

# Fairfield City Council

## GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

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*"...a thriving, safe and friendly place with people who support and respect each other. A community where people can be proud to live, invest and prosper."*





# General Purpose Financial Statements

for the year ended 30 June 2020

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## Overview

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

86 Avoca Road  
WAKELEY NSW 2176

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

## General Purpose Financial Statements

for the year ended 30 June 2020

### Understanding Council's Financial Statements

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#### Introduction

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

#### What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2020.

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

#### About the Councillor/Management Statement

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

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

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

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

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

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

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

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

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

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

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

#### Who uses the Financial Statements?

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

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

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

## General Purpose Financial Statements

for the year ended 30 June 2020

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

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

- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and 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 27 October 2020.



Frank Carbone  
**Mayor**  
27 October 2020



Paul Azzo  
**Councillor**  
27 October 2020



Alan Young  
**General Manager**  
27 October 2020



Lachlan Gunn  
**Responsible Accounting Officer**  
27 October 2020

## Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Income from continuing operations</b>				
115,006	Rates and annual charges	3a	116,903	113,840
18,680	User charges and fees	3b	18,229	18,238
21,464	Other revenues	3c	16,703	21,287
22,962	Grants and contributions provided for operating purposes	3d,3e	18,885	20,266
24,872	Grants and contributions provided for capital purposes	3d,3e	27,922	16,426
3,767	Interest and investment income	4	2,832	4,224
685	Net gains from the disposal of assets	6	1,114	215
–	Fair value increment on investment properties	11	5,034	–
–	Rental income	14d	4,232	4,632
–	Net share of interests in joint ventures and associates using the equity method	19	–	759
207,436	<b>Total income from continuing operations</b>		211,854	199,887
<b>Expenses from continuing operations</b>				
78,250	Employee benefits and on-costs	5a	74,936	74,943
511	Borrowing costs	5b	35	11
34,696	Materials and contracts	5c	30,120	29,606
31,731	Depreciation and amortisation	5d	35,379	29,672
34,338	Other expenses	5e	31,592	31,852
179,526	<b>Total expenses from continuing operations</b>		172,062	166,084
27,910	<b>Operating result from continuing operations</b>		39,792	33,803
27,910	<b>Net operating result for the year</b>		39,792	33,803
27,910	Net operating result attributable to council		39,792	33,803
3,038	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		11,870	17,377

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

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

## Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Net operating result for the year (as per Income Statement)</b>		<b>39,792</b>	<b>33,803</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of Infrastructure, Property, Plant and Equipment	10(a)	81,893	–
Other comprehensive income – joint ventures and associates	9(b)	(538)	(1)
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>81,355</b>	<b>(1)</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements		(4,463)	–
<b>Total items which will be reclassified subsequently to the operating result when specific conditions are met</b>		<b>(4,463)</b>	<b>–</b>
<b>Total other comprehensive income for the year</b>		<b>76,892</b>	<b>(1)</b>
<b>Total comprehensive income for the year</b>		<b>116,684</b>	<b>33,802</b>
Total comprehensive income attributable to Council		116,684	33,802

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

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

## Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7(a)	63,196	32,953
Investments	7(b)	31,726	52,227
Receivables	8	9,644	12,872
Inventories	9a	592	577
Other	9b	2,299	1,259
<b>Total current assets</b>		<u>107,457</u>	<u>99,888</u>
<b>Non-current assets</b>			
Investments	7(b)	45,850	54,600
Infrastructure, property, plant and equipment	10(a)	2,042,579	1,927,089
Investment property	11	18,964	13,921
Intangible Assets	12	333	487
Right of use assets	14a	1,800	–
Investments accounted for using the equity method	19	–	7,707
Other	9b	5,793	–
<b>Total non-current assets</b>		<u>2,115,319</u>	<u>2,003,804</u>
<b>Total assets</b>		<u>2,222,776</u>	<u>2,103,692</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	15	24,735	23,138
Borrowings	15	419	113
Provisions	16	18,802	18,918
<b>Total current liabilities</b>		<u>43,956</u>	<u>42,169</u>
<b>Non-current liabilities</b>			
Borrowings	15	1,379	59
Provisions	16	3,072	3,779
<b>Total non-current liabilities</b>		<u>4,451</u>	<u>3,838</u>
<b>Total liabilities</b>		<u>48,407</u>	<u>46,007</u>
<b>Net assets</b>		<u>2,174,369</u>	<u>2,057,685</u>
<b>EQUITY</b>			
Accumulated surplus	17	885,968	851,177
Revaluation reserves	17	1,288,401	1,206,508
<b>Council equity interest</b>		<u>2,174,369</u>	<u>2,057,685</u>
<b>Total equity</b>		<u>2,174,369</u>	<u>2,057,685</u>

