

Inner West Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019



Inner West Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



General Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
1. Understanding Council's Financial Statements	3
2. Statement by Councillors & Management	4
3. Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
4. Notes to the Financial Statements	10
5. Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	70
On the Financial Statements (Sect 417 [3])	73

Overview

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

2-14 Fisher Street
Petersham NSW 2049

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

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

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

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

Inner West Council

General Purpose Financial Statements

for the year ended 30 June 2019

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 2019.

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

Inner West Council

General Purpose Financial Statements

for the year ended 30 June 2019

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

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 29 October 2019.



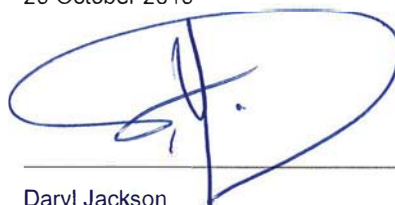
Darcy Byrne
Mayor
29 October 2019



Vittoria Raciti
Councillor
29 October 2019



Michael Deegan
General Manager
29 October 2019



Daryl Jackson
Responsible Accounting Officer
29 October 2019

Income Statement

for the year ended 30 June 2019

<i>Original unaudited budget 2019</i>	<i>\$ '000</i>	Notes	<i>Actual 2019</i>	<i>Actual 2018 ¹</i>
Income from continuing operations				
<u>Revenue:</u>				
157,097	Rates and annual charges	3a	159,297	154,436
44,429	User charges and fees	3b	42,852	41,462
5,167	Interest and investment revenue	3c	6,508	6,315
24,484	Other revenues	3d	27,009	24,020
10,904	Grants and contributions provided for operating purposes	3e,3f	11,731	10,523
25,907	Grants and contributions provided for capital purposes	3e,3f	23,446	16,838
<u>Other income:</u>				
–	Fair value increment on investment properties	10	449	–
–	Net share of interests in joint ventures and associates using the equity method	16	144	467
267,988	Total income from continuing operations		271,436	254,061
Expenses from continuing operations				
123,934	Employee benefits and on-costs	4a	119,497	109,311
1,207	Borrowing costs	4b	620	860
64,415	Materials and contracts	4c	65,135	58,427
26,129	Depreciation and amortisation	4d	26,594	28,296
29,449	Other expenses	4e	34,421	32,186
(181)	Net losses from the disposal of assets	5	8,282	1,224
–	Revaluation decrement / impairment of IPP&E	4d	–	8,999
244,953	Total expenses from continuing operations		254,549	239,303
23,035	Operating result from continuing operations		16,887	14,758
23,035	Net operating result for the year		16,887	14,758
23,035	Net operating result attributable to council		16,887	14,758
(2,872)	Net operating result for the year before grants and contributions provided for capital purposes		(6,559)	(2,080)

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

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		16,887	14,758
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	14,896	103,212
Total items which will not be reclassified subsequently to the operating result		14,896	103,212
Total other comprehensive income for the year		14,896	103,212
Total comprehensive income for the year		31,783	117,970
Total comprehensive income attributable to Council		31,783	117,970

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

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

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	Restated 2018 ¹	Restated 1 July 2017
ASSETS				
Current assets				
Cash and cash equivalent assets	6(a)	23,798	12,835	18,668
Investments	6(b)	118,330	142,488	145,588
Receivables	7	47,578	16,468	17,027
Inventories	8a	180	178	207
Other	8b	3,291	3,827	2,340
Total current assets		<u>193,177</u>	<u>175,796</u>	<u>183,830</u>
Non-current assets				
Investments	6(b)	79,683	61,991	40,550
Receivables	7	–	25,302	216
Infrastructure, property, plant and equipment	9(a)	2,156,465	2,128,084	2,051,441
Investment property	10a	28,489	28,040	28,040
Intangible assets	11	1,397	–	–
Investments accounted for using the equity method	16	3,637	3,493	3,025
Total non-current assets		<u>2,269,671</u>	<u>2,246,910</u>	<u>2,123,272</u>
TOTAL ASSETS		<u>2,462,848</u>	<u>2,422,706</u>	<u>2,307,102</u>
LIABILITIES				
Current liabilities				
Payables	12	35,898	30,208	25,579
Income received in advance	12	4,267	1,764	1,296
Borrowings	12	3,683	4,232	4,688
Provisions	13	32,433	27,898	30,950
Total current liabilities		<u>76,281</u>	<u>64,102</u>	<u>62,513</u>
Non-current liabilities				
Borrowings	12	5,416	9,104	13,356
Provisions	13	2,009	2,141	1,844
Total non-current liabilities		<u>7,425</u>	<u>11,245</u>	<u>15,200</u>
TOTAL LIABILITIES		<u>83,706</u>	<u>75,347</u>	<u>77,713</u>
Net assets		<u>2,379,142</u>	<u>2,347,359</u>	<u>2,229,389</u>
EQUITY				
Accumulated surplus	14a	2,182,843	2,165,956	2,151,198
Revaluation reserves	14a	196,299	181,403	78,191
Council equity interest		<u>2,379,142</u>	<u>2,347,359</u>	<u>2,229,389</u>
Total equity		<u>2,379,142</u>	<u>2,347,359</u>	<u>2,229,389</u>

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

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

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

	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
\$ '000					Restated	Restated	Restated
Opening balance		2,165,956	181,403	2,347,359	2,178,552	78,191	2,256,743
Correction of prior period errors	14b	–	–	–	(27,354)	–	(27,354)
Restated opening balance		2,165,956	181,403	2,347,359	2,151,198	78,191	2,229,389
Net operating result for the year		16,887	–	16,887	14,758	–	14,758
Restated net operating result for the period		16,887	–	16,887	14,758	–	14,758
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9(a)	–	14,896	14,896	–	103,212	103,212
Other comprehensive income		–	14,896	14,896	–	103,212	103,212
Total comprehensive income		16,887	14,896	31,783	14,758	103,212	117,970
Equity – balance at end of the reporting period		2,182,843	196,299	2,379,142	2,165,956	181,403	2,347,359

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

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

Statement of Cash Flows

for the year ended 30 June 2019

<i>Original unaudited budget 2019</i>	<i>\$ '000</i>	Notes	<i>Actual 2019</i>	<i>Actual 2018</i>
Cash flows from operating activities				
<u>Receipts</u>				
157,097	Rates and annual charges		158,625	152,937
44,429	User charges and fees		46,111	56,246
5,167	Investment and interest revenue received		4,826	6,857
36,810	Grants and contributions		32,454	28,067
–	Bonds, deposits and retention amounts received		2,356	1,757
24,484	Other		36,387	6,689
<u>Payments</u>				
(123,934)	Employee benefits and on-costs		(114,322)	(112,136)
(64,415)	Materials and contracts		(67,362)	(67,975)
(1,207)	Borrowing costs		(626)	(865)
(29,449)	Other		(38,010)	(47,564)
48,982	Net cash provided (or used in) operating activities	15b	60,439	24,013
Cash flows from investing activities				
<u>Receipts</u>				
315,120	Sale of investment securities		162,017	266,502
182	Sale of infrastructure, property, plant and equipment		2,390	37,355
<u>Payments</u>				
(282,330)	Purchase of investment securities		(155,551)	(284,843)
(80,934)	Purchase of infrastructure, property, plant and equipment		(52,199)	(44,152)
–	Purchase of intangible assets		(1,896)	–
(47,962)	Net cash provided (or used in) investing activities		(45,239)	(25,138)
Cash flows from financing activities				
<u>Receipts</u>				
28,845	Proceeds from borrowings and advances		–	–
<u>Payments</u>				
(5,434)	Repayment of borrowings and advances		(4,237)	(4,708)
23,411	Net cash flow provided (used in) financing activities		(4,237)	(4,708)
24,431	Net increase/(decrease) in cash and cash equivalents		10,963	(5,833)
14,107	Plus: cash and cash equivalents – beginning of year	15a	12,835	18,668
38,538	Cash and cash equivalents – end of the year	15a	23,798	12,835
Additional Information:				
131,171	plus: Investments on hand – end of year	6(b)	198,013	204,479
169,709	Total cash, cash equivalents and investments		221,811	217,314

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

Notes to the Financial Statements

for the year ended 30 June 2019

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Basis of preparation	11
2(a)	Council functions/activities – financial information	14
2(b)	Council functions/activities – component descriptions	15
3	Income from continuing operations	17
4	Expenses from continuing operations	22
5	Gains or losses from the disposal, replacement and de-recognition of assets	27
6(a)	Cash and cash equivalent assets	28
6(b)	Investments	28
6(c)	Restricted cash, cash equivalents and investments – details	30
7	Receivables	31
8	Inventories and other assets	33
9(a)	Infrastructure, property, plant and equipment	34
9(b)	Externally restricted infrastructure, property, plant and equipment	36
10	Investment property	37
11	Intangible assets	38
12	Payables and borrowings	39
13	Provisions	42
14	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	43
15	Statement of cash flows – additional information	47
16	Interests in other entities	48
17	Commitments	49
18	Contingencies and other assets/liabilities not recognised	50
19	Financial risk management	53
20	Material budget variations	55
21	Fair Value Measurement	57
22	Related Party Transactions	62
23	Events occurring after the reporting date	62
24	Statement of developer contributions	63
25(a)	Statement of performance measures – consolidated results	66
Additional Council disclosures (unaudited)		
25(b)	Statement of performance measures – consolidated results (graphs)	68

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 29 October 2019. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity.

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

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

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

and are clearly marked.

(a) New and amended standards adopted by Council

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

There have been no new accounting standards adopted by Council in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

AASB 9 Financial Instruments was adopted for the first time in the financial statements.

The impact adopting this standard has had no material impact on the reporting of Council's financial position or performance.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- estimated fair values of investment properties – refer Note 10
- estimated fair values of infrastructure, property, plant and equipment – refer Note 9
- employee benefit provisions – refer Note 13.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Significant judgements in applying the council's accounting policies

(i) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Other - CivicRisk Metro, and
- Other - CivicRisk Mutual Pools

(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 other assets received by the Council in Trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and other assets subject to Council's control have been included in these reports.

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by Council).

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 16 Leases

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

Council has not made an assessment to the materiality of this new standard.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

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

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

The impact of AASB15 is expected to not be material for Inner West Council.

AASB 1058 Income of NFP Entities

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

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

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

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

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

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

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

There is not expected to be any material specific impacts of AASB1058 for Inner West Council.

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

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

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

\$ '000	<i>Income from continuing operations</i>		<i>Expenses from continuing operations</i>		<i>Operating result from continuing operations</i>		<i>Grants included in income from continuing operations</i>		<i>Total assets held (current and non-current) ¹</i>	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Children and Family Services	17,334	15,622	19,108	15,560	(1,774)	62	1,073	862	190	–
Community Events	140	119	3,718	3,129	(3,578)	(3,010)	–	–	–	–
Community Services and Culture	2,262	2,124	11,360	7,993	(9,098)	(5,869)	1,092	1,104	–	182
Corporate Support Services	144,167	139,596	65,481	102,124	78,686	37,472	5,536	6,569	1,272,157	2,390,653
Development Assessment	4,772	5,277	6,874	5,866	(2,102)	(589)	–	–	26	–
Environment and Sustainability	764	644	5,591	3,784	(4,827)	(3,140)	504	333	8	9
Footpaths, Roads, Traffic and Stormwater	17,234	13,034	34,097	25,226	(16,863)	(12,192)	3,056	1,479	1,032,701	24,751
Library and History Services	1,270	630	11,032	8,226	(9,762)	(7,596)	–	689	59	–
Recreation and Aquatics	9,464	10,122	11,266	10,752	(1,802)	(630)	1,146	–	54,578	77
Regulatory Services	17,392	14,448	13,943	12,668	3,449	1,780	–	–	8,018	6,336
Resource Recovery	41,364	39,749	28,934	27,570	12,430	12,179	–	–	1,444	698
Strategic Planning	2,716	3,476	7,934	4,784	(5,218)	(1,308)	750	–	–	–
Trees, Parks and Sportsfields	12,557	9,220	35,211	11,621	(22,654)	(2,401)	–	–	93,667	–
Other	–	–	–	–	–	–	–	(963)	–	–
Total functions and activities	271,436	254,061	254,549	239,303	16,887	14,758	13,157	10,073	2,462,848	2,422,706

(1) Total assets held (current and non-current) for 2018 have been restated

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Children and Family Services

- Plan for and providing Council's Education and Care Services for families with children aged 0 to 12 years, including:
 - Long day care
 - Family day care
 - Preschool and occasional care
 - Out of school hours care
- Support parents' participation in the workforce and/or society
- Support children with additional needs and from vulnerable and disadvantaged backgrounds

Community Events

- Organise, present and evaluate a program of high quality events that engage the local community in celebrations of place, culture and diversity.
- Provide employment for local performing artists and art workers.

