type: none"> • In kind Capital Contributions from the State Light Rail project • Developer Contributions 				
Interest and investment revenue	1,825	1,937	112	6% F
Rental income	–	2,621	2,621	∞ F

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	67,454	66,371	1,083	2% F
Borrowing costs	1,084	6	1,078	99% F
Council defer the loan drawdown to future financial years based on the staging of capital works funding requirements.				
Materials and contracts	38,701	45,647	(6,946)	(18)% U
The major contributors to the unfavourable original budget variation in materials and contracts include:				
<ul style="list-style-type: none"> • Unbudgeted contract and labour hire costs associated with COVID-19, stormwater damages and Cloverly Childcare works; • Additional unbudgeted planning and development legal expenses • Additional Domestic Waste Disposal associated expenses funded by domestic levy • Large amounts expenditure were incurred through the year related to road restoration. This expenditure was off set with road restorations revenue. 				
Depreciation and amortisation	24,439	28,021	(3,582)	(15)% U
Asset and infrastructure revaluation and in-kind light rail associated civil infrastructures have contributed to an increase in the depreciation figure.				
Other expenses	16,466	14,023	2,443	15% F
The major contributors to the favourable original budget variation in other expenses include:				
<ul style="list-style-type: none"> • Favourable Street Lighting expenses compared to original budgeted expenses • Unspent Publication and Subscription costs, Donations and Functions expenses associated with COVID-19 				
Net losses from disposal of assets	4,251	4,443	(192)	(5)% U
STATEMENT OF CASH FLOWS				
Cash flows from operating activities	34,489	39,440	4,951	14% F
The variance is due to additional grant and contributions and favourable other expenses such as street lighting expenses.				
Cash flows from investing activities	(32,192)	(33,277)	(1,085)	3% U
The variation is due to the timing of capital creditors payments from projects commitments being carried forward into 2020-21 FY.				
Cash flows from financing activities	(898)	–	898	100% F
The variation is due to Council deferring the loan drawdown to future financial years based on the staging of capital works funding requirements.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement

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

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

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

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

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

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

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

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

2020	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv- able inputs	
Recurring fair value measurements				
Financial assets				
Investments				
– ‘Held for trading’	–	72,907	–	72,907
Total financial assets	–	72,907	–	72,907
Infrastructure, property, plant and equipment				
Plant & Equipment	–	–	13,082	13,082
Office Equipment	–	–	8,859	8,859
Furniture & Fittings	–	–	3,218	3,218
Operational Land	–	–	210,307	210,307
Community Land	–	–	159,604	159,604
Land Under Roads	–	–	4,075	4,075
Depreciable Land Improvements	–	–	22,160	22,160
Buildings – Non Specialised	–	–	62,584	62,584
Buildings – Specialised	–	–	103,963	103,963
Roads	–	–	570,746	570,746
Footpaths	–	–	118,838	118,838
Stormwater Drainage	–	–	274,374	274,374
Swimming Pools	–	–	5,360	5,360
Other Open Space/Recreational Assets	–	–	61,753	61,753
Heritage Collections	–	–	2,490	2,490
Library Books	–	–	572	572
Crown Land	–	–	189,801	189,801
Total infrastructure, property, plant and equipment	–	–	1,811,786	1,811,786

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

2019	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv- able inputs	
Recurring fair value measurements				
Financial assets				
Investments				
– ‘Held for trading’	–	64,216	–	64,216
Total financial assets	–	64,216	–	64,216
Infrastructure, property, plant and equipment				
Plant & Equipment	–	–	13,535	13,535
Office Equipment	–	–	9,658	9,658
Furniture & Fittings	–	–	2,887	2,887
Operational Land	–	–	210,292	210,292
Community Land	–	–	159,604	159,604
Land Under Roads	–	–	4,075	4,075
Depreciable Land Improvements	–	–	20,867	20,867
Buildings – Non Specialised	–	–	64,320	64,320
Buildings – Specialised	–	–	103,031	103,031
Roads	–	–	568,404	568,404
Footpaths	–	–	118,474	118,474
Stormwater Drainage	–	–	274,489	274,489
Swimming Pools	–	–	5,138	5,138
Other Open Space/Recreational Assets	–	–	63,153	63,153
Heritage Collections	–	–	2,472	2,472
Library Books	–	–	878	878
Crown Land	–	–	189,801	189,801
Total infrastructure, property, plant and equipment	–	–	1,811,078	1,811,078

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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

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

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

Financial assets

At fair value through profit and loss are represented by Floating Rate Notes, Covered Bonds and Term Deposits. Council obtains valuations from its Investment Advisor on a monthly basis and at the end of each accounting period to ensure the financial statements reflect the most up to date valuation. The valuations of Floating Rate Notes are sourced from UBS based on mid-market prices. That is, valuations are marked at the mid-point of the bid and ask prices in the secondary market. This price represents a general market value for the asset. There has been no change to the valuation techniques during the reporting period.