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

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



## Statement of Changes in Equity

for the year ended 30 June 2020

	as at 30/06/20			as at 30/06/19		
	Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
\$ '000						
Opening balance	851,177	1,206,508	2,057,685	817,375	1,206,508	2,023,883
Net operating result for the year	39,792	–	39,792	33,803	–	33,803
<b>Other comprehensive income</b>						
– Adoption of new accounting standards – retrospective	(4,463)	–	(4,463)	–	–	–
– Gain (loss) on revaluation of IPP&E	–	81,893	81,893	–	–	–
– Joint ventures and associates	(538)	–	(538)	(1)	–	(1)
<b>Total other comprehensive income</b>	<b>(5,001)</b>	<b>81,893</b>	<b>76,892</b>	<b>(1)</b>	<b>–</b>	<b>(1)</b>
<b>Total comprehensive income</b>	<b>34,791</b>	<b>81,893</b>	<b>116,684</b>	<b>33,802</b>	<b>–</b>	<b>33,802</b>
<b>Equity – balance at end of the reporting period</b>	<b>885,968</b>	<b>1,288,401</b>	<b>2,174,369</b>	<b>851,177</b>	<b>1,206,508</b>	<b>2,057,685</b>

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

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

## Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
110,293	Rates and annual charges		116,822	112,930
17,909	User charges and fees		18,229	18,238
2,961	Investment and interest revenue received		3,360	4,146
43,584	Grants and contributions		42,344	36,692
–	Bonds, deposits and retention amounts received		73	296
21,464	Other		37,201	37,005
<i>Payments:</i>				
(77,126)	Employee benefits and on-costs		(74,497)	(74,494)
(33,851)	Materials and contracts		(30,148)	(28,555)
(511)	Borrowing costs		(35)	(11)
(34,338)	Other		(44,465)	(43,011)
<b>50,385</b>	<b>Net cash provided from (or used in) operating activities</b>	18b	<b>68,884</b>	<b>63,236</b>
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
685	Sale of infrastructure, property, plant and equipment		6,011	962
<i>Payments:</i>				
–	Purchase of investment securities		29,250	(5,600)
–	Purchase of investment property		(9)	(47)
(85,798)	Purchase of infrastructure, property, plant and equipment		(73,118)	(62,745)
<b>(85,113)</b>	<b>Net cash provided from (or used in) investing activities</b>		<b>(37,866)</b>	<b>(67,430)</b>
<b>Cash flows from financing activities</b>				
<i>Payments:</i>				
(262)	Repayment of borrowings and advances		(113)	(252)
–	Lease liabilities (principal repayments)		(662)	–
<b>(262)</b>	<b>Net cash flow provided from (used in) financing activities</b>		<b>(775)</b>	<b>(252)</b>
<b>(34,990)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>30,243</b>	<b>(4,446)</b>
46,154	Plus: cash and cash equivalents – beginning of year	18a	32,953	37,399
<b>11,164</b>	<b>Cash and cash equivalents – end of the year</b>	18a	<b>63,196</b>	<b>32,953</b>
104,000	plus: Investments on hand – end of year	7(b)	77,576	106,827
<b>115,164</b>	<b>Total cash, cash equivalents and investments</b>		<b>140,772</b>	<b>139,780</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 27 October 2020.

Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

#### (a) Historical cost convention

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

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

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of investment properties – refer Note 11
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10 and 24
- (iii) employee benefit provisions – refer Note 16.

The far reaching economic impacts of the COVID-19 global pandemic (COVID-19) has had an impact on Council's operations during the financial year ended 30 June 2020 as well as that of its community, its customers and suppliers. Council has proactively addressed COVID-19 issues in order to mitigate the financial impact wherever possible, but there are a number of factors outside of its control. As a result, estimates and assumptions have been made as to the magnitude of the COVID-19 impact on Council's operations, which have been incorporated into fair value estimates.

Council is of the view that its investment properties and Infrastructure, Property and Plant and Equipment (IPP&E) are recorded at fair value as at 30 June 2020 and that the estimated fair values have not been significantly impacted by COVID-19 due to the nature of its tenants and the effective procurement practices in place. Council has sustainable rental terms with longer term tenants and has no reason to believe that this will change as a result of COVID-19 based on practical experience during the pandemic and due to the quality of its property portfolio.

The construction costs for Council's IPP&E has continued to be well controlled during COVID-19 through effective procurement practices with contracted suppliers. It has been assumed that this will continue to be the case and that any potential supply chain uncertainty can largely be addressed through proactive planning and management.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

(i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note 8 and 22.