Community Services and Culture

- Providing, and working with partners on, programs and services to support and promote community wellbeing
- Developing social and cultural strategies and plans
- Initiating and managing programs that position the Inner West as a destination for excellence and innovation in the arts and culture
- Activating Council's community facilities to foster community building, participation, and social support

Corporate Support Services

- Customer Service, Business Excellence and Civic Governance
- Communications and Engagement
- Finance
- Human Resources
- Information and Communications Technology
- Legal Services
- Procurement
- Properties, Major Building Projects and Facilities

Development Assessment

- Implementing Council's statutory responsibilities to effectively manage change within the built and physical environment
- Providing accurate, timely and consistent planning and building advice to customers and high quality decisions and development outcomes

Environment and Sustainability

- Strategic planning for Urban Sustainability
- Strategic planning for Urban Ecology
- Supporting community involvement with urban ecology volunteer projects
- Managing Council's environmental risk, compliance, ecological design and environmental performance, monitoring and reporting

Footpaths, Roads, Traffic and Stormwater

- Plan, design and construct infrastructure
- Maintain and manage infrastructure:
 - Road pavements
 - Roadside furniture
 - Kerb and gutter
 - Footpaths
 - Cycleways
 - Bridges
 - Streetscape

Notes to the Financial Statements

for the year ended 30 June 2019

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

- Road reserve signage and pavement markings
- Stormwater drainage
- Traffic facilities and devices
- Public carparks

Library and History Services

- Deliver library services to a network of eight libraries with about 100,000 library members
- Provide a program of regular activities
- Manage the annual one million visitors to the library, the one million borrowed items and free access to technology and digital resources
- Provide history services and research, manage collections and archives, present exhibitions and displays and run community workshops and programs
- Partner with community organisations and schools to expand library activities and increase library use

Recreation and Aquatics

- Develop, plan for, and promote recreation opportunities to meet the needs of the Inner West Community.
- Manage Council's service provider contracts for the two indoor recreational facilities to ensure that services and programming meet the needs of the community
- Manage the service provider contracts for Annette Kellerman Aquatic Centre and Fanny Durack Aquatic Centre to ensure that services and programming meet the needs of the community
- Manage Ashfield Aquatic Centre, Dawn Fraser Baths and Leichhardt Park Aquatic Centre to ensure services and programming meet the needs of the community.
- Develop and deliver master plans for the public domain to support growth and change.

Regulatory Services

- Manage the urban environment in a way that protects life, property, amenities and the environment (natural, built and cultural) through the use of regulatory tools and education.

Resource Recovery

- Undertake strategic planning for Resource Recovery and provide policy, education and information that leads to behaviour change in relation to the avoidance, reuse, recycling and disposal of materials.
- Deliver daily collection and transport services to more than 90,000 households and businesses across the Inner West for waste, recycling, garden waste, household clean up, illegal dumping and lane cleaning, litter bins, Community Recycling Centres and other recycling services (e-waste, mattresses, white goods).

Strategic Planning

- Protect and improve the local, natural and built environment through land use policy and strategy development.
- Guide the efficient and effective use and distribution of Council's resources.
- Guide the delivery of local infrastructure ensuring it supports forecast growth.
- Deliver a suite of plans to drive change and economic development, shape future growth outcomes and guide the delivery of infrastructure.
- Develop outcomes based organisational strategy that reflects community needs and aspirations through effective integrated planning and reporting and delivery of the Community Strategic Plan, Delivery Program and Operational Plan.
- Develop and deliver master plans for the public domain to support growth and change.

Tree, Parks and Sportsfields

- Responsible for all activities within parks, reserves, sporting grounds and public open space, including maintenance, renewal and upgrade projects.
- Coordinating recreation planning and programs for parks and open space.
- Managing the implementation of Urban Forest Policy aims and objectives, including both public and private trees.
- Managing fleet procurement, including maintenance, use and disposal of Council's plant, vehicles and major equipment as well as overseeing Council's depot facilities, in particular their fleet maintenance, parking and storage provisions.
- Streetscape maintenance – including street sweeping, verge mowing and weed control.
- Developing, delivering and promoting recreation opportunities to meet the needs of the Inner West community.

Notes to the Financial Statements

for the year ended 30 June 2019

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

- Managing Council's service provider contracts for indoor recreational facilities, the Debbie and Abbey Borgia Recreation Centre and Robyn Webster Sports Centre, to ensure that services and programming meet the needs of the community.

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	82,507	78,218
Business	35,070	34,746
Less: pensioner rebates (mandatory)	(1,978)	(344)
Rates levied to ratepayers	115,599	112,620
Pensioner rate subsidies received	967	964
Total ordinary rates	116,566	113,584
Special rates		
Environmental levy	262	240
Urban street	181	181
Rates levied to ratepayers	443	421
Total special rates	443	421
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	42,238	37,302
Stormwater management services	1,771	1,754
Waste management services (non-domestic)	1,361	1,391
Section 611 charges	153	154
Less: pensioner rebates (Council policy)	(3,235)	(170)
Annual charges levied	42,288	40,431
Total annual charges	42,288	40,431
TOTAL RATES AND ANNUAL CHARGES	159,297	154,436

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

Accounting policy for rates and charges

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Domestic waste management services	284	218
Waste management services (non-domestic)	471	398
Total specific user charges	755	616
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building services – other	277	379
Private works – section 67	406	226
Regulatory/ statutory fees	346	348
Section 10.7 certificates (EP&A Act)	445	514
Town planning	5,544	5,696
Building services	83	23
Regulatory – compliance	1,581	1,416
Regulatory fees – other	1,510	889
Total fees and charges – statutory/regulatory	10,192	9,491
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aged care	–	66
Child care	16,413	14,898
Community centres	462	406
Leisure centre	4,762	5,667
Park rents	1,509	872
Parking fees	3,587	3,869
Hoarding fees	979	854
Meals on wheels	322	291
Pool (admissions)	2,893	3,104
Other	978	1,328
Total fees and charges – other	31,905	31,355
TOTAL USER CHARGES AND FEES	42,852	41,462

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	594	437
– Cash and investments	3,986	5,878
– Other	1,928	–
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>6,508</u>	<u>6,315</u>

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

Overdue rates and annual charges (general fund)	452	437
General Council cash and investments	4,128	5,128

Restricted investments/funds – external:

Development contributions		
– Section 7.11	1,928	750

Total interest and investment revenue	<u>6,508</u>	<u>6,315</u>
--	---------------------	---------------------

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.

\$ '000	Notes	2019	2018
(d) Other revenues			
Rental income – investment property	10	3,059	2,876
Rental income – other council properties		2,940	2,580
Ex gratia rates		486	475
Fines – parking		15,168	12,565
Fines – other		1,050	108
Legal fees recovery – other		449	582
Diesel rebate		17	18
Credit card transaction fee		228	218
Other		1,953	1,733
Street furniture income		162	492
Bus shelter income		1,497	1,313
Donations Received		–	1,060
<u>TOTAL OTHER REVENUE</u>		<u>27,009</u>	<u>24,020</u>

Accounting policy for other revenue

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

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

Other revenue 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 2019

Note 3. Income from continuing operations (continued)

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.

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,987	2,228	–	–
Financial assistance – local roads component	666	242	–	–
Payment in advance - future year allocation				
Financial assistance – general component	2,060	2,482	–	–
Financial assistance – local roads component	690	276	–	–
Total general purpose	5,403	5,228	–	–
Specific purpose				
Aged care	936	814	–	–
Child care	1,073	862	–	–
Environmental programs	207	333	265	–
Floodplain management	32	–	–	–
LEP/DCP	750	–	–	–
Library – per capita	548	489	–	200
LIRS subsidy	133	159	–	–
Recreation and culture	150	–	996	–
Street lighting	660	655	–	–
Transport (roads to recovery)	–	–	–	–
Transport (other roads and bridges funding)	–	–	754	665
Other	–	–	1,094	378
Community services	156	290	–	–
Total specific purpose	4,645	3,602	3,109	1,243
Total grants	10,048	8,830	3,109	1,243
Grant revenue is attributable to:				
– Commonwealth funding	6,548	5,228	–	–
– State funding	2,750	3,602	–	1,243
– Other funding	750	–	3,109	–
	10,048	8,830	3,109	1,243

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.4 – contributions using planning agreements		–	–	5,052	699
S 7.11 – contributions towards amenities/services		–	–	11,678	12,369
Total developer contributions – cash		–	–	16,730	13,068
Non-cash contributions					
S 7.4 – contributions using planning agreements		–	–	2,840	1,160
Total developer contributions non-cash		–	–	2,840	1,160
Total developer contributions	24	–	–	19,570	14,228
Other contributions:					
Cash contributions					
Roads and bridges		–	–	767	1,223
RMS contributions (regional roads, block grant)		1,093	1,335	–	–
Other		590	358	–	144
Total other contributions – cash		1,683	1,693	767	1,367
Total other contributions		1,683	1,693	767	1,367
Total contributions		1,683	1,693	20,337	15,595
TOTAL GRANTS AND CONTRIBUTIONS		11,731	10,523	23,446	16,838

Accounting policy for grants and contributions

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	72,209	82,939
Add: operating grants recognised in the current period but not yet spent	17,270	20,290
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent	(78,834)	(31,020)
Unexpended and held as restricted assets (operating grants)	10,645	72,209

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	91,923	82,570
Employee termination costs	2,086	2,236
Travel expenses	42	42
Employee leave entitlements (ELE)	12,752	12,505
Superannuation	9,863	9,505
Workers' compensation insurance	2,010	1,820
Fringe benefit tax (FBT)	569	567
Training costs (other than salaries and wages)	249	134
Other	140	51
Total employee costs	119,634	109,430
Less: capitalised costs	(137)	(119)
TOTAL EMPLOYEE COSTS EXPENSED	119,497	109,311
Number of 'full-time equivalent' employees (FTE) at year end	1,036	1,038

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available 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 18 for more information.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans	620	860
Total interest bearing liability costs expensed	620	860
<u>TOTAL BORROWING COSTS EXPENSED</u>	<u>620</u>	<u>860</u>

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.