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

Plant & Equipment, Office Equipment and Furniture & Fittings

The purchase cost of Plant & Equipment, Office Equipment and Furniture & Fittings are taken as their fair value. There has been no change to the valuation techniques during the reporting period.

Operational Land

The valuation of Council's Operational Land was undertaken at 30 June 2018 by Scott Fullarton Valuations Pty Ltd, FAPI, Certified Practising Valuer, Registration No. VAL2144.

Operational land has been valued at market value, having regard to the "highest and best use", after identifying all elements that would be taken into account by buyers and sellers in settling the price, including but not limited to:

- The land's description and/or dimensions;
- Planning and other constraints on development; and
- The potential for alternative use.

Level 2 inputs were used to value land held in freehold title and those with special use, which are restricted under the zoning objectives. Sale prices of comparable land parcels in close proximity were adjusted for differences in key attributes such as size and configuration. The most significant inputs into this valuation approach are price per square metre.

There may, also, be special use parcels where there was no observable market evidence. This land was valued utilising Level 3 inputs, with the valuer using professional judgement to adjust the rate per square metre from the sales evidence available.

Community Land

Council's community land was valued based on the Land Value (LV) provided by the Valuer-General in 2016. Where the Valuer-General did not provide LV an average unit rate based on the LV for similar community land was used, having regard to the highest and best use for the land. There has been no change to the valuation techniques during the reporting period.

Crown Land

The valuation of Council's crown land was undertaken at 30 June 2019 by Scott Fullarton Valuations Pty Ltd, FAPI, Certified Practising Valuer, Registration No. VAL2144.

Land has been valued at market value, having regard to the "highest and best use", after identifying all elements that would be taken into account by buyers and sellers in settling the price, including but not limited to:

- The land's description and/or dimensions;
- Planning and other constraints on development; and
- The potential for alternative use.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

Level 2 inputs were used to value land held in freehold title and those with special use, which are restricted under the zoning objectives. Sale prices of comparable land parcels in close proximity were adjusted for differences in key attributes such as size and configuration. The most significant inputs into this valuation approach are price per square metre.

There are, also, parks, reserves and other special use parcels where there was no observable market evidence. This land was valued utilising Level 3 inputs, with the valuer using professional judgement to adjust the rate per square metre from the sales evidence available.

Land Under Roads

Land Under Roads acquired post 1 July 2008 have been valued using the square meter rates of adjacent Community Land having regard to the highest and best use for the land. There has been no change to the valuation techniques during the reporting period.

Buildings: Non-specialised and Specialised

Council's buildings were valued utilising the cost approach by Scott Fullarton Valuations Pty Ltd (SFV) at 31 August 2017. SFV's schedule provides the Gross Carrying Amount 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.

Specialised buildings were valued utilising the cost approach by professionally qualified Registered Valuers.

The approach estimated the replacement cost of each building and componentising of significant parts with different useful lives and taking into account a range of factors. The unit rates could be supported by market evidence (Level 2 inputs), other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued using Level 3 inputs.

Roads

The valuation of Council's roads was undertaken at 30 June 2019 using the cost approach by in-house staff comprising of Council engineers and asset management staff.

The roads asset class includes roads, defined as the trafficable portion of a road, between but not including the kerb and gutter. It also includes "other roads" assets including Bridges, Carparks, Kerb and Gutter, Traffic facilities and Footpaths.

The 'Cost Approach' using Level 3 inputs was used to value the road carriageway and other road infrastructure. Valuations for the road carriageway, comprising surface, pavement and formation were based primarily on unit rates derived from the Councils schedule of rates tender. Other inputs (such as estimates pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there some uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Stormwater Drainage

The valuation of Council's stormwater drainage assets was undertaken at 30 June 2019 using the cost approach by in-house staff comprising of Council engineers and asset management staff.

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

Swimming Pools

The valuation of Council's swimming pools was undertaken at 30 June 2019 using the cost approach by in-house staff comprising of Council engineers and asset management staff.

Assets within this class comprise the Des Renford Leisure Centre Pools and also Council's rockpools. The approach estimated the replacement cost for each pool by componentising its significant parts.

While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

Open Space Assets

The valuation of Council's open space assets was undertaken at 30 June 2019 using the cost approach by in-house staff comprising of Council engineers and asset management staff.