COVID-19 has had an impact on Council's ratepayers and customers, which has been taken into account when determining provisions for the impairment of receivables as at 30 June 2020. Council has worked to mitigate the impacts of the pandemic through proactive customer engagement and tailored payment solutions. At present, there are no indications that COVID-19 will have a significant impact on the judgements applied by Council.

#### Monies and other assets received by Council

(a) The Consolidated Fund

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

The consolidated fund consists of cash and other assets associated with general purpose operations only.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### (b) The Trust Fund

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

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

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

#### Goods and Services Tax (GST)

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

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

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

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

##### AASB 1059 Service Concession Arrangements: Grantors

AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059) is effective for financial reporting periods commencing on or after 1 January 2020. Therefore, for Fairfield City Council, AASB 1059 will be effective from 1 July 2020.

AASB 1059 provides guidance for public sector entities (grantors) who have entered into service concession arrangements with private sector operators. This standard requires grantors to recognise a service concession asset and, in most cases, a corresponding liability on the balance sheet.

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

Whilst all assets held by Council are primarily for the provision of public services, only very few meet the conditions of service concession assets. Based on Council's assessment, these assets are outside of the scope of AASB1059.

Therefore, it is expected that the first-time adoption of AASB 1059 will not have a material impact on the transactions and balances recognised in the financial statements for the year ending 30 June 2021.

#### New accounting standards adopted during the year

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2020. The standards which had an impact on Council's reported position, performance or disclosures have been discussed in Note 17.

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

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

	Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
\$ '000	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Functions or activities</b>										
Asset Management – Civil & Built	5,634	3,809	25,829	22,088	(20,195)	(18,279)	5,429	3,484	1,322,791	1,234,419
Asset Management – Open Space	908	1,099	4,737	4,360	(3,829)	(3,261)	431	813	128,135	125,551
Building Control and Compliance	885	901	2,918	2,958	(2,033)	(2,057)	–	–	–	–
Catchment Management	1,609	1,618	2,059	1,967	(450)	(349)	74	78	4,780	4,846
Children and Family Services	11,804	11,587	11,157	10,766	647	821	4,625	4,180	17,818	17,179
City Connect Bus	1	41	35	34	(34)	7	–	–	(14)	92
Communications	23	4	1,692	1,690	(1,669)	(1,686)	–	–	736	24
Community Enforcement and Regulation	6,371	8,244	2,831	3,400	3,540	4,844	19	–	150	209
Community Facilities	639	772	2,757	2,626	(2,118)	(1,854)	–	26	33,689	33,912
Corporate Planning and Improvements	–	–	647	460	(647)	(460)	–	–	7	8
Customer Service Admin Building	3	4	874	877	(871)	(873)	–	–	1	1
Design Surveying	10,369	4,489	1,201	1,290	9,168	3,199	10,369	4,485	6,661	3,524
Development Planning	550	832	2,147	2,203	(1,597)	(1,371)	–	–	–	–
Emergency Risk Management	74	73	2,113	2,006	(2,039)	(1,933)	79	79	535	589
Enterprise Risk Management	2	–	1,985	1,863	(1,983)	(1,863)	–	–	–	–
Environment and Public Health	334	449	800	1,157	(466)	(708)	–	–	97	99
Financial Sustainability	142	122	3,710	3,552	(3,568)	(3,430)	–	–	411	568
Governance & Civic Centre	2	5	1,628	1,486	(1,626)	(1,481)	–	–	13	16
Human Services	28	–	2,663	3,450	(2,635)	(3,450)	–	–	2	3
Information Technology (IT)	2	–	6,549	6,207	(6,547)	(6,207)	–	–	2,815	2,263
Infrastructure Construction and Maintenance	2,275	1,406	12,940	12,776	(10,665)	(11,370)	507	496	68,599	69,315
Internal Audit	–	–	153	221	(153)	(221)	–	–	–	–
Leisure Centres	12,083	11,720	14,692	14,634	(2,609)	(2,914)	5,011	2,893	91,141	79,877
Library	978	712	7,156	7,152	(6,178)	(6,440)	881	578	16,838	17,170
Major Projects and Construction Contracts Management	–	–	834	1,431	(834)	(1,431)	–	–	5,631	3,932
Museum and Gallery	133	126	773	638	(640)	(512)	82	80	4,125	3,985
Parks and Gardens	124	49	3,630	3,689	(3,506)	(3,640)	–	–	18,173	17,765