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	9,853	9,787
Contractor and consultancy costs	71	–
– Agency Staff	13,223	10,515
– Consultants	2,953	3,226
– Contractors	26,757	23,245
Auditors remuneration ²	554	148
Legal expenses:		
– Legal expenses: planning and development	567	841
– Legal expenses: debt recovery	437	248
– Legal expenses: other	88	166
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	818	1,120
Tipping fees	9,814	9,131
Total materials and contracts	65,135	58,427
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>65,135</u>	<u>58,427</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
---------	------	------

Accounting policy for operating leases

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

1. Operating lease payments are attributable to:

Computers	557	466
Motor vehicles	141	232
Other	120	422
	818	1,120

2. 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	276	148
Remuneration for audit and other assurance services	276	148

Total Auditor-General remuneration

276	148
------------	------------

Non NSW Auditor-General audit firms**(i) Audit and other assurance services**

Internal Audit Services	278	-
Remuneration for audit and other assurance services	278	-

Total remuneration of non NSW Auditor-General audit firms

278	-
------------	----------

Total Auditor remuneration

554	148
------------	------------

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		2,129	2,502
Office equipment		78	615
Furniture and fittings		128	194
Land improvements (depreciable)		3,362	3,688
Car parks (depreciable)		178	206
Infrastructure:			
– Buildings		6,806	5,861
– Roads		6,635	7,748
– Bridges		179	181
– Footpaths		1,235	1,601
– Other road assets		689	771
– Stormwater drainage		1,233	1,471
– Swimming pools		1,180	1,648
– Wharves		81	81
– Sea walls		388	394
– Kerb and gutter		1,410	991
Other assets:			
– Domestic waste vehicles		384	344
Intangible assets	11	499	–
Total gross depreciation and amortisation costs		26,594	28,296
Total depreciation and amortisation costs		26,594	28,296
Impairment / revaluation decrement of IPP&E			
Infrastructure:			
– Buildings		–	8,913
– Bulk Earthworks (Non Depreciable)		–	86
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		–	8,999
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		–	8,999
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E		26,594	37,295

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 11 for intangible assets.

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

Impairment of non-financial assets

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

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

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

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

\$ '000	2019	2018
(e) Other expenses		
Advertising	1,149	779
Bad and doubtful debts	1,878	999
Bank charges	510	464
Computer software charges	4,112	3,943
Contributions/levies to other levels of government		
– NSW fire brigade levy	3,269	3,320
– SEINS processing fees	2,120	1,694
– Waste levy	4,273	4,131
Councillor expenses – mayoral fee (incl deputy mayor)	76	53
Councillor expenses – councillors' fees	351	282
Administration and committee fees	39	212
Donations, contributions and assistance to other organisations (Section 356)	2,088	2,213
Electricity and heating	3,230	2,392
Insurance	2,292	2,205
Postage	621	685
Printing and stationery	255	–
Street lighting	1,663	1,629
Subscriptions and publications	473	611
Telephone and communications	1,266	1,547
Valuation fees	350	344
Water rates	1,068	972
Gas	593	749
Other	2,745	2,962
Total other expenses	34,421	32,186
TOTAL OTHER EXPENSES	34,421	32,186

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
Property (excl. investment property)			
Proceeds from disposal – property		–	35,038
Less: carrying amount of property assets sold/written off		(3,331)	(35,364)
Net gain/(loss) on disposal		(3,331)	(326)
Plant and equipment			
	9(a)		
Proceeds from disposal – plant and equipment		1,460	2,113
Less: carrying amount of plant and equipment assets sold/written off		(1,554)	(1,933)
Net gain/(loss) on disposal		(94)	180
Infrastructure			
	9(a)		
Proceeds from disposal – infrastructure		–	204
Less: carrying amount of infrastructure assets sold/written off		(910)	(1,282)
Net gain/(loss) on disposal		(910)	(1,078)
Investments			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		–	266,502
Less: carrying amount of investments sold/redeemed/matured		–	(266,502)
Net gain/(loss) on disposal		–	–
Operational Land			
Proceeds from disposal – Operational Land		930	–
Less: carrying amount of Operational Land assets sold/written off		(65)	–
Net gain/(loss) on disposal		865	–
Aquatic Facilities			
Proceeds from disposal – Aquatic Facilities		–	–
Less: carrying amount of Aquatic Facilities assets sold/written off		(4,812)	–
Net gain/(loss) on disposal		(4,812)	–
Land improvements			
Proceeds from disposal – Land Improvements		–	–
Less: carrying amount of Land improvements assets sold/written off		–	–
Net gain/(loss) on disposal		–	–
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(8,282)</u>	<u>(1,224)</u>

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.

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	23,798	12,835
Total cash and cash equivalents	23,798	12,835

Accounting policy for cash and cash equivalents

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

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	–	1,139	–	1,156
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	118,330	78,544	142,488	60,835
Total Investments	118,330	79,683	142,488	61,991
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	142,128	79,683	155,323	61,991
Financial assets at fair value through the profit and loss				
Mortgage backed securities	–	1,139	–	1,156
Total	–	1,139	–	1,156
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	105,130	10,000	139,467	4,078
NCD's, FRN's (with maturities > 3 months)	11,200	29,500	3,021	28,339
Fixed bonds (ADIs)	2,000	39,044	–	28,418
Total	118,330	78,544	142,488	60,835

Accounting policy for investments**Accounting policy under AASB 9 – applicable from 1 July 2018**

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

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

Financial assets

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

Classification

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

- amortised cost
- fair value through profit and loss (FVTPL)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise Term Deposits, Floating Rate Notes, Fixed Rate Notes, trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

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

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

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income 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 Mortgage-Backed Securities in the Statement of Financial Position.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

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

(b) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

(d) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Income Statement as gains and losses from investment securities.

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current ¹	2019 Non-current	2018 Current ¹	2018 Non-current
Total cash, cash equivalents and investments	142,128	79,683	155,323	61,991
attributable to:				
External restrictions	25,914	79,683	38,431	61,991
Internal restrictions	53,566	–	46,535	–
Unrestricted	62,648	–	70,357	–
	<u>142,128</u>	<u>79,683</u>	<u>155,323</u>	<u>61,991</u>

(1) All funds, including unrestricted funds, have been allocated to upcoming Council projects in line with the Operational and Asset Management Plans. The Unrestricted funds have been set aside within internal council reserves covering the cost of projects as per these plans.

\$ '000	2019	2018
Details of restrictions		
External restrictions – other		
Developer contributions – general	63,212	54,109
Specific purpose unexpended grants	10,645	18,100
Domestic waste management	24,886	22,127
Stormwater management	730	501
Watershed	59	59
SRV Income	4,963	5,026
Mainstreet levy	240	240
3.5% levy reserve	862	260
External restrictions – other	<u>105,597</u>	<u>100,422</u>
Total external restrictions	<u>105,597</u>	<u>100,422</u>
Internal restrictions		
Employees leave entitlement	34,442	29,783
Deposits, retentions and bonds	16,374	13,994
FAG reserve	2,750	2,758
Total internal restrictions	<u>53,566</u>	<u>46,535</u>
TOTAL RESTRICTIONS	<u>159,163</u>	<u>146,957</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	6,406	–	5,374	433
Interest and extra charges	1,428	–	853	197
User charges and fees	3,311	–	3,901	–
Accrued revenues				
– Interest on investments	1,177	–	16	–
– Other income accruals	3,381	–	1,202	–
Fines	8,010	–	6,336	–
Net GST receivable	2,637	–	2,642	–
Other debtors	24,921	–	198	24,672
Total	51,271	–	20,522	25,302
Less: provision of impairment				
Rates and annual charges	(341)	–	(414)	–
Interest and extra charges	(54)	–	(197)	–
User charges and fees	(519)	–	(1,176)	–
Fines	(2,779)	–	(2,267)	–
Total provision for impairment – receivables	(3,693)	–	(4,054)	–
TOTAL NET RECEIVABLES	47,578	–	16,468	25,302
Externally restricted receivables				
Domestic waste management	1,444	–	1,171	–
Stormwater management	74	–	78	–
Other				
– Developer Contributions ¹	24,672	–	–	–
– Urban centres levy	1	–	4	–
Total external restrictions	26,191	–	1,253	–
Unrestricted receivables	21,387	–	15,215	25,302
TOTAL NET RECEIVABLES	47,578	–	16,468	25,302

(1) This relates to in-kind contributions for the Marrickville Library.

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	4,054	3,088
+ new provisions recognised during the year	1,864	966
– amounts already provided for and written off this year	(452)	–
– amounts provided for but recovered during the year	(1,773)	–
Balance at the end of the period	3,693	4,054

Accounting policy for receivables

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Recognition and measurement

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

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

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

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

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

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

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council recognizes 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.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 2 years past due, whichever occurs first.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	148	–	161	–
Trading stock	32	–	17	–
Total inventories at cost	180	–	178	–
<u>TOTAL INVENTORIES</u>	<u>180</u>	<u>–</u>	<u>178</u>	<u>–</u>
(b) Other assets				
Prepayments	3,291	–	3,827	–
<u>TOTAL OTHER ASSETS</u>	<u>3,291</u>	<u>–</u>	<u>3,827</u>	<u>–</u>

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total externally restricted assets	–	–	–	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	3,471	–	4,005	–
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>	<u>3,471</u>	<u>–</u>	<u>4,005</u>	<u>–</u>

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.

Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2018			Asset movements during the reporting period						as at 30/6/2019		
	Gross carrying amount Restated	Accumulated depreciation	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000												
Capital work in progress	27,591	–	27,591	8,430	–	–	–	–	–	36,021	–	36,021
Plant and equipment	29,340	(17,213)	12,127	–	3,736	(1,554)	(2,129)	–	–	30,033	(17,853)	12,180
Office equipment	5,208	(2,910)	2,298	–	1,089	–	(78)	(1,896)	–	4,400	(2,986)	1,414
Furniture and fittings	1,960	(1,265)	695	–	34	–	(128)	–	–	1,993	(1,394)	599
Land:												
– Crown land	88,336	–	88,336	–	–	–	–	9,522	–	97,858	–	97,858
– Operational land	395,312	–	395,312	–	–	(65)	–	827	–	396,074	–	396,074
– Community land	177,258	–	177,258	–	–	–	–	(10,349)	–	166,909	–	166,909
Land improvements – non-depreciable	4,259	–	4,259	–	–	–	–	–	–	4,259	–	4,259
Land improvements – depreciable	108,760	(27,573)	81,187	5,416	–	–	(3,362)	–	–	114,176	(30,935)	83,241
Car parks – non-depreciable	3,547	–	3,547	–	–	–	–	–	–	3,547	–	3,547
Car parks – depreciable	10,869	(2,877)	7,992	324	–	–	(178)	–	–	11,193	(3,055)	8,138
Infrastructure:												
– Buildings	318,579	(84,345)	234,234	8,873	–	(3,331)	(6,806)	8,865	3,307	337,613	(92,473)	245,140
– Buildings – specialised	–	–	–	–	–	–	–	–	–	–	–	–
– Roads	317,055	(155,914)	161,141	7,687	–	(407)	(7,291)	–	–	322,570	(160,783)	161,787
– Bridges	15,422	(4,667)	10,755	573	–	–	(179)	–	–	15,995	(4,844)	11,151
– Footpaths	107,756	(34,851)	72,905	11,808	–	–	(1,235)	–	–	119,564	(36,086)	83,478
– Kerb and gutter	186,959	(75,508)	111,451	793	–	(502)	(1,410)	–	7,286	194,584	(76,965)	117,619
– Other road assets	21,451	(6,201)	15,250	198	–	–	(33)	–	–	21,649	(6,891)	14,758
– Bulk earthworks (non-depreciable)	512,259	–	512,259	–	–	–	–	–	–	512,259	–	512,259
– Sea walls	37,424	(10,174)	27,250	–	–	–	(388)	–	–	37,424	(10,562)	26,862
– Wharves	6,308	(2,178)	4,130	–	–	–	(81)	–	–	6,308	(2,258)	4,050
– Stormwater drainage	174,452	(53,919)	120,533	3,181	–	–	(1,233)	–	–	177,633	(55,152)	122,481
– Aquatic Centres	66,174	(11,724)	54,450	–	–	(4,812)	(1,180)	(8,865)	4,303	55,122	(11,222)	43,900
Other assets:												
– Domestic waste vehicles	4,511	(1,387)	3,124	–	–	–	(384)	–	–	4,511	(1,771)	2,740
Total Infrastructure, property, plant and equipment	2,620,790	(492,706)	2,128,084	47,283	4,859	(10,671)	(26,095)	(1,896)	14,896	2,671,695	(515,230)	2,156,465

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Council reassessed the useful lives of Property, Plant and Equipment which resulted in a change in useful lives in the following class of assets. This was undertaken for Buildings, Kerb & Gutter, Footpaths, Stormwater and seawalls. As a result of this the overall depreciation expense decreased from \$28.2 million to \$26 million.