Assets within this class comprise Tennis Courts, Synthetic Surfaces, BBQs, Regional Sporting Facilities and Playgrounds. All assets in this class were valued in-house by experienced engineering & asset management staff. While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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

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

\$ '000	Plant and equipment, other equipment, furniture and fittings	Land	Depreciable land improvement	Buildings	Infrastructure
2019					
Opening balance	24,168	563,772	12,597	168,037	835,425
Transfers from/(to) another asset class	—	—	(283)	—	(608)
Purchases (GBV)	8,003	—	586	3,547	27,040
Disposals (WDV)	(1,050)	—	—	(106)	(3,499)
Depreciation and impairment	(5,041)	—	(273)	(4,127)	(14,692)
Revaluation increments	—	—	8,240	—	185,992
Closing balance	26,080	563,772	20,867	167,351	1,029,658

2020					
Opening balance	26,080	563,772	20,867	167,351	1,029,658
Transfers from/(to) another asset class	—	—	379	—	(870)
Purchases (GBV)	5,691	15	1,446	3,971	23,565
Disposals (WDV)	(1,341)	—	—	(564)	(3,587)
Depreciation and impairment	(5,271)	—	(532)	(4,211)	(17,695)
Closing balance	25,159	563,787	22,160	166,547	1,031,071

\$ '000	Other assets	Total
2019		
Opening balance	2,398	1,606,397
Transfers from/(to) another asset class	891	—
Purchases (GBV)	362	39,538
Disposals (WDV)	(5)	(4,660)
Depreciation and impairment	(317)	(24,450)
Revaluation increments	21	194,253
Closing balance	3,350	1,811,078
2020		
Opening balance	3,350	1,811,078
Transfers from/(to) another asset class	—	(491)
Purchases (GBV)	20	34,708
Disposals (WDV)	—	(5,492)
Depreciation and impairment	(308)	(28,017)
Closing balance	3,062	1,811,786

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Financial assets			
Investments	72,907	Advisor report	* Unit price
Infrastructure, property, plant and equipment			
Plant & Equipment, Other Equipment & Furniture & Fittings	25,159	Depreciated historical cost used to approximate fair value	* Gross replacement cost * Remaining useful life
Operational Land	210,307	Independent valuer report	* Price per square metre
Community Land	159,604	Land values obtained from the NSW Valuer-General	* VG value (price per square metre)
Crown Land	189,801	Independent valuer report	* Price per square metre
Land Under Roads	4,075	Average municipal rate, determined by the NSW Valuer-General, after applying 90% discount to reflect restricted nature of asset.	* VG value (price per square metre)
Depreciable Land Improvement	22,160	Unit rates per m2 or length	* Gross replacement cost * Asset condition * Remaining useful life
Buildings	166,547	Non-Specialised Buildings: market value Specialised Buildings: replacement cost	* Gross replacement cost * Asset condition * Remaining useful life
Roads & Footpaths	689,584	Unit rates per m2 or length	* Gross replacement cost * Asset condition * Remaining useful life

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Stormwater Drainage	274,374	Unit rates per m2 or length	* Gross replacement cost * Asset condition * Remaining useful life
Swimming Pools	5,360	Unit rates per m2 or length	* Gross replacement cost * Asset condition * Remaining useful life
Other Open Space/Recreational Assets	61,753	Unit rates per m2 or length	* Gross replacement cost * Asset condition * Remaining useful life
Library Books	572	Cost used to approximate fair value	* Gross replacement cost * Remaining useful life
Heritage Collections	2,490	Cost used and market values used to approximate fair value	* Gross replacement cost (monuments) * Market value (fine arts)

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Related party disclosures

(a) Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly. Council has identified Councillors, the General Manager and Directors as KMP.

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	1,745	1,883
Post-employment benefits	100	101
Termination benefits ¹	–	349
Total	1,845	2,333

(1) Termination benefits are annual leave and long service leave paid out on termination

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Related party disclosures (continued)

(b) Other transactions with KMP and their related parties

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

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000	Ref					
2020						
Supply of Design Review / Planning /Consultant Services	1	384	116	30 days	—	—
Supply of IT&C Managed Colocation Services	2	130	164	30 days	—	—
2019						
Supply of Design Review / Planning /Consultant Services	1	71	258	30 days	—	—
Supply of IT&C Managed Colocation Services	2	80	138	30 days	—	—

- 1 AJC Architects was awarded the contract by Council through a tender process. A family member of a KMP of Council works for the organisation.The KMP was not involved in the voting of the tender.
- 2 NTT Communications ICT Solutions P/L was awarded the contract by Council through a tender process. A family member of a KMP of Council works for the organisation.The KMP was not involved in the voting of the tender.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
S7.12 levies – under a plan	3,190	2,688	–	30	(1,272)	–	4,636	–
Total S7.11 and S7.12 revenue under plans	3,190	2,688	–	30	(1,272)	–	4,636	–
s7.2 planning agreements (affordable housing)	4,902	276	–	45	–	–	5,223	–
s7.4 planning agreement (operational)	50	–	–	–	–	–	50	–
Total contributions	8,142	2,964	–	75	(1,272)	–	9,909	–

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts 2020	Indicator 2020	Prior periods 2019	Prior periods 2018	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	6,690	4.16%	5.51%	6.20%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	160,758				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	152,054	83.72%	90.64%	91.50%	>60.00%
Total continuing operating revenue ¹	181,614				
3. Unrestricted current ratio					
Current assets less all external restrictions	68,516	3.95x	4.06x	3.63x	>1.50x
Current liabilities less specific purpose liabilities	17,359				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	34,717	5,786.17x	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	6				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	6,118	4.84%	3.13%	2.40%	<5.00%
Rates, annual and extra charges collectible	126,441				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	51,712	4.67 mths	3.33 mths	3.02 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	11,066				