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

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

	Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
\$ '000	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Place Management and Economic Development	629	390	2,678	2,601	(2,049)	(2,211)	360	14	2,300	1,664
Procurement	289	179	2,297	2,321	(2,008)	(2,142)	–	–	2,412	2,245
Property	6,712	7,930	3,948	4,001	2,764	3,929	–	–	58,883	61,715
Property Development Fund	6,105	1,133	208	391	5,897	742	–	–	13,897	3,195
Records and Information Management	–	–	1,833	1,418	(1,833)	(1,418)	–	–	–	–
Showground and Golf Course	1,037	1,371	698	737	339	634	–	–	4,934	4,885
Social and Cultural Development	578	507	2,487	2,617	(1,909)	(2,110)	554	458	(43)	16
Strategic Land Use Planning	923	1,220	1,772	1,529	(849)	(309)	601	768	–	–
Street and Public Amenities Cleaning	657	779	5,820	5,726	(5,163)	(4,947)	–	–	1,404	57
Sustainable Resource Centre	3,166	5,537	2,974	2,867	192	2,670	–	–	10,974	11,716
Traffic, Transport and Road Safety	–	–	415	313	(415)	(313)	–	–	32	94
Waste Education and Environment Sustainability	407	357	2,815	2,510	(2,408)	(2,153)	324	256	(1,401)	(1,383)
Waste Management	31,889	31,166	21,082	20,417	10,807	10,749	–	–	4,840	2,789
Corporate Services	104,489	101,256	4,525	3,655	99,964	97,601	11,532	7,335	401,410	401,352
<b>Total functions and activities</b>	<b>211,854</b>	<b>199,887</b>	<b>172,062</b>	<b>166,084</b>	<b>39,792</b>	<b>33,803</b>	<b>40,878</b>	<b>26,023</b>	<b>2,222,776</b>	<b>2,103,692</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

#### **Asset Management - Civil & Built**

Ensure community assets (buildings, drainage, roads and street lighting) are maintained to an agreed standard by undertaking condition inspections to identify and program required repair and renewal works.

#### **Asset Management - Open Space**

Ensure Open Space and related assets (Parks, Playgrounds, Reserves, Sportsfields, Trees and Public Toilets) are maintained to an agreed standard by undertaking condition inspections to identify and program required maintenance and renewal works.

#### **Building Control and Compliance**

Performs the assessment, investigation, certification and enforcement of laws, regulations and policies for developments and land use activities within Fairfield City to ensure their compliance, health, safety and amenity.

#### **Catchment Management**

Develop policy, undertake studies to identify and plan measures, develop detailed designs for construction of measures and provide advice relating to catchment planning, floodplain, stormwater and waterway management.

#### **Children and Family Services**

Provides quality children and family services including child care and early intervention programs to ensure a good future for our children and families within Fairfield City.

#### **City Connect Bus**

Provides free City Connect Bus Service for areas that are poorly serviced by existing private bus routes and increase accessibility to key destinations and community facilities.

#### **Communications**

Promote Council, and encourage community engagement through social media, coordinating media enquiries, responses and releases. Mayoral engagements as well as providing graphic design and print services for Council.

#### **Community Enforcement and Regulation**

Investigate and ensure compliance with the regulatory and compliance laws within Fairfield City on community, parking and companion animal issues.

#### **Community Facilities**

Coordinate the management of Council community facilities including community buses, sporting fields, tennis/futsal and community centres/halls.

#### **Corporate Planning and Improvements**

Implement the compliance, coordination and development of the Integrated Planning and Reporting Framework (documents and reports) and service area improvements.

#### **Customer Service Admin Building**

Delivers a centralised Customer Service Centre at the administration building, which provides information, transactions and advice to customers via the front counter and operates the call centre.

#### **Design Surveying**

Defines, develops and manages civil, urban and landscape infrastructure designs; and provides surveying and spatial data services.

#### **Development Planning**

Conduct the assessment and processing of all major development applications and engineering construction certificates across residential, commercial and industrial developments.

#### **Emergency Risk Management**

Provide leadership, assistance and resources in order to support emergency and disaster planning, response and recovery operations within Fairfield City.

#### **Enterprise Risk Management**

Develop, implement and manage Council's Enterprise Risk Management Framework and the management of Council's commercial insurance function inclusive of general insurance renewals and insurance claims.

# Fairfield City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

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

#### Environment and Public Health

Monitor and enforce regulatory and compliance laws within Fairfield City for environmental and public health standards.

#### Financial Sustainability

Conduct the delivery of Council's financial services, rate payments, revenue collection, analysis, advice and statutory reporting to ensure appropriate cash flow and long term financial viability.

#### Governance & Civic Centre

Ensure that Council has strong and effective governance and oversee the management of processes and protocols for Council's formal decision making that supports Council's capability to fulfil its legal, financial and ethical obligations.

#### Human Services

Provide strategic and operational human resources service including industrial and employee relations, work health and safety, workers compensation, payroll and organisational and workforce development.