Plant and equipment	Years	Property Assets	Years
Office equipment	5 to 10	Buildings	9 to 151
Office furniture	2 to 10	Aquatic Centres	10 to 75
Plant and Fleet	2 to 10		
Domestic Waste Vehicles	3 to 6	Play Spaces and Sporting Fields	Years
		Land Improvements Parks (depreciable)	5 to 124
Transport Assets	Years	Seawalls	20 to 100
Roads	25 to 151	Wharves	20 to 80
Road Formation/Bulk Earthworks	Not depreciable		
Bridges	15 to 162		
Footpaths	25 to 129		
Kerb and Gutter	100 to 200		
Traffic Devices	20 to 80		
Other Road assets	5 to 129		
Car Parks (Non Depreciable)	Not Depreciable		
Car Parks (Depreciable)	11 to 150		
Stormwater Drainage	15 - 196		

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

Land under roads

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9(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.

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed".

At present, Council does not have any rural fire service assets.

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

	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount Restated	Accumulated depn. and impairment	Net carrying amount Restated
\$ '000						
Domestic waste management						
Domestic waste vehicles	4,511	1,771	2,740	4,511	1,387	3,124
Total DWM	4,511	1,771	2,740	4,511	1,387	3,124
<u>TOTAL RESTRICTED I,PP&E</u>	4,511	1,771	2,740	4,511	1,387	3,124

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Investment property

\$ '000	2019	2018
(a) Investment property at fair value		
Investment property on hand	28,489	28,040
Reconciliation of annual movement:		
Opening balance	28,040	28,040
– Net gain/(loss) from fair value adjustments	449	–
CLOSING BALANCE – INVESTMENT PROPERTY	28,489	28,040

(b) Valuation basis

The basis of valuation of investment property is fair value. This uses the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location, condition and subject to similar lease terms.

The 2019 revaluations were based on the 2018 independent assessments made by Scott Fullerton Valuers, increased by the value of the FY19 Consumer Price Index.

(c) Investment property income and expenditure – summary

Rental income from investment property:		
– Minimum lease payments	3,059	2,876
Direct operating expenses on investment property:		
– that generated rental income	(6)	–
Net revenue contribution from investment property	3,053	2,876
Fair value movement for year	449	–
Total income attributable to investment property	3,502	2,876

Accounting policy for investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as a separate line item.

Properties that are under construction for future use as investment properties are regarded as investment property. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Intangible assets

\$ '000	2019	2018
Intangible assets are as follows:		
Opening values at 1 July		
Gross book value	–	–
Net book value – opening balance	–	–
Movements for the year		
- Transfers from other asset classes	1,896	–
– Amortisation charges	(499)	–
Closing values at 30 June		
Gross book value	1,397	–
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u>	<u>1,397</u>	<u>–</u>
The net book value of intangible assets represents:		
– Software	1,397	–
	<u>1,397</u>	<u>–</u>

Accounting policy for intangible assets

IT development and software

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	12,943	–	8,655	–
Goods and services – capital expenditure	–	–	4,787	–
Accrued expenses:				
– Borrowings	19	–	25	–
– Salaries and wages	1,073	–	357	–
– Other expenditure accruals	4,210	–	1,292	–
Security bonds, deposits and retentions	16,645	–	14,289	–
Other	1,008	–	803	–
Total payables	35,898	–	30,208	–
Income received in advance				
Payments received in advance	4,267	–	1,764	–
Total income received in advance	4,267	–	1,764	–
Borrowings				
Loans – secured ¹	3,683	5,416	4,232	9,104
Total borrowings	3,683	5,416	4,232	9,104
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>43,848</u>	<u>5,416</u>	<u>36,204</u>	<u>9,104</u>

(1) Loans are secured over the general rating income of Council.
Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 19.

\$ '000	2019	2018
---------	------	------

(a) 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	10,460	10,002
Total payables and borrowings	10,460	10,002

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018					as at 30/6/2019
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	13,336	(4,237)	–	–	–	9,099
TOTAL	13,336	(4,237)	–	–	–	9,099

\$ '000	as at 30/6/2017					as at 30/6/2018
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	18,044	(4,708)	–	–	–	13,336
TOTAL	18,044	(4,708)	–	–	–	13,336

\$ '000	2019	2018
---------	------	------

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

Bank overdraft facilities ¹	2,000	2,000
Credit cards/purchase cards	549	549
Total financing arrangements	2,549	2,549

Undrawn facilities as at balance date:

– Bank overdraft facilities	2,000	2,000
– Credit cards/purchase cards	549	549
Total undrawn financing arrangements	2,549	2,549

Additional financing arrangements information**Breaches and defaults**

During the current and prior year, there were no defaults or breaches on any of the loans.

(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.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method. Fees paid on the establishment

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings (continued)

of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

Finance leases

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	9,647	–	8,841	–
Sick leave	600	–	–	–
Long service leave	19,232	1,902	16,568	1,841
Other leave	806	–	593	–
ELE on-costs	2,148	107	1,746	193
Sub-total – aggregate employee benefits	32,433	2,009	27,748	2,034
Other provisions				
Excess insurance	–	–	150	107
Sub-total – other provisions	–	–	150	107
TOTAL PROVISIONS	32,433	2,009	27,898	2,141

(a) Provisions relating to restricted assets

Total provisions relating to restricted assets	–	–	–	–
Total provisions relating to unrestricted assets	32,433	2,009	27,898	2,141
TOTAL PROVISIONS	32,433	2,009	27,898	2,141

\$ '000	2019	2018
---------	------	------

(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	19,485	16,969
	<u>19,485</u>	<u>16,969</u>

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**

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

(b) Correction of errors relating to a previous reporting period

Nature of prior-period error

As part of the process of consolidating the asset register onto the One Council system, Council identified Crown Land (valued at \$3.5m); Community Land (valued at \$29m) and Operational Land (valued at \$0.2m) which had not been previously recorded within its asset register. The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to accumulated surplus at that date. Council also identified Buildings (\$7.3m) and Aquatic Facilities (\$0.1m) that had not been previously recorded in its asset register. The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to accumulated surplus at that date.

Council also identified land parcels that had been incorrectly included in more than one asset class for the following asset classes:

- Community Land (\$47.8m)
- Crown Land (\$1.7m)
- Operational Land (\$13m)

These duplicate land parcels reduced retained earnings as at 1 July 2017. Council also identified duplicate building assets (\$4.8m) in the asset register. The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to accumulated surplus at that date. Within this

Notes to the Financial Statements

for the year ended 30 June 2019

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

process, \$4.7m of increases in land value (as per the FY18 revaluation that was undertaken by Inner West Council) that flowed into the Asset Revaluation Reserve, which related to duplicate land parcels was also removed.

Changes to Accumulated Surplus at 1 July 2017 **\$'000**

Total Equity (as previously disclosed)	2,256,743
Buildings derecognised (duplicated)	(4,828)
Buildings previously not reported	7,288
Aquatics not previously recognised	47
Crown Land not previously recognised	3,494
Crown Land derecognised (duplicated)	(1,702)
Operational Land derecognised (duplicated)	(12,994)
Operational Land previously not recognised	220
Community Land derecognised (duplicated)	(47,837)
Community Land not previously recognised	28,958
Restated Total Equity	2,229,389

Changes to Infrastructure, Plant, Property and Equipment at 1 July 2017 **\$'000**

Total Assets (as previously disclosed)	2,078,795
Buildings derecognised (duplicated)	(4,828)
Buildings previously not reported	7,288
Aquatics not previously recognised	47
Crown Land not previously recognised	3,494
Crown Land derecognised (duplicated)	(1,702)
Operational Land derecognised (duplicated)	(12,994)
Operational Land previously not recognised	220
Community Land derecognised (duplicated)	(47,837)
Community Land not previously recognised	28,958
Restated Total Assets	2,051,441

Notes to the Financial Statements

for the year ended 30 June 2019

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

Statement of Financial Position

\$ '000	<i>Original Balance 1 July, 2017</i>	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 1 July, 2017</i>
Changes to the Statement of Financial Position at 1 July 2017			
Infrastructure, property, plant and equipment	2,078,795	(27,354)	2,051,441
Total assets	2,334,456	(27,354)	2,307,102
Accumulated Surplus	2,178,552	(27,354)	2,151,198
Revaluation Reserve	78,191	–	78,191
Total equity	2,256,743	(27,354)	2,229,389

Adjustments to the comparative figures for the year ended 30 June 2018

Statement of Financial Position

\$ '000	<i>Original Balance 30 June, 2018</i>	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 30 June, 2018</i>
Infrastructure, property, plant and equipment	2,160,168	(32,084)	2,128,084
Total assets	2,454,790	(32,084)	2,422,706
Accumulated Surplus	2,193,310	(27,354)	2,165,956
Revaluation reserve	186,133	(4,730)	181,403
Total equity	2,379,443	(32,084)	2,347,359

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

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

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2018. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

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

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

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

Classification of financial assets

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

- measured at amortised cost
- fair value through profit or loss

Notes to the Financial Statements

for the year ended 30 June 2019

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

There has been no material impact on the Financial Statements of Inner West Council from these changes.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	23,798	12,835
Balance as per the Statement of Cash Flows		23,798	12,835
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		16,887	14,758
Adjust for non-cash items:			
Depreciation and amortisation		26,594	28,296
Net losses/(gains) on disposal of assets		8,282	1,224
Non-cash capital grants and contributions		(2,840)	(1,160)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– investment property		(449)	–
– Revaluation decrements / impairments of IPP&E direct to P&L		–	8,999
Share of net (profits)/losses of associates/joint ventures using the equity method		(144)	(468)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(5,447)	(25,493)
Increase/(decrease) in provision for impairment of receivables		(361)	966
Decrease/(increase) in inventories		(2)	29
Decrease/(increase) in other current assets		536	(1,487)
Increase/(decrease) in payables		4,288	461
Increase/(decrease) in accrued interest payable		(6)	(5)
Increase/(decrease) in other accrued expenses payable		3,634	(1,614)
Increase/(decrease) in other liabilities		5,064	2,261
Increase/(decrease) in provision for employee benefits		4,660	(2,755)
Increase/(decrease) in other provisions		(257)	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		60,439	24,012
(c) Non-cash investing and financing activities			
Developer contributions 'in kind'		2,840	1,160
Total non-cash investing and financing activities		2,840	1,160

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

Note 16. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Joint ventures	144	467	3,637	3,493
Total	144	467	3,637	3,493

Joint Ventures

(a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2019	2018
CivicRisk Mutual	Joint Venture	Equity method	258	272
CivicRisk Metro	Joint Venture	Equity method	3,379	3,221
Total carrying amounts – material associates			3,637	3,493

(b) Details

	Principal activity	Place of business
CivicRisk Mutual	Local govt. insurance coverage	Penrith NSW
CivicRisk Metro	Local govt. insurance coverage	Penrith NSW

(c) Relevant interests and fair values

\$ '000	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018	2019	2018
CivicRisk Mutual	258	272	4%	3%	4%	3%	6%	6%
CivicRisk Metro	3,379	3,221	23%	24%	23%	24%	17%	16%

(d) Summarised financial information for associates

\$ '000	CivicRisk Mutual		CivicRisk Metro	
	2019	2018	2019	2018
Statement of financial position				
Current assets				
Other current assets	9,028	6,917	10,154	8,129
Non-current assets	5,368	5,989	12,769	16,220
Current liabilities				
Other current liabilities	4,578	2,989	1,625	1,815
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	2,279	1,448	6,651	8,985
Net assets	7,539	8,469	14,647	13,549
Reconciliation of the carrying amount				
Opening net assets (1 July)	14,959	12,980	13,549	11,611

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities (continued)

\$ '000	CivicRisk Mutual		CivicRisk Metro	
	2019	2018	2019	2018
Profit/(loss) for the period	(1,524)	1,979	1,099	1,938
Closing net assets	13,435	14,959	14,648	13,549
Council's share of net assets (%)	3%	3%	23%	24%
Council's share of net assets (\$)	258	271	3,379	3,221

Accounting policy for associates

Interests in associates are accounted for using the equity method in accordance with *AASB128 Investments in Associates and Joint Ventures*.