(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

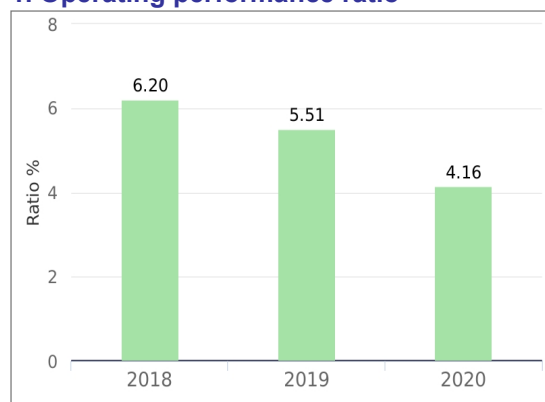
(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25(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 4.16%

The Operating Performance Ratio of 4.16% is a strong positive result and above the 0% industry benchmark set by the Office of Local Government. Last year's ratio was slightly higher due to a one off non cash property agreement.

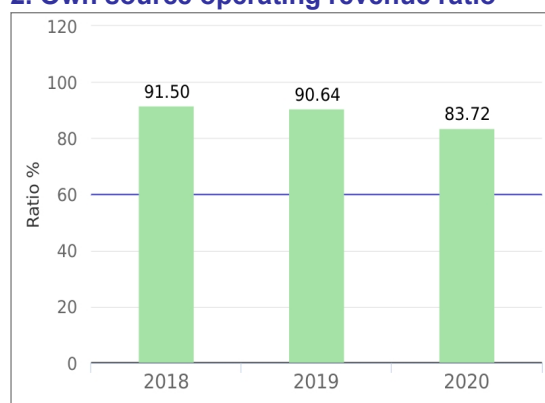
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

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 83.72%

The ratio remains well in excess of the 60% benchmark, with Council's reliance on external funding one of the lowest of all Councils in NSW

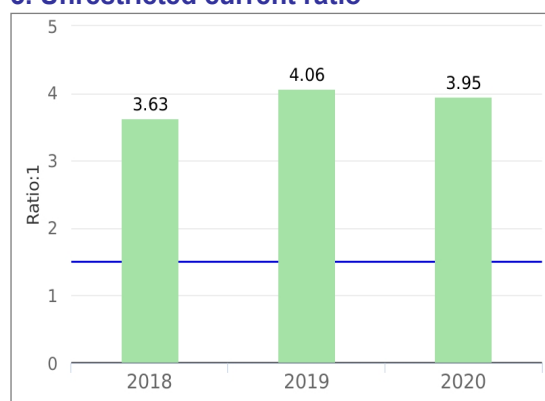
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

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 3.95x

Council's liquidity remains strong and is well above the 1.5 benchmark consistent with prior years.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

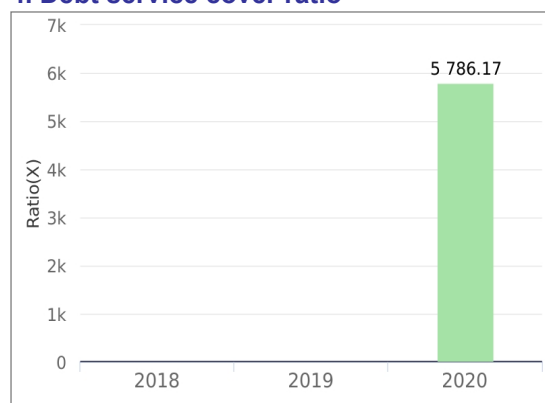
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25(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 5,786.17x

Council has no loans for this reporting period.

The new Accounting Standard AASB16 leases, now requires Council to report leases (where Council is the lessee) as a 'right-of use' asset & capitalise the value of that asset as well as show the same amount as a liability, thus raising a small borrowing liability for the interest payments accounted for.

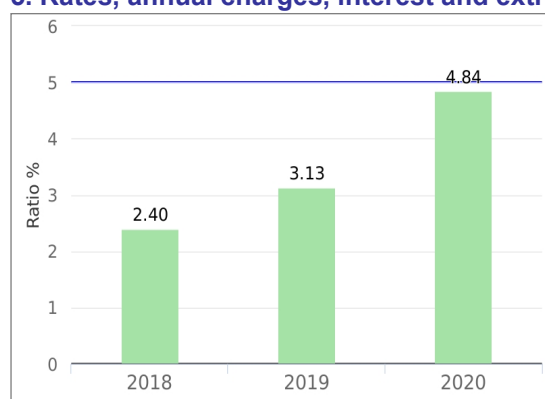
Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

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



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

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 4.84%

The outstanding rates and charges ratio of 4.84% is below the benchmark of 5%.