#### Information Technology (IT)

Provide the implementation, maintenance and support of Council's information technology systems and infrastructures. Design, install and maintain the Closed Circuit Television (CCTV) program in public places and Council facilities across Fairfield City.

#### Infrastructure Construction and Maintenance

Deliver Council's major programs for new capital and renewal of infrastructure assets (buildings, roads, kerb and gutter, footpaths, drainage, signs/line marking and sportsfields). Undertake breakdown repair and programmed maintenance for Council's infrastructure assets to meet Council's service standard.

#### Internal Audit

Ensure that Council maintains a sound system of internal control, business improvement and compliance that supports Council's capability to fulfil its legal, financial and ethical obligations.

#### Leisure Centres

Manage and maintain Council's three leisure centres (Prairiewood Leisure Centre, Fairfield Leisure Centre and Cabravale Leisure Centre), Fairfield Park Tennis Complex along with Fairfield Youth and Community Centre for the provision of indoor and outdoor, active and passive dry and aquatic facilities and services to the community and visitors for wellbeing, water safety, sport and recreation.

#### Library

Manage and maintain Council's five library sites (Cabramatta, Bonnyrigg, Fairfield, Wetherill Park and Smithfield) to provide equitable, accessible, cost effective and efficient service to meet the community needs of Fairfield City.

#### Major Projects and Construction Contracts Management

Project manages and coordinates the funding, design, construction and commissioning of major new community infrastructure, other civil and building construction, and special projects.

Undertakes the procurement process and management of external design and construction contracts over \$120,000 Council wide, and provides advice and coordination for construction contracts under \$120,000.

#### Museum and Gallery

Engages the local communities through visual arts and social history exhibitions, workshops, education programs and events; and manages and maintains the Social History Collection, Vintage Village, Stein Gallery, Museum and the site.

#### Parks and Gardens

Provide the necessary and effective resources to implement the service levels identified in Council's Parks and Recreation (Open Space) Asset Management Plan.

#### Place Management and Economic Development

Manage and coordinate projects, activities, policies, plans, partnerships and project opportunities across Fairfield City in consultation with key stakeholders to ensure the effective functioning of the Local Government Area's business centres, industrial lands, residential activity and its ongoing economic resilience. Focus is on public domain improvements, visual quality, general amenity and activation, economic development and sustainability, stakeholder engagement, place based major events, processing minor activity applications and reviewing development applications.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### **Procurement**

Develop, implement and ensure a competitive, transparent, accountable and ethical procurement processes in the acquisition of goods and services to deliver Council services.

#### **Property**

Coordinate the management of Council owned properties, leased and licenced properties, retail shopping centres and multi-deck car parks as well as real estate functions to buy, sell, lease land, grant easements and road closures.

#### **Property Development Fund**

Provide Council with a self-funded Property Development Fund for the purpose of generating additional revenue through entrepreneurial real estate activities enabling Council to re-invest the funds back into the community.

#### **Records and Information Management**

Manage Council's records and information including access, retrieval, storage and disposal.

#### **Showground and Golf Course**

Undertakes the management and maintenance of Fairfield Showground, Fairfield Markets, Fairfield Golf Course and Parklands Function Centre.

#### **Social and Cultural Development**

Social and Cultural Development works in partnership with community organisations, government agencies and business to ensure that vulnerable groups of people who need assistance, support or activities to participate in the economic, social and cultural life of the city receive help and opportunities. We advocate for additional resources, programs and policies to achieve social justice, minimise harm, enhance social inclusion, community participation and cohesion, as well as safe and healthy people and places.

#### **Strategic Land Use Planning**

Identify, map and coordinate planning for residential, business and rural land across Fairfield City, as well as preparing zoning certificates and representing Council on planning and infrastructure matters with State and Federal Governments.

#### **Street and Public Amenities Cleaning**

Provide the cleaning of streets and public amenities in the town centres, residential and industrial areas across Fairfield City.

#### **Sustainable Resource Centre**

Divert construction and demolition waste from landfill by recycling and selling construction materials.

#### **Traffic, Transport and Road Safety**

Manages Fairfield City's road network, including traffic management, transport, road safety, parking restrictions and liaison with State Government entities.

#### **Waste Education and Environment Sustainability**

Provide and deliver educational programs and community sustainability initiatives for the community and Council.

#### **Waste Management**

Manage domestic and commercial waste services across Fairfield City.