Under this method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses.

The Council's share in the associates gains or losses arising from transactions between itself and its associate are eliminated.

Adjustments are made to the associates accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

Note 17. Commitments

\$ '000	2019	2018
---------	------	------

(a) Capital commitments (exclusive of GST)

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

Property, plant and equipment

Buildings	43,958	2,697
Plant and equipment	384	752
Infrastructure	3,050	4,143
ICT	752	–
Other	2,578	1,465
Total commitments	50,722	9,057

These expenditures are payable as follows:

Within the next year	50,722	9,057
Total payable	50,722	9,057

Sources for funding of capital commitments:

Unrestricted general funds	50,722	9,057
Total sources of funding	50,722	9,057

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Commitments (continued)

\$ '000	2019	2018
(b) Operating lease commitments (non-cancellable)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	761	416
Later than one year and not later than 5 years	2,588	247
Total non-cancellable operating lease commitments	3,349	663

Note 18. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED**1. Guarantees****(i) Defined benefit superannuation contribution 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 member contributions for non-180 Point Members; Nil for 180 Point Memebers
Division C	2.5% salaries
Division D	1.64 times member 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 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Council's expected contribution to the plan for the next annual reporting period is \$1,626,903.56.

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

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

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

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

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

(ii) 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.

(iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

Notes to the Financial Statements

for the year ended 30 June 2019

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

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

(iv) Other guarantees

Council has provided no other guarantees other than those listed above.

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.

(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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. 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.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	23,798	12,835	23,798	12,835
Receivables	47,578	41,770	47,578	41,770
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	196,874	203,323	200,149	204,479
Fair value through profit and loss				
Investments				
– 'Held for trading'	1,139	1,156	1,139	–
Total financial assets	269,389	259,084	272,664	259,084
Financial liabilities				
Payables	35,898	30,208	35,898	30,207
Loans/advances	9,099	13,336	9,099	13,336
Total financial liabilities	44,997	43,544	44,997	43,543

Fair value is determined as follows:

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management (continued)

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.
- **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
2019				
Possible impact of a 10% movement in market values	27,645	27,645	(27,645)	(27,645)
Possible impact of a 1% movement in interest rates	2,765	2,765	(2,765)	(2,765)
2018				
Possible impact of a 10% movement in market values	25,734	25,734	(25,734)	(25,734)
Possible impact of a 1% movement in interest rates	2,573	2,573	(2,573)	(2,573)

(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.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management (continued)

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	–	3,514	1,091	318	1,483	6,406
2018						
Gross carrying amount	–	5,807	–	–	–	5,807

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Trade/other payables	0.00%	16,645	19,253	–	–	35,898	35,898
Loans and advances	5.16%	–	3,991	5,868	–	9,859	9,099
Total financial liabilities		16,645	23,244	5,868	–	45,757	44,997
2018							
Trade/other payables	0.00%	14,289	15,919	–	–	30,208	30,208
Loans and advances	5.16%	–	4,864	6,781	2,805	14,450	13,336
Total financial liabilities		14,289	20,783	6,781	2,805	44,658	43,544

Note 20. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 28 June 2018 and is unaudited.

While the Income Statement included in the 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Material budget variations (continued)

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

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

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

\$ '000	2019 <i>Budget</i>	2019 <i>Actual</i>	2019 <i>Variance</i>		
REVENUES					
Rates and annual charges	157,097	159,297	2,200	1%	F
User charges and fees	44,429	42,852	(1,577)	(4)%	U
Interest and investment revenue	5,167	6,508	1,341	26%	F
Council has diversified it's investment strategy to include more ethical investment products in the portfolio which has contributed to better returns from the investments.					
Other revenues	24,484	27,009	2,525	10%	F
Higher lease revenue driven by property and assets due diligence, higher than anticipated advertising revenue and unbudgeted cost recovery of removal of street furniture.					
Operating grants and contributions	10,904	11,731	827	8%	F
Capital grants and contributions	25,907	23,446	(2,461)	(9)%	U
Fair value increment on investment property	–	449	449	∞	F
Joint ventures and associates – net profits	–	144	144	∞	F
EXPENSES					
Employee benefits and on-costs	123,934	119,497	4,437	4%	F
Borrowing costs	1,207	620	587	49%	F
Council had budgeted for a loan for the Ashfield Pool capital project to be secured in FY19 (and the associated borrowing costs with it), this was secured in FY20.					
Materials and contracts	64,415	65,135	(720)	(1)%	U
Depreciation and amortisation	26,129	26,594	(465)	(2)%	U
Other expenses	29,449	34,421	(4,972)	(17)%	U
IT Software costs are budgeted in Materials and Contracts, whilst the actuals are in Other Expenses. This classification difference is the variance to budget.					
Net losses from disposal of assets	(181)	8,282	(8,463)	4,676%	U
In FY19 the Ashfield Pool was demolished (to enable renewal works) and the remaining carrying amount of this asset was disposed.					
Revaluation decrement / impairment of IPP&E	–	–	–	∞	F
STATEMENT OF CASH FLOWS					
Net cash provided from (used in) operating activities	48,982	60,439	11,457	23%	F

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Material budget variations (continued)

\$ '000	2019 <i>Budget</i>	2019 <i>Actual</i>	2019 <i>Variance</i>	
			-----	-----
Net cash provided from (used in) investing activities	(47,962)	(45,239)	2,723	(6)% F
Net cash provided from (used in) financing activities	23,411	(4,237)	(27,648)	(118)% U

In comparison to budget, Council paid less on employee benefits and on-costs during the year. This is the main factor in the favourable variance of cash in operating activities.

Council had budgeted for a loan for the Ashfield Pool capital project to be secured in FY19, this was secured in FY20.

Note 21. Fair Value Measurement

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

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

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).

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

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

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– ‘Held for trading’		30/06/19	–	1,139	–	1,139
Total financial assets			–	1,139	–	1,139
Investment property						
Investment Property	10	30/06/19	–	28,489	–	28,489
Total investment property			–	28,489	–	28,489
Infrastructure, property, plant and equipment						
Crown Land	9(a)	30/06/16	–	–	97,858	97,858
Operational land		30/06/18	–	396,074	–	396,074
Community land		30/06/16	–	–	166,909	166,909
Land improvements – non-depreciable		30/06/18	–	–	4,259	4,259
Land improvements – depreciable		30/06/18	–	–	83,241	83,241
Car parks – non-depreciable		30/06/18	–	–	3,547	3,547
Car parks – depreciable		30/06/18	–	–	8,138	8,138
Buildings		30/06/19	–	–	245,140	245,140
Roads		30/06/18	–	–	161,787	161,787
Bridges		30/06/18	–	–	11,151	11,151
Footpaths		30/06/18	–	–	83,478	83,478
Kerb and Gutter		30/06/19	–	–	117,619	117,619
Other road assets		30/06/18	–	–	14,758	14,758
Bulk earthworks (non-depreciable)		30/06/18	–	–	512,259	512,259
Sea walls		30/06/18	–	–	26,862	26,862
Wharves		30/06/18	–	–	4,050	4,050
Stormwater drainage		30/06/18	–	–	122,481	122,481
Aquatic Centres		30/06/19	–	–	43,900	43,900
Domestic Waste Vehicles		30/06/18	–	–	2,740	2,740
Total infrastructure, property, plant and equipment			–	396,074	1,710,177	2,106,251

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total ¹ Restated
			Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobserv- able inputs	
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– ‘Held for trading’		30/06/18	1,156	–	–	1,156
Total financial assets			1,156	–	–	1,156
Investment property						
Investment Property	10	30/06/18	–	28,040	–	28,040
Total investment property			–	28,040	–	28,040
Infrastructure, property, plant and equipment						
Crown Land	9(a)	30/06/16	–	–	88,336	88,336
Operational land		30/06/18	–	395,312	–	395,312
Community land		30/06/16	–	–	177,258	177,258
Land improvements – non-depreciable		30/06/18	–	–	4,259	4,259
Land improvements – depreciable		30/06/18	–	–	81,187	81,187
Car parks – non-depreciable		30/06/18	–	–	3,547	3,547
Car parks – depreciable		30/06/18	–	–	7,992	7,992
Buildings		30/06/18	–	–	234,234	234,234
Roads		30/06/18	–	–	161,141	161,141
Bridges		30/06/18	–	–	10,755	10,755
Footpaths		30/06/18	–	–	72,905	72,905
Kerb and Gutter		30/06/18	–	–	111,451	111,451
Other road assets		30/06/18	–	–	15,250	15,250
Bulk earthworks (non-depreciable)		30/06/18	–	–	512,259	512,259
Sea walls		30/06/18	–	–	27,250	27,250
Wharves		30/06/18	–	–	4,130	4,130
Stormwater drainage		30/06/18	–	–	120,533	120,533
Aquatic Centres		30/06/18	–	–	54,404	54,404
Domestic Waste Vehicles		30/06/18	–	–	3,124	3,124
Total infrastructure, property, plant and equipment			–	395,312	1,690,015	2,085,327

(1) The 2018 figures have been restated

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

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

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

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

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

Investment property

The valuation of Council's investment property was undertaken at 30 June 2019 by Inner West Council, based on the FY18 market value (as valued by Scott Fullerton Valuations Pty Ltd) and increased by the FY19 Consumer Price Index.

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

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

Buildings -Non-Specialised and Specialised

Buildings were valued by Scott Fullerton Valuations Pty Ltd, FAPI, Certified Practising Valuer, Registered Valuer No. 2144 as at 30 June 2018 using the fair value approach.

This approach estimated the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The buildings were physically inspected and measured as such maximised the use of observable inputs and minimised the use of unobservable inputs. As such these assets were classified as having been valued using Level 3 valuation inputs.

There has been no change to the valuation process during the reporting period.

Community Land

Valuation of all Council's Community Land and Council managed land were based on the land values provided by the Valuer-General as at 30th June 2016. As these rates were not considered to be observable market evidence they have been classified as Level 3.

Operational Land

The valuation of Council's operational land was undertaken as at 30 June 2018 by Scott Fullerton Valuations Pty Ltd. FAPI, Certified Practising Valuer, Registered Valuer No. 2144.

Operational 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.

There has been no change to the valuation process during the reporting period.

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

The cost approach has been utilised where the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted on the final determination of fair value. As such these assets are classified as having been valued using Level 3 valuation inputs.

There has been no change to the valuation process during the reporting period.