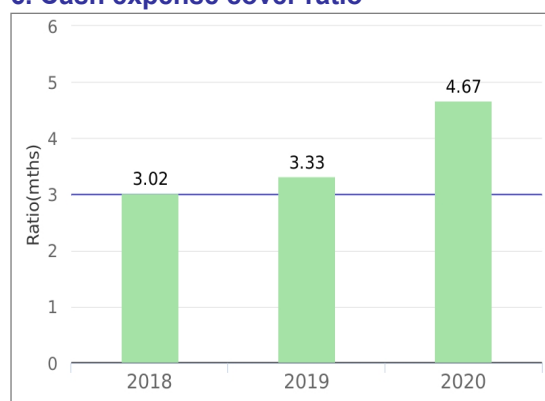
Benchmark: — < 5.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 4.67 mths

The cash balance as at 30 June 2020 would support the operations of Council for a period 4.67 months should no other cash be received by Council. This is within industry benchmark and reflects Council's effective cashflow management.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

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

Note 26. Council information and contact details

Principal place of business:

30 Frances Street
Randwick NSW 2031

Contact details

Mailing Address:

30 Frances Street
Randwick NSW 2031

Telephone: 02 9093 6000

Facsimile: 02 9319 1510

Opening hours:

Mon to Fri
8:30am to 5.00pm

Internet: www.randwick.nsw.gov.au

Email: council@randwick.nsw.gov.au

Officers

General Manager

Therese Manns

CFO / Responsible Accounting Officer

Greg Byrne

Public Officer

David Kelly

Auditors

Auditor General
The Audit Office of New South Wales
Level 19, 201 Sussex Street, Darling Park Tower 2,
Sydney, NSW 2000
GPO Box 12, Sydney, NSW 2001

Elected members

Mayor

Danny Said

Councillors

Philipa Veitch (Deputy Mayor)
Alexandra Luxford
Anthony Andrews
Brendan Roberts
Carlos Da Rocha
Christine Hamilton
Dylan Parker
Harry Stavrinou
Kathy Neilson
Lindsay Shurey
Murray Matson
Noel D'Souza
Ted Seng
Tony Bowen

Other information

ABN: 77 362 844 121



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Randwick City Council

To the Councillors of Randwick City Council

Opinion

I have audited the accompanying financial statements of Randwick 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 Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 21 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.



Caroline Karakatsanis
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

14 September 2020
SYDNEY



Cr Danny Said
Mayor
Randwick City Council
30 Frances Street
RANDWICK NSW 2031

Contact: Caroline Karakatsanis
Phone no: 02 9275 7143
Our ref: D2018873/1781

14 September 2020

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2020
Randwick City Council**

I have audited the general purpose financial statements (GPFS) of the Randwick 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 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2020 \$m	2019 \$m	Variance %
Rates and annual charges revenue	122.5	116.7	5
Grants and contributions revenue	29.6	15.4	92
Operating result from continuing operations	23.2	13.0	78
Net operating result before capital grants and contributions	2.4	6.0	60

Council's operating result (\$23.2 million including the effect of depreciation and amortisation expense of \$28 million) was \$10.2 million higher than the 2018–19 result. This was mainly due to increased capital contributions through dedicated assets in respect to the Sydney South East light rail project.

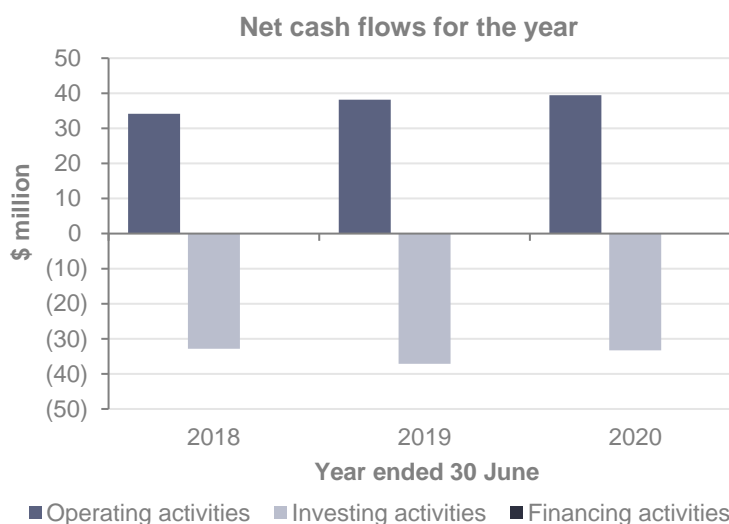
The net operating result before capital grants and contributions (\$2.4 million) was \$3.6 million lower than the 2018–19 result. This was largely due to increased depreciation charges following the revaluation of infrastructure assets in the prior year.