#### **Corporate Services**

Ensure that Council maintains a sound system of internal control, business improvement and compliance that supports Council's capability to fulfil its legal, financial and ethical obligations.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential	1058 (1)	50,263	48,959
Farmland	1058 (1)	246	226
Business	1058 (1)	33,964	32,977
Less: pensioner rebates (mandatory)	1058 (1)	(1,984)	(1,985)
<b>Rates levied to ratepayers</b>		<b>82,489</b>	<b>80,177</b>
Pensioner rate subsidies received	1058 (1)	1,732	1,715
<b>Total ordinary rates</b>		<b>84,221</b>	<b>81,892</b>
<b>Annual charges</b>			
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>			
Domestic waste management services	1058 (1)	32,211	31,482
Drainage	1058 (1)	1,516	1,518
Section 611 charges	1058 (1)	96	102
Less: pensioner rebates (mandatory)	1058 (1)	(1,141)	(1,154)
<b>Annual charges levied</b>		<b>32,682</b>	<b>31,948</b>
<b>Total annual charges</b>		<b>32,682</b>	<b>31,948</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>116,903</b>	<b>113,840</b>

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

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

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

#### Accounting policy for rates and charges

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

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

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are in substance a rates payment.

#### 2019 accounting policy

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	2020	2019
<b>(b) User charges and fees</b>			
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	15 (1)	141	128
Waste management services (non-domestic)	15 (1)	481	636
<b>Total specific user charges</b>		<b>622</b>	<b>764</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Building regulation	1058 (1)	140	184
Planning and building regulation	1058 (1)	497	676
Regulatory fees	1058 (1)	2,024	2,103
Section 10.7 certificates (EP&A Act)	1058 (1)	310	306
<b>Total fees and charges – statutory/regulatory</b>		<b>2,971</b>	<b>3,269</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Child care	15 (1)	5,964	3,337
Park rents	15 (1)	289	206
Entry fees	15 (1)	3,455	4,172
Fairfield showground	15 (1)	1,033	1,469
Golf course	15 (2)	116	115
Library	15 (1)	115	132
Recreation facilities	15 (1)	3,664	4,774
<b>Total fees and charges – other</b>		<b>14,636</b>	<b>14,205</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>18,229</b>	<b>18,238</b>

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

**Accounting policy for user charges and fees**

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

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

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

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

**2019 accounting policy**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	2020	2019
<b>(c) Other revenues</b>			
Hire Income – Council properties	15 (1)	2,329	2,791
Fines	1058 (1)	6,583	8,435
Legal fees recovery – rates and charges (extra charges)	1058 (1)	206	244
Commissions and agency fees	1058 (1)	174	290
Car park operations	15 (1)	2,477	2,995
Insurance claims recoveries	1058 (1)	433	232
Recycling income (non-domestic)	15 (1)	3,498	5,664
Other	1058 (1)	1,003	636
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>16,703</u></b>	<b><u>21,287</u></b>

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

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

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

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

**Accounting policy for other revenue**

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

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

**2019 accounting policy:**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(d) Grants</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	1058 (1)	3,628	3,602	–	–
Financial assistance – local roads component	1058 (1)	860	853	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	1058 (1)	3,840	3,734	–	–
Financial assistance – local roads component	1058 (1)	914	885	–	–
<b>Total general purpose</b>		<b>9,242</b>	<b>9,074</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>					
Bushfire and emergency services	1058 (1)	79	79	–	–
Community care	1058 (1)	1,048	1,210	–	–
Heritage and cultural	1058 (1)	–	18	–	–
Library	1058 (1)	4,263	3,392	–	–
Recreation and culture	1058 (1)	80	80	262	62
Street lighting	1058 (2)	1,099	989	–	–
Transport (other roads and bridges funding)	1058 (1/2)	–	–	12,634	5,132
Other	1058 (1/2)	2,332	1,667	9,839	4,320
<b>Total specific purpose</b>		<b>8,901</b>	<b>7,435</b>	<b>22,735</b>	<b>9,514</b>
<b>Total grants</b>		<b>18,143</b>	<b>16,509</b>	<b>22,735</b>	<b>9,514</b>
<b>Grant revenue is attributable to:</b>					
– Commonwealth funding		9,241	9,088	1,137	98
– State funding		8,892	7,289	21,598	9,416
– Other funding		10	132	–	–
		<b>18,143</b>	<b>16,509</b>	<b>22,735</b>	<b>9,514</b>

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(e) Contributions</b>						
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>						
<b>Cash contributions</b>						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	5,187	6,912
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>5,187</b>	<b>6,912</b>
<b>Total developer contributions</b>	27		<b>–</b>	<b>–</b>	<b>5,187</b>	<b>6,912</b>
<b>Other contributions:</b>						
<b>Cash contributions</b>						
RMS contributions (regional roads, block grant)		1058 (1)	364	227	–	–
Other		1058 (1)	181	56	–	–
Child care		1058 (1)	197	3,474	–	–
<b>Total other contributions – cash</b>			<b>742</b>	<b>3,757</b>	<b>–</b>	<b>–</b>
<b>Total other contributions</b>			<b>742</b>	<b>3,757</b>	<b>–</b>	<b>–</b>
<b>Total contributions</b>			<b>742</b>	<b>3,757</b>	<b>5,187</b>	<b>6,912</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>			<b>18,885</b>	<b>20,266</b>	<b>27,922</b>	<b>16,426</b>