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

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

\$ '000	Level 2 Operational land	Level 3 Remaining assets	Total Restated
2018			
Opening balance	394,069	1,708,874	2,102,943
Transfers from/(to) another asset class	(3,175)	3,175	–
Purchases (GBV)	–	57,619	57,619
Disposals (WDV)	(35,000)	(437)	(35,437)
Depreciation and impairment	–	(24,639)	(24,639)
FV gains – other comprehensive income	39,418	14,469	53,887
FV gains – Income Statement ¹	–	(69,046)	(69,046)
Closing balance	395,312	1,690,015	2,085,327

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

<i>\$ '000</i>	<i>Level 2 Operational land</i>	<i>Level 3 Remaining assets</i>	<i>Total Restated</i>
2019			
Opening balance	395,312	1,690,015	2,085,327
Transfers from/(to) another asset class	827	–	827
Purchases (GBV)	–	38,853	38,853
Disposals (WDV)	(65)	(9,052)	(9,117)
Depreciation and impairment	–	(23,474)	(23,474)
FV gains – other comprehensive income	–	13,835	13,835
Closing balance	396,074	1,710,177	2,106,251

(1) FV gains recognised in the Income Statement relating to assets still on hand at year end total

(4) 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 2019

Note 22. Related Party Transactions

Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

- Mayor (1)
- Councillors (14)
- General Manager (1)
- Deputy General Managers (3)

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

\$ '000	2019	2018
Compensation:		
Short-term benefits	1,812	1,444
Post-employment benefits	86	79
Other long-term benefits	–	158
Termination benefits	107	259
Total	2,005	1,940

Note 23. Events occurring after the reporting date

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 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

\$ '000	as at 30/6/2018			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Contributions received during the year					Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	709	60	–	25	(53)	–	741	–
Traffic facilities	1,049	369	–	47	(404)	–	1,061	–
Parking	77	–	–	3	–	–	80	–
Open space	18,824	7,466	–	750	(2,519)	–	24,521	–
Community facilities	2,233	813	–	86	(410)	–	2,722	–
Open space and recreation	11,976	836	–	420	(3,730)	–	9,502	–
Community services and facilities	2,055	231	–	73	(118)	–	2,241	–
Transport and access	7,106	122	–	242	(17)	–	7,453	–
Administration	93	135	–	5	(131)	–	102	–
Plan preparation	855	93	–	30	(78)	–	900	–
S7.11 contributions – under a plan	44,977	10,125	–	1,681	(7,460)	–	49,323	–
S7.12 levies – under a plan	4,496	1,377	–	178	(1,939)	–	4,112	–
Total S7.11 and S7.12 revenue under plans	49,473	11,502	–	1,859	(9,399)	–	53,435	–
S7.4 planning agreements	4,636	5,227	2,840	68	(154)	–	9,777	–
Total contributions	54,109	16,729	2,840	1,927	(9,553)	–	63,212	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019		
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
		Cash	Non-cash						
S7.11 Contributions – under a plan									
CONTRIBUTION PLAN NUMBER 1 - Open Space and Recreation (former Leichhardt)									
Effective 18 January 2005	11,976	836	–	420	(3,730)	–	9,502	–	
Total	11,976	836	–	420	(3,730)	–	9,502	–	
CONTRIBUTION PLAN NUMBER 2 - Community Services and Facilities (former Leichhardt)									
Effective 23 August 2005	2,055	231	–	73	(118)	–	2,241	–	
Total	2,055	231	–	73	(118)	–	2,241	–	
CONTRIBUTION PLAN NUMBER 3 - Transport and Access (former Leichhardt)									
Effective 3 November 1999	7,106	122	–	242	(17)	–	7,453	–	
Total	7,106	122	–	242	(17)	–	7,453	–	
2004 S94 Developer Contributions Plan (former Marrickville)									
Roads	446	–	–	15	(53)	–	408	–	
Traffic facilities	(178)	–	–	–	–	–	(178)	–	
Open space	2,502	–	–	84	(686)	–	1,900	–	
Total	2,770	–	–	99	(739)	–	2,130	–	
2014 S94 Developer Contributions Plan (former Marrickville)									
Traffic facilities	190	242	–	10	(206)	–	236	–	
Open space	7,677	5,708	–	347	(1,713)	–	12,019	–	
Community facilities	812	711	–	36	(410)	–	1,149	–	
Administration	93	135	–	5	(131)	–	102	–	
Total	8,772	6,796	–	398	(2,460)	–	13,506	–	
CONTRIBUTION PLAN NUMBER (former Ashfield)									
Roads	263	60	–	10	–	–	333	–	
Traffic facilities	1,037	127	–	37	(198)	–	1,003	–	
Parking	77	–	–	3	–	–	80	–	
Open space	8,645	1,758	–	319	(120)	–	10,602	–	

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

Note 24. Statement of developer contributions (continued)

	<i>as at 30/6/2018</i>			<i>as at 30/6/2019</i>				
	<i>Opening Balance</i>	<i>Contributions received during the year</i>		<i>Interest earned in year</i>	<i>Expenditure during year</i>	<i>Internal borrowing (to)/from</i>	<i>Held as restricted asset</i>	<i>Cumulative internal borrowings due/(payable)</i>
<i>\$ '000</i>		<i>Cash</i>	<i>Non-cash</i>					
Community facilities	1,421	102	–	50	–	–	1,573	–
Plan preparation	855	93	–	30	(78)	–	900	–
Total	12,298	2,140	–	449	(396)	–	14,491	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN NUMBER (former Marrickville)

s94A Levies	2,258	1,089	–	98	(1,055)	–	2,390	–
Total	2,258	1,089	–	98	(1,055)	–	2,390	–

CONTRIBUTION PLAN NUMBER (former Ashfield)

Other	2,238	288	–	80	(884)	–	1,722	–
Total	2,238	288	–	80	(884)	–	1,722	–

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018	Prior periods 2017	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	1,130	0.46%	3.24%	4.42%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	247,397				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	234,699	86.65%	88.83%	74.64%	>60.00%
Total continuing operating revenue ¹	270,843				
3. Unrestricted current ratio					
Current assets less all external restrictions	141,072	3.04x	3.72x	3.29x	>1.50x
Current liabilities less specific purpose liabilities	46,336				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	28,344	5.84x	6.61x	5.21x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	4,857				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	7,439	4.50%	3.92%	3.05%	<5.00%
Rates, annual and extra charges collectible	165,170				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	138,928	7.42 mths	8.05 mths	8.60 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	18,713				

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

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

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

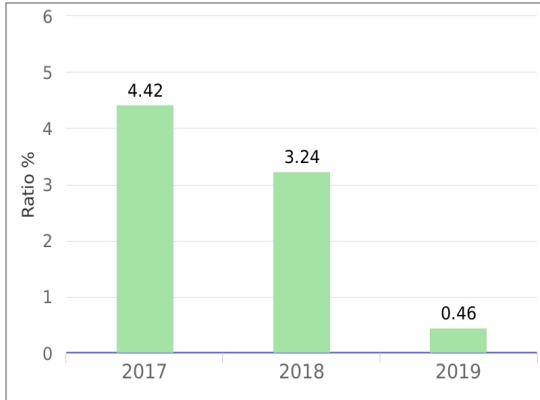
End of Audited Financial Statements

End of Audited Financial Statements

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

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 2018/19 result

2018/19 ratio 0.46%

The Operating Performance Ratio remains above the 0.00% set out by the NSW Office of Local Government.

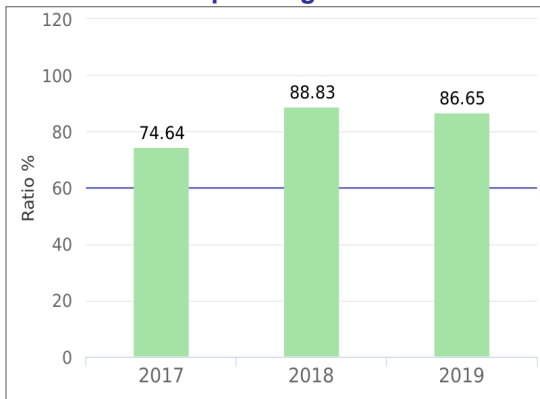
Benchmark: — > 0.00%

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

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 2018/19 result

2018/19 ratio 86.65%

Council continues to retain its Own Source Operating Revenue ratio well above the benchmark of 60%.

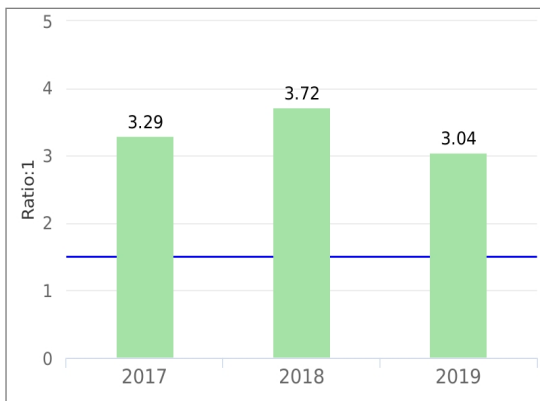
Benchmark: — > 60.00%

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

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 2018/19 result

2018/19 ratio 3.04x

Council has the capacity to meet its obligations after all internal and external restrictions are excluded. Council's Unrestricted Current ratio continues to track above the benchmark of 1.5.

Benchmark: — > 1.50x

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

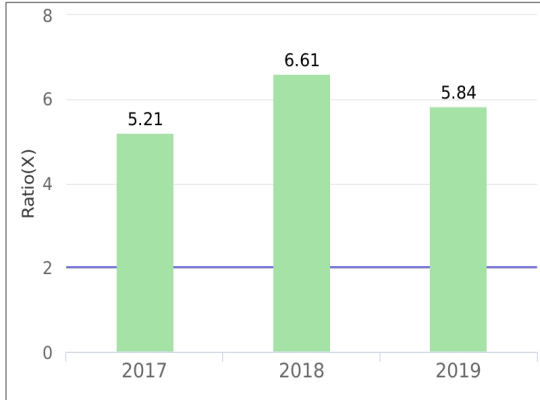
Ratio achieves benchmark

Ratio is outside benchmark

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

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 5.84x

Council's debt service ratio is well above the benchmark indicator of 2 and demonstrates its continued ability to service its loans.

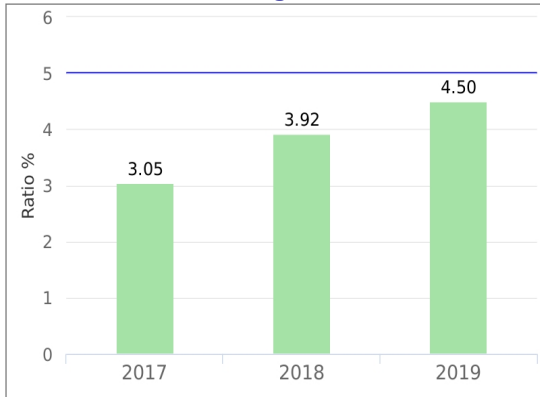
Benchmark: — > 2.00x

Ratio achieves benchmark

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

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 2018/19 result

2018/19 ratio 4.50%

Council actively pursues the recovery of Rates and Extra Charges as shown by the lower than Local Government Benchmark.

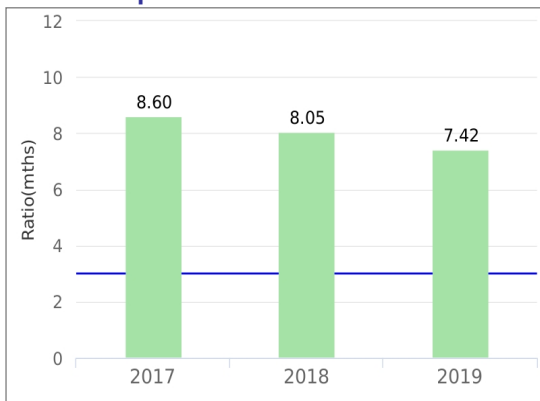
Benchmark: — < 5.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 7.42 mths

Council's Unrestricted Current ratio is above the benchmark of 3.

Benchmark: — > 3.00mths

Ratio achieves benchmark

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

Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Inner West Council

To the Councillors of the Inner West Council

Opinion

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

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Special 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 except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 20 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 Services

Delegate of the Auditor-General for New South Wales

31 October 2019
SYDNEY



Clr Darcy Byrne
Mayor
Inner West Council
2–14 Fisher St
PETERSHAM NSW 2049

Contact: Caroline Karakatsanis
Phone no: 02 9275 7143
Our ref: D1925777/1743

31 October 2019

Dear Mayor

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





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

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	159.3	154.4	 3.2
Grants and contributions revenue	35.2	27.4	 28.5
Operating result for the year	16.9	14.8	 14.2
Net operating result before capital grants and contributions	(6.6)	(2.1)	 214.3

Rates and annual charges revenue was \$159.3 million (\$154.4 million for the year ended 30 June 2018). The increase of \$4.9 million (3.2 per cent) in 2018–2019 was mainly due to standard rate increase of 2.3 per cent and a slight increase in the number of rateable properties.