Rates and annual charges revenue (\$122.5 million) increased by \$5.8 million (5 per cent) in 2019–2020. Council had an approved Special Rate Variation which resulted in an increase of general rates revenue by 11.42 per cent in 2019–20. This increase was offset by the expiry of a previous Special Rate Variation.

Grants and contributions revenue (\$29.6 million) increased by \$14.2 million (92 per cent) in 2019–2020 due to the non-cash contribution of assets relating to Sydney South East light rail project noted above.

STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of the Council during the year and reveals that cash increased by \$6.2 million to \$11.6 million at the close of the year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	26.6	24.9	<ul style="list-style-type: none"> External restrictions include unspent specific purpose grants, developer contributions, domestic waste management stormwater charges, and environmental levies.
Internal restrictions	45.8	38.1	
Unrestricted	12.1	6.7	
Cash and investments	84.5	69.7	<ul style="list-style-type: none"> Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day-to-day operations.

PERFORMANCE

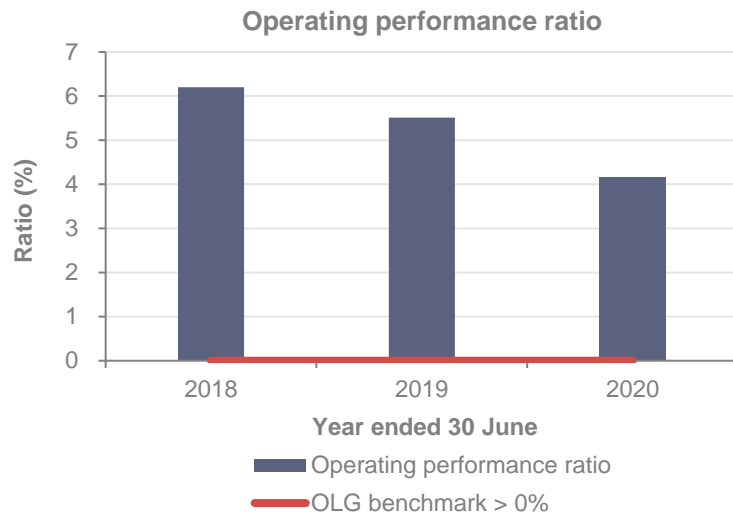
Performance measures

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.

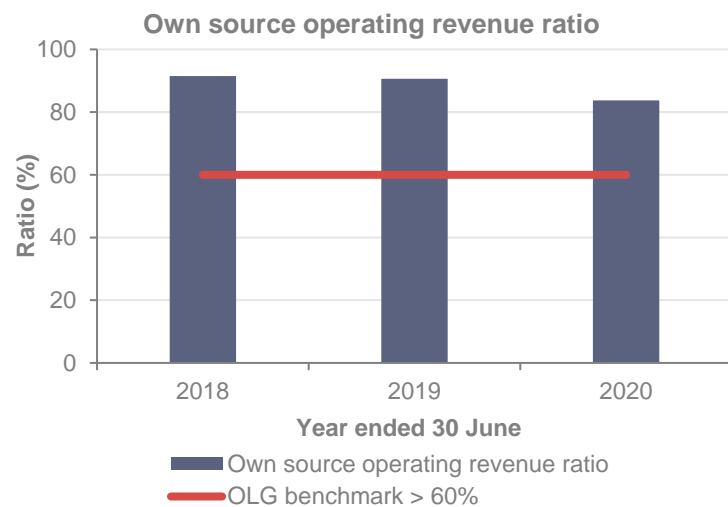
The Council exceeded the OLG benchmark for the current reporting period.



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.

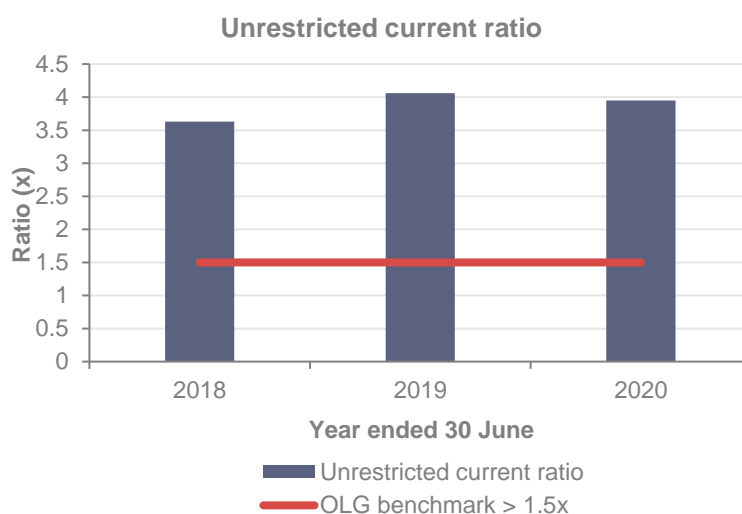
The Council exceeded the OLG benchmark for the current reporting period.



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.