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

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

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

### Accounting policy for grants and contributions

#### Accounting policy from 1 July 2019

##### Grant income under AASB 15

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

The performance obligations are varied based on the agreement. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### Grant income under AASB1058

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

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

#### Capital grants

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

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

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

#### Contributions

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

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

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

#### Accounting policy prior to 1 July 2019

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(f) Unspent grants and contributions – external restrictions</b>		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	4,428	4,711
<b>Add:</b> operating grants recognised as income in the current period but not yet spent (2019 only)	691	619
<b>Less:</b> operating grants recognised in a previous reporting period now spent (2019 only)	(16)	(902)
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<b>5,103</b>	<b>4,428</b>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	3,298	3,040
<b>Add:</b> capital grants recognised as income in the current period but not yet spent (2019 only)	402	891
<b>Less:</b> capital grants recognised in a previous reporting period now spent (2019 only)	(338)	(633)
<b>Unexpended and held as externally restricted assets (capital grants)</b>	<b>3,362</b>	<b>3,298</b>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	53,106	45,619
<b>Add:</b> contributions recognised as income in the current period but not yet spent	3,488	7,995
<b>Less:</b> contributions recognised in a previous reporting period now spent	(6,863)	(508)
<b>Unexpended and held as externally restricted assets (contributions)</b>	<b>49,731</b>	<b>53,106</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 4. Interest and investment income

\$ '000	2020	2019
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	341	326
– Cash and investments	2,492	3,899
<b>Fair value adjustments</b>		
– Movements in investments at fair value through profit and loss	(1)	(1)
<b>Total Interest and investment income</b>	<u>2,832</u>	<u>4,224</u>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	341	326
General Council cash and investments	1,584	2,606
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	907	1,269
– Section 64	–	23
<b>Total interest and investment revenue</b>	<u>2,832</u>	<u>4,224</u>

**Accounting policy for interest and investment revenue**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations

\$ '000	2020	2019
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	57,672	55,213
Travel expenses	15	14
Employee leave entitlements (ELE)	9,105	8,929
Superannuation	6,818	6,592
Workers' compensation insurance	(44)	1,095
Fringe benefit tax (FBT)	143	124
Training costs (other than salaries and wages)	363	402
Protective clothing	254	225
Temporary contract labour	3,350	4,753
Other	143	126
<b>Total employee costs</b>	<b>77,819</b>	<b>77,473</b>
Less: capitalised costs	(2,883)	(2,530)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>74,936</b>	<b>74,943</b>

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

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

*Retirement benefit obligations*

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

*Superannuation plans*

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 21 for more information.

\$ '000	2020	2019
<b>(b) Borrowing costs</b>		
<b>(i) Interest bearing liability costs</b>		
Interest on loans	5	11
Interest on leases	30	–
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>35</b>	<b>11</b>

**Accounting policy for borrowing costs**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
<b>(c) Materials and contracts</b>		
Raw materials and consumables	19,932	16,479
Contractor and consultancy costs	2,094	1,827
Auditors remuneration <sup>2</sup>	174	201
<b>Legal expenses:</b>		
– Legal expenses: other	923	987
Expenses from short-term leases (2020 only)	101	–
Expenses from leases of low value assets (2020 only)	973	–
<b>Operating leases expense (2019 only):</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	–	986
Fuels	1,574	1,540
Increase/decrease stock valuation	(13)	8
Information technology	2,770	2,144
Materials fleet running expenses	1,909	6,283
Stock Adjustments	83	39
Trading requirement stock	128	161
<b>Total materials and contracts</b>	<b>30,648</b>	<b>30,655</b>
Less: capitalised costs	(528)	(1,049)
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>30,120</b>	<b>29,606</b>

**Accounting policy for materials and contracts**

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

**Operating leases (2019 only)**

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

**1. Operating lease payments are attributable to:**

Computers	–	784
Other	–	202
	–	986

**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	174	162
<b>Remuneration for audit and other assurance services</b>	<b>174</b>	<b>162</b>

**Total Auditor-General remuneration**

	174	162
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**Non NSW Auditor-General audit firms****(i) Audit and other assurance services**

Other audit and assurance services	–	39
<b>Remuneration for audit and other assurance services</b>	<b>–</b>	<b>39</b>