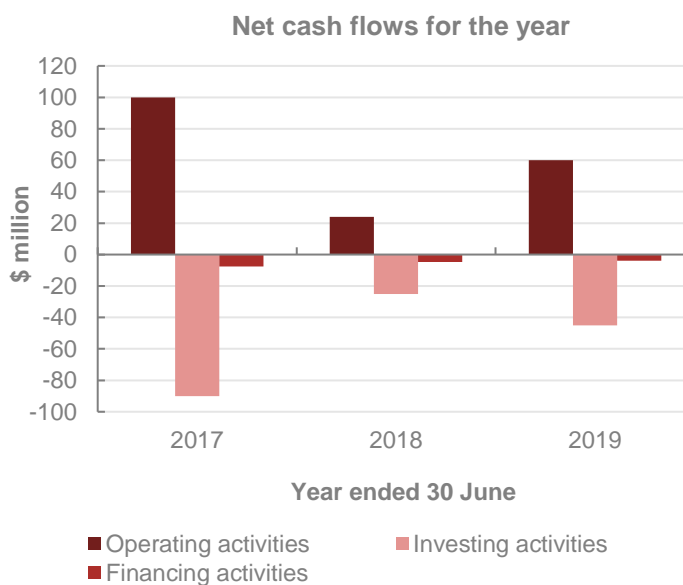
Grants and contributions revenue was \$35.2 million (\$27.4 million for the year ended 30 June 2018). The increase of \$7.8 million (28.5 per cent) in 2018–2019 was mainly due to the increase in the \$7.4 capital developer contributions.

Council's operating result was \$16.9 million (\$14.8 million for the year ended 30 June 2018). The increase of \$2.1 million (14.2 per cent) in 2018–2019 was mainly due to the increase in rates and annual charges and grants and contributions.

The net operating result before capital grants and contributions was a deficit of \$6.6 million (\$2.1 million deficit for the year ended 30 June 2018). The increased deficit of \$4.5 million (214.3 per cent) was mainly due to an increase in the employee benefits and on-costs of \$10.2 million and material and contracts of \$6.7 million. This was offset by an increase in rates and annual charge of \$4.9 million and no revaluation decrement/impairment of Infrastructure assets compared to \$9 million in the prior year.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents and investment was \$221.8 million (\$217.3 million for the year ended 30 June 2018). There was a net increase in cash and cash equivalents and investments of \$4.5 million at 30 June 2019.
- Net cash provided by operating activities has increased.
- Net cash used in investing activities increased by \$20.1 million. This was due to a decrease in receipts from sale of infrastructure, property, plant and equipment (IPPE) and increase in purchase of IPPE offset by an increase in net sale of investment securities.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	105.6	100.4	<ul style="list-style-type: none"> • Externally restricted cash and investments are restricted in their use by externally imposed requirements. Council's externally restricted cash and investments have increased due to developer contributions (\$9.1 million). • Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. Council's internal restrictions are mainly for employee leave entitlements and deposits, retentions and bonds. The increase relates to employee leave entitlements (\$4.7 million). • Unrestricted cash and investments was \$62.6 million, which is available to provide liquidity for day-to-day operations of the Council. Unrestricted cash has decreased as more funds have been externally and internally restricted.
Internal restrictions	53.6	46.5	
Unrestricted	62.6	70.4	
Cash and investments	221.8	217.3	

Debt

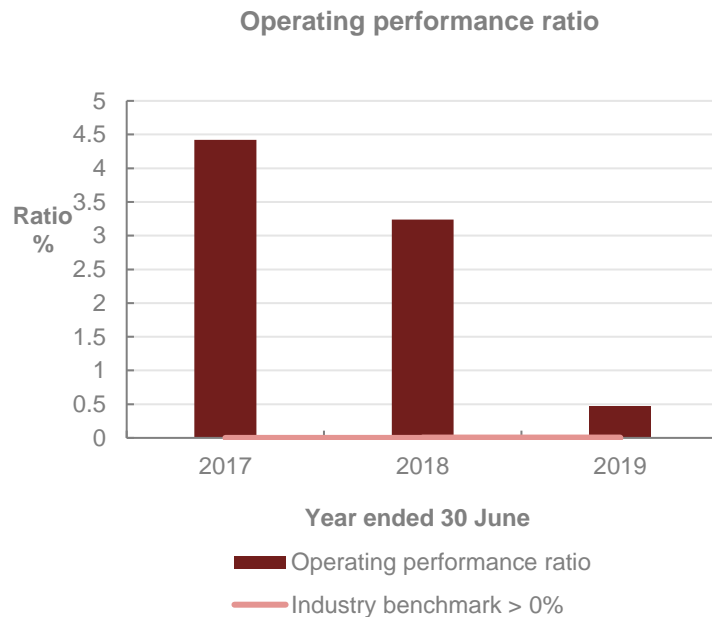
Total debt during 2018–19 decreased to \$9.1 million (2017–18: \$13.3 million). This is in line with the existing loan amortisation schedules.

PERFORMANCE

Operating performance ratio

Council operating performance ratio of 0.5 per cent is above the benchmark. An increase in employee benefits and on-cost and material and contracts contributed to the lower ratio in 2019.

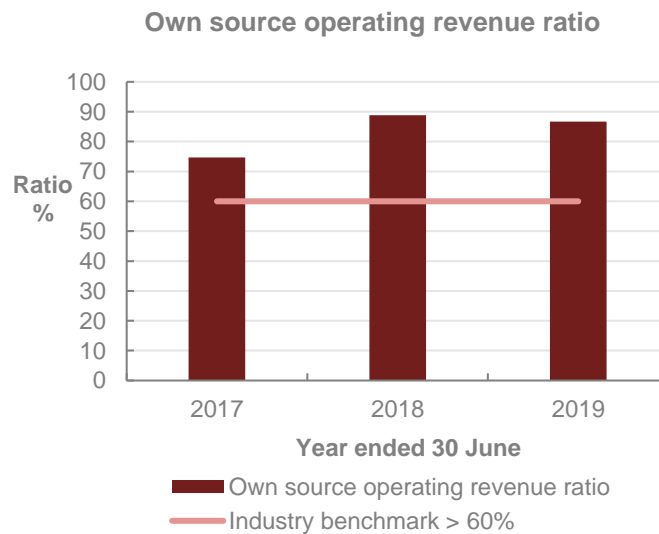
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

Council's 'Own source operating revenue ratio' of 86.65 per cent exceeds the benchmark and has remained relatively consistent from the previous year.

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

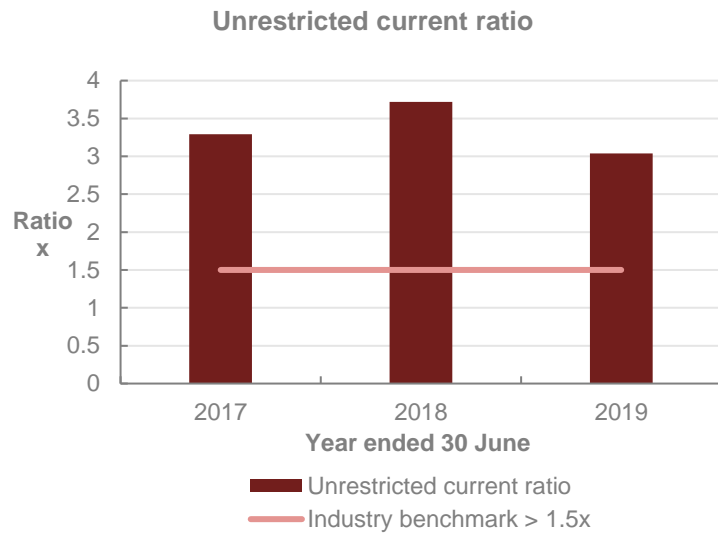


Unrestricted current ratio

Council 'Unrestricted current ratio' of 3.04 exceeds the industry benchmark.

The slight decrease in the ratio is mainly due to a decrease in unrestricted cash and investments and an increase in the employee entitlement provision and payables.

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

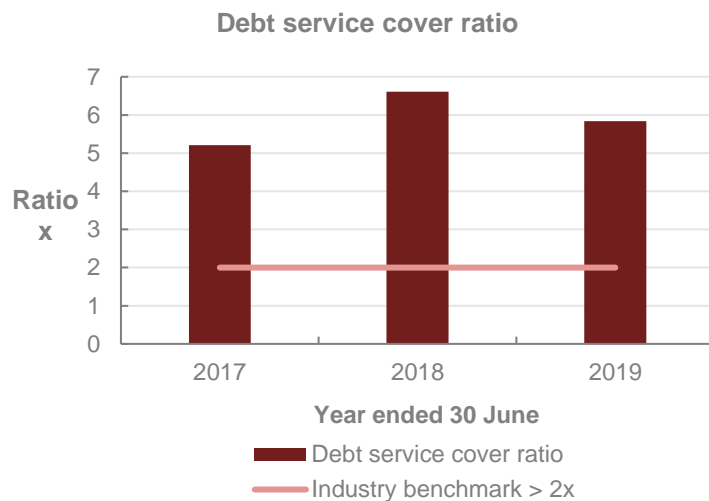


Debt service cover ratio

The Council's debt service cover ratio of 5.84 times exceeds the industry benchmark.

The ratio indicates that Council has sufficient operating cash available to service its debts, essentially indicating that Council generates sufficient cash from its operations to fund its debt obligations.

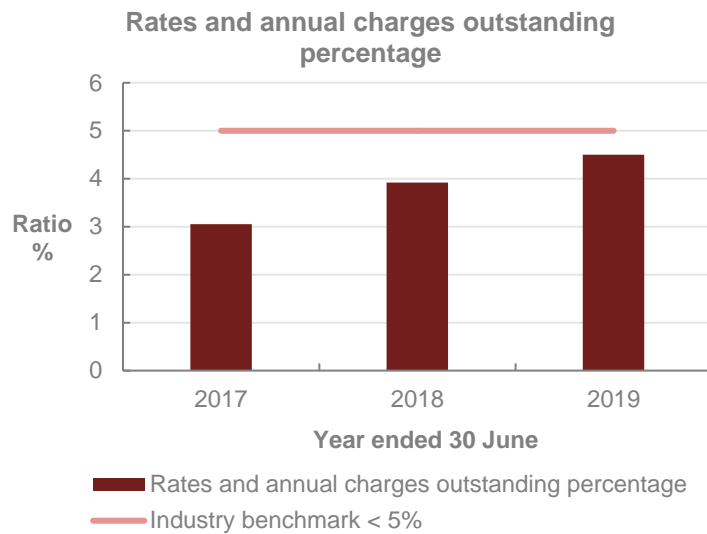
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

Council 'Rates and annual charges outstanding percentage' is within the benchmark set for metropolitan councils.

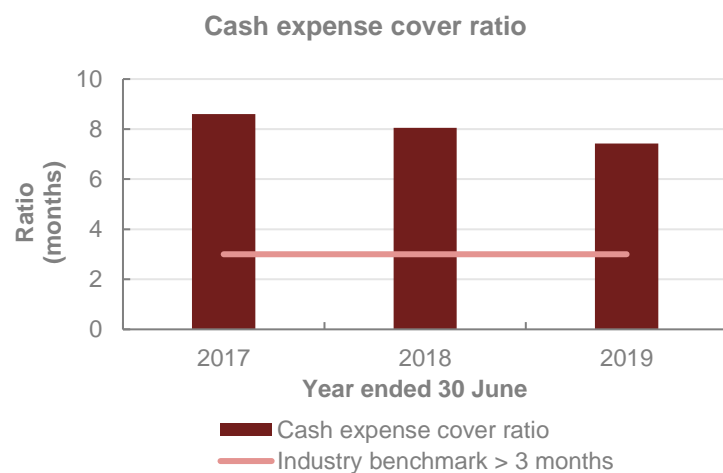
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

The cash expense cover ratio of 7.42 months exceeded the industry benchmark of greater than 3 months. Council have consistently exceeded the benchmark over the past three years.