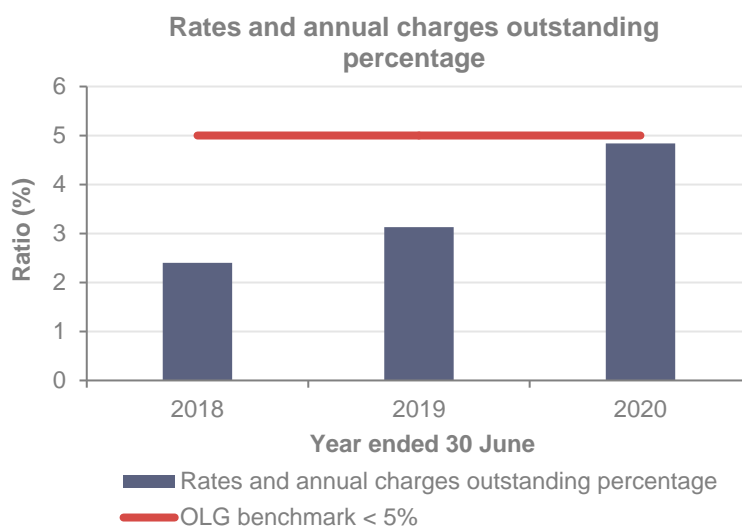
The Council exceeded the OLG benchmark for the current reporting period.



Rates and annual charges outstanding per centage

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

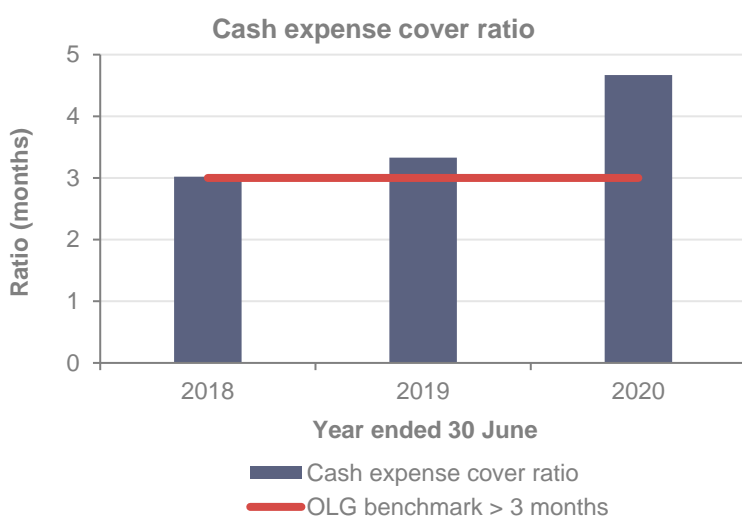
The Council met the OLG benchmark for the current reporting period.



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.

The Council exceeded the OLG benchmark for the current reporting period.



Infrastructure, property, plant and equipment renewals

- Council's asset renewal additions for the year were \$17.9 million compared \$20.4 million for the prior year
- Renewals primarily consisted of transport infrastructure and buildings
- The level of asset renewals during the year represented 64 per cent of the total depreciation expense (\$28 million) for the year.

OTHER MATTERS

Impact of new accounting standards

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

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

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

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

The Council recognised a \$2.6 million 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 15.

AASB 16 'Leases'

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

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

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

The Council recognised right-of-use assets of \$241,000 and lease liabilities of \$241,000 at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 15.

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.

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements
- staff provided all accounting records and information relevant to the audit.



Caroline Karakatsanis
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Therese Manns, General Manager
 Carl Millington, Chair of Audit, Risk and Improvement Committee
 Jim Betts, Secretary of the Department of Planning, Industry and Environment

Randwick City Council

SPECIAL SCHEDULES
for the year ended 30 June 2020



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	87,430	82,750
Plus or minus adjustments ²	b	69	208
Notional general income	$c = a + b$	87,499	82,958
Permissible income calculation			
Special variation percentage ³	d	5.52%	11.42%
Less expiring special variation amount	g	—	(4,456)
Plus special variation amount	$h = d \times (c + g)$	4,830	8,965
Sub-total	$k = (c + g + h + i + j)$	92,329	87,467
Plus (or minus) last year's carry forward total	l	10	2
Less valuation objections claimed in the previous year	m	—	(29)
Sub-total	$n = (l + m)$	10	(27)
Total permissible income	$o = k + n$	92,339	87,440
Less notional general income yield	p	92,315	87,430
Catch-up or (excess) result	$q = o - p$	24	10
Carry forward to next year ⁶	$t = q + r + s$	24	10

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (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

Randwick City Council

To the Councillors of Randwick City Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Randwick 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 and Special Schedule 'Report on Infrastructure Assets as at 30 June 2020.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'C. Karakatsanis', with a stylized flourish at the end.

Caroline Karakatsanis
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

14 September 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
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings – non-specialised	249	249	1,414	1,492	62,584	120,698	17.0%	23.0%	60.0%	0.0%	0.0%
	Buildings – specialised	260	260	1,220	2,479	103,963	164,584	52.0%	7.0%	40.0%	1.0%	0.0%
	Sub-total	509	509	2,634	3,971	166,547	285,282	37.2%	13.8%	48.5%	0.6%	0.0%
Roads	Sealed roads	977	977	1,102	2,357	402,285	765,939	25.0%	68.0%	4.0%	2.0%	1.0%
	Footpaths	430	430	502	1,770	118,839	171,881	26.0%	40.0%	31.0%	3.0%	0.0%
	Other road assets	2,738	2,738	1,397	1,251	168,460	284,028	21.0%	43.0%	21.0%	10.0%	5.0%
	Sub-total	4,145	4,145	3,001	5,378	689,584	1,221,848	24.2%	58.2%	11.7%	4.0%	1.8%
Stormwater drainage	Stormwater drainage	853	853	1,053	1,659	274,374	359,192	17.0%	73.0%	9.0%	1.0%	0.0%
	Sub-total	853	853	1,053	1,659	274,374	359,192	17.0%	73.0%	9.0%	1.0%	0.0%
Open space / recreational assets	Swimming pools	–	–	72	62	5,360	6,731	3.0%	8.0%	89.0%	0.0%	0.0%
	Other Open Space / Recreational Assets	623	623	318	1,261	61,753	77,388	44.0%	44.0%	9.0%	3.0%	0.0%
	Sub-total	623	623	390	1,323	67,113	84,119	40.7%	41.1%	15.4%	2.8%	0.0%
TOTAL - ALL ASSETS		6,130	6,130	7,078	12,331	1,197,618	1,950,441	25.5%	53.7%	16.8%	2.9%	1.1%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	14,478	66.09%	106.33%	119.65%	>=100.00%
Depreciation, amortisation and impairment	21,907				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	6,130	0.50%	0.51%	0.65%	<2.00%
Net carrying amount of infrastructure assets	1,219,778				
Asset maintenance ratio					
Actual asset maintenance	12,331	174.22%	172.14%	159.94%	>100.00%
Required asset maintenance	7,078				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	6,130	0.31%	0.32%	0.39%	
Gross replacement cost	1,950,441				

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

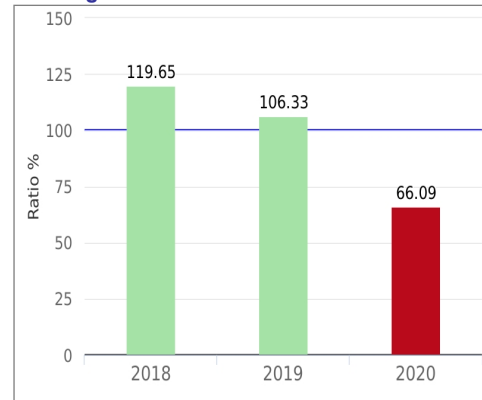
(1) Excludes Work In Progress (WIP)

(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 66.09%

Due to COVID-19 the works that Council was able to undertake throughout the later half of the year fell, reducing its renewal of asset capacity. There have been plans put into place for the 2020-21 year to bring the renewal rate up to benchmark

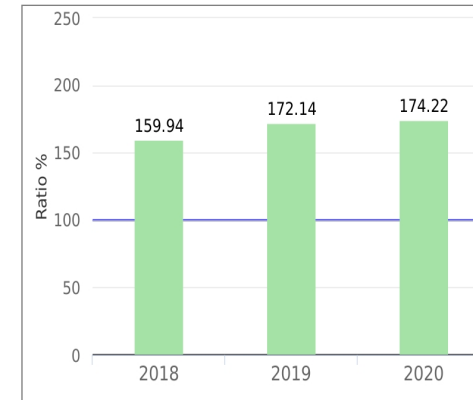
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

19/20 ratio 174.22%

Council continues to sufficiently fund the maintenance of its assets ensuring assets are kept in a satisfactory condition for the community.

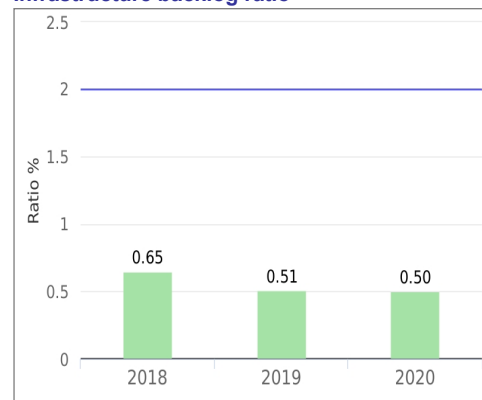
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

19/20 ratio 0.50%

Council's infrastructure backlog ratio remains below the benchmark correlating with the strong level of assets renewals and asset maintenance ratios.

Benchmark: — $< 2.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

19/20 ratio 0.31%

Council's continual high level of asset renewals means that Council has a low cost to bring assets to agreed service level ratio.

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