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



Infrastructure, property, plant and equipment renewals

The Council has renewed \$47.3 million of assets in the 2018–19 financial year, compared to \$18.1 million of assets in the prior year. This included \$11.8 million on footpaths, \$8.9 million on buildings and \$7.7 million on roads.

OTHER MATTERS

New accounting standards implemented

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

Legislative compliance

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

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



Caroline Karakatsanis
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Michael Deegan, General Manager
John Gordon, Chair of Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Inner West Council

SPECIAL SCHEDULES
for the year ended 30 June 2019



Special Schedules

for the year ended 30 June 2019

Contents

Page

Special Schedules

Permissible income for general rates

3

Report on Infrastructure Assets - Values

8

Permissible income for general rates

		2019/20 Former Ashfield Council	2019/20 Former Leichhardt Council	2019/20 Former Marrickville Council	2019/20 Inner West Council	2018/19 Former Ashfield Council	2018/19 Former Leichhardt Council	2018/19 Former Marrickville Council	2018/19 Inner West Council
\$ '000									
Notional general income calculation ¹									
Last year notional general income yield	a	27,261	43,489	48,100	118,850	24,943	42,490	47,232	114,665
Plus or minus adjustments ²	b	349	69	113	531	41	(168)	(213)	(340)
Notional general income	c = a + b	27,610	43,558	48,213	119,381	24,984	42,322	47,019	114,325
Permissible income calculation									
Special variation percentage	d	0.00%	0.00%	0.00%		9.30%	0.00%	0.00%	
Or rate peg percentage	e	2.70%	2.70%	2.70%		0.00%	2.30%	2.30%	
Plus special variation amount	h = d x (c + g)	–	–	–	–	2,324	–	–	2,324
Or plus rate peg amount	i = e x (c + g)	745	1,176	1,302	3,223	–	973	1,081	2,054
Sub-total	k = (c + g + h + i + j)	28,355	44,734	49,515	122,604	27,308	43,295	48,100	118,703
Plus (or minus) last year's carry forward total	l	53	(144)	41	(50)	1	25	41	67
Less valuation objections claimed in the previous year	m	(7)	(48)	–	(55)	–	(23)	–	(23)
Sub-total	n = (l + m)	46	(192)	41	(105)	1	2	41	44
Total permissible income	o = k + n	28,401	44,542	49,556	122,499	27,309	43,297	48,141	118,747
Less notional general income yield	p	28,223	44,376	49,510	122,109	27,261	43,489	48,100	118,850
Catch-up or (excess) result	q = o – p	178	166	46	390	48	(192)	41	(103)
Plus income lost due to valuation objections claimed	r	–	–	–	–	7	48	–	55
Less unused catch-up ⁵	s	–	–	(40)	(40)	(2)	–	–	(2)
Carry forward to next year ⁶	t = q + r + s	178	166	6	350	53	(144)	41	(50)

(1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.

(2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.

(5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.

Permissible income for general rates (continued)

⁽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
Inner West Council

To the Councillors of Inner West Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Caroline Karakatsanis
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

31 October 2019
SYDNEY

Report on Infrastructure Assets
as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ³	2018/19 Actual maintenance ⁴	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 ¹	Estimated cost to bring to the agreed level of service set by Council ²					1	2	3	4	5
Buildings	Buildings	24,954	24,954	10,900	9,901	245,140	337,613	38.7%	33.2%	20.7%	6.9%	0.5%
	Sub-total	24,954	24,954	10,900	9,901	245,140	337,613	38.7%	33.2%	20.7%	6.9%	0.5%
Roads	Roads	65,569	65,569	17,838	17,531	130,666	282,956	14.0%	39.1%	23.7%	13.2%	10.0%
	Traffic Devices	62	62	–	–	31,141	39,614	42.1%	43.7%	14.1%	0.1%	0.0%
	Bridges	765	765	–	–	11,151	15,995	18.7%	55.9%	20.6%	4.1%	0.7%
	Footpaths	4,169	4,169	1,424	2,042	83,474	119,560	25.8%	41.7%	29.0%	3.2%	0.3%
	Other road assets	656	656	939	985	14,758	21,649	22.6%	56.0%	18.4%	3.0%	0.0%
	Bulk earthworks	–	–	–	–	512,259	512,259	100.0%	0.0%	0.0%	0.0%	0.0%
	Kerb and gutter	29,866	29,866	–	–	117,619	194,584	3.5%	44.6%	36.6%	13.4%	1.9%
	Car parks - Depreciable	2,040	2,040	–	–	8,138	11,193	48.9%	28.5%	4.3%	13.7%	4.6%
	Car Parks -Non Depreciable	–	–	–	–	3,547	3,547	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	103,127	103,127	20,201	20,558	912,753	1,201,357	51.9%	24.0%	15.5%	5.8%	2.8%
Stormwater drainage	Stormwater drainage	8,079	8,079	1,764	1,387	122,478	177,630	7.8%	70.2%	17.4%	4.0%	0.6%
	Sub-total	8,079	8,079	1,764	1,387	122,478	177,630	7.8%	70.2%	17.4%	4.0%	0.6%
Open space / recreational assets	Swimming pools	665	665	2,043	2,043	43,900	55,121	87.0%	10.7%	1.3%	0.9%	0.1%
	Sub-total	665	665	2,043	2,043	43,900	55,121	87.0%	10.7%	1.3%	0.9%	0.1%
Other infrastructure assets	Seawalls	817	817	21	9	26,863	37,423	22.6%	53.7%	21.6%	1.0%	1.1%
	Wharves	880	880	–	–	4,049	6,308	17.8%	45.4%	22.9%	13.9%	0.0%
	Land Improvements - Depreciable	3,700	3,700	8,954	8,954	83,241	114,176	41.7%	37.7%	17.3%	3.0%	0.3%
	Land Improvements - Non Depreciable	–	–	–	–	4,259	4,259	93.2%	0.0%	6.8%	0.0%	0.0%
	Sub-total	5,397	5,397	8,975	8,963	118,412	162,166	37.7%	40.7%	18.2%	2.9%	0.5%
	TOTAL - ALL ASSETS	142,222	142,222	43,883	42,852	1,442,683	1,933,887	45.3%	30.9%	16.4%	5.5%	1.9%

(1) "Satisfactory Standard" refers to the estimated cost for the renewal of condition 4&5 assets i.e. the replacement value of condition 4&5 assets.

(2) The agreed service level is the estimated cost for renewal of condition 4&5 assets i.e. the replacement value of condition 4&5 assets.

(3)

Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

(3) "Required Maintenance" for Roads and Stormwater Drainage is the amount identified for maintenance including related operational costs in Council's budget. For other Infrastructure Assets it is the amount identified for maintenance including related operational costs plus a minor adjustment to the Required Maintenance. For Buildings and Open Space/Recreational Assets it is based on the recalculated 2019/20 requirements.

(4) "Actual Maintenance" is the amount of maintenance and related operational expenditure spent in the current year to maintain Council's assets.

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 2019

\$ '000	<i>Amounts</i> 2019	<i>Indicator</i> 2019	<i>Prior periods</i>		<i>Benchmark</i>
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	38,853	166.21%	64.09%	168.76%	>=100.00%
Depreciation, amortisation and impairment	23,376				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	142,222	9.29%	10.27%	10.63%	<2.00%
Net carrying amount of infrastructure assets	1,530,170				
Asset maintenance ratio					
Actual asset maintenance	42,852	97.65%	78.33%	100.00%	>100.00%
Required asset maintenance	43,883				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	142,222	7.35%	3.78%	3.55%	
Gross replacement cost	1,933,887				

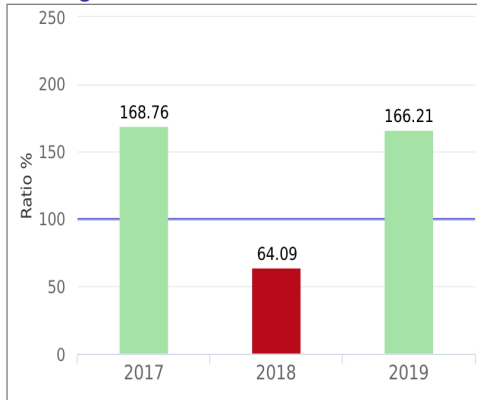
(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)
as at 30 June 2019

Buildings and infrastructure renewals ratio



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

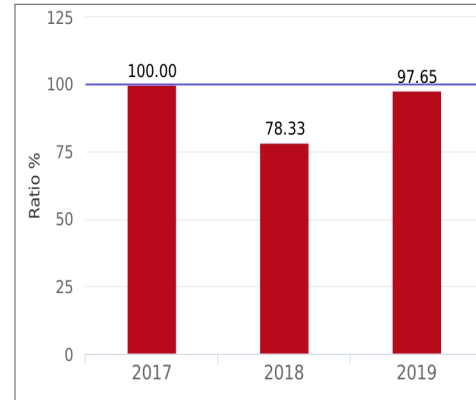
18/19 ratio 166.21%

*The ratio increase is attributable to a significant increase in asset renewals undertaken in 2019 compared to 2018. Continuing the focus on asset renewals will ensure the benchmark is achieved in the future.

*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.

Benchmark: — $\geq 100.00\%$ ■ Ratio achieves benchmark
■ Ratio is outside benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Asset maintenance ratio



Asset maintenance ratio

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

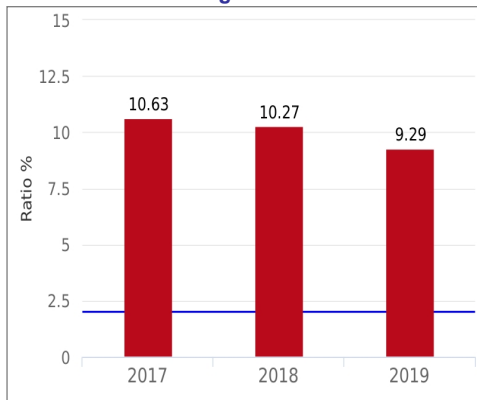
Commentary on result

18/19 ratio 97.65%

The ratio shows that the actual maintenance has increased from last year's figure where the gap to the benchmark has reduced from approximately 22% to 2%.

Benchmark: — $> 100.00\%$ ■ Ratio achieves benchmark
■ Ratio is outside benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Infrastructure backlog ratio



Infrastructure backlog ratio

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

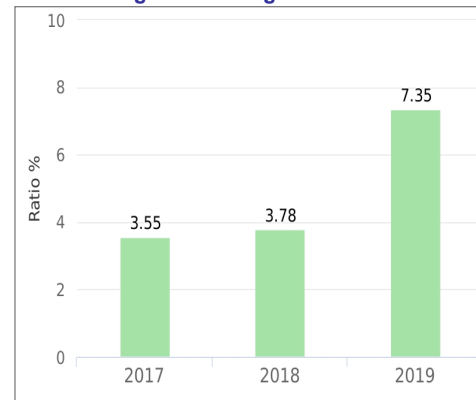
Commentary on result

18/19 ratio 9.29%

The percentage has decreased by approximately 0.7% compared to 2018. Although the ratio was expected to be lower due to the increase of renewal works undertaken, there are still some anomalies in the asset condition ratings which will have an impact on this ratio. Future asset condition audits will improve the confidence in the asset condition ratings.

Benchmark: — $< 2.00\%$ ■ Ratio achieves benchmark
■ Ratio is outside benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

18/19 ratio 7.35%

Percentage value is consistent with previous years with a slight reduction compare to 2018.