**Total remuneration of non NSW Auditor-General audit firms**

	–	39
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**Total Auditor remuneration**

	174	201
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## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
<b>(d) Depreciation, amortisation and impairment of non-financial assets</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		3,644	3,087
Office equipment		99	106
Furniture and fittings		23	24
<b>Infrastructure:</b>	10(a)		
– Buildings – non-specialised		7,928	7,324
– Roads		12,571	9,639
– Bridges		535	539
– Footpaths		2,342	2,079
– Stormwater drainage		1,797	1,742
– Kerb and gutter		2,509	2,396
– Park infrastructure		1,206	1,205
<b>Right of use assets</b>	14	601	–
<b>Other assets:</b>			
– Library books		129	141
– Other		1,841	1,309
Intangible assets	12	154	81
<b>Total gross depreciation and amortisation costs</b>		<u>35,379</u>	<u>29,672</u>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u></b>		<u>35,379</u>	<u>29,672</u>

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets, Note 12 for intangible assets and Note 14 for right of use assets.

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

**Impairment of non-financial assets**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
<b>(e) Other expenses</b>		
Advertising (general)	490	546
Advertising (positions vacant)	53	9
Bad and doubtful debts	156	49
Children services	133	129
Commission / rebate	600	755
Conferences	203	222
Consumables	209	215
Contributions/levies to other levels of government		
– Board of fire commission	1,891	1,798
– Corporation sole EPA act	594	599
– NSW waste and recycling services	14,459	13,984
Councillor expenses – mayoral fee	86	83
Councillor expenses – councillors' fees	384	372
Councillors' expenses (incl. mayor) – other (excluding fees above)	51	64
Donations, contributions and assistance to other organisations (Section 356)	59	65
Electricity and heating	1,918	2,003
Equipment less than \$1,000	443	538
Financial charges	238	279
Insurance	1,648	1,596
Photocopier operating costs	100	91
Postage	628	719
Printing and stationery	384	423
Publicity and promotion	765	756
Rates collection	8	7
Street lighting	3,088	3,211
Subscriptions and publications	725	720
Telephone and communications	558	550
Valuation fees	314	383
Water rates	812	857
Other	595	829
<b><u>TOTAL OTHER EXPENSES</u></b>	<b><u>31,592</u></b>	<b><u>31,852</u></b>

**Accounting policy for other expenses**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
<b>Property (excl. investment property)</b>			
Proceeds from disposal – property		4,048	–
Less: carrying amount of property assets sold/written off		(3,333)	–
<b>Net gain/(loss) on disposal</b>		<b>715</b>	<b>–</b>
<b>Plant and equipment</b>			
	10(a)		
Proceeds from disposal – plant and equipment		1,963	962
Less: carrying amount of plant and equipment assets sold/written off		(1,564)	(747)
<b>Net gain/(loss) on disposal</b>		<b>399</b>	<b>215</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>1,114</b>	<b>215</b>

**Accounting policy for disposal of assets**

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

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

## Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	415	1,667
Cash-equivalent assets		
– Deposits at call	62,781	31,286
<b>Total cash and cash equivalents</b>	<b>63,196</b>	<b>32,953</b>

**Accounting policy for cash and cash equivalents**

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



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Investments</b>				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	226	–	227	–
b. 'Financial assets at amortised cost'	31,500	45,850	52,000	54,600
<b>Total Investments</b>	<b>31,726</b>	<b>45,850</b>	<b>52,227</b>	<b>54,600</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>94,922</b>	<b>45,850</b>	<b>85,180</b>	<b>54,600</b>
<b>Financial assets at fair value through the profit and loss</b>				
Aust mortgaged backed securities	226	–	227	–
<b>Total</b>	<b>226</b>	<b>–</b>	<b>227</b>	<b>–</b>
<b>Financial assets at amortised cost</b>				
Floating Rate Note	19,000	31,850	3,000	49,100
Term deposits	12,500	14,000	49,000	5,500
<b>Total</b>	<b>31,500</b>	<b>45,850</b>	<b>52,000</b>	<b>54,600</b>

**Accounting policy for investments**

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

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

**Financial assets**

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

**Classification**

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

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

Financial assets are not reclassified subsequent to their initial recognition.

**Amortised cost**

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits, floating rates notes 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 7(b). Investments (continued)

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#### **Fair value through other comprehensive income – equity instruments**

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

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in Other Comprehensive Income Statement.

#### **Financial assets through profit or loss**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	94,922	45,850	85,180	54,600
<b>attributable to:</b>				
External restrictions	62,706	45,850	53,490	54,600
Internal restrictions	14,016	–	23,552	–
Unrestricted	18,200	–	8,138	–
	<u>94,922</u>	<u>45,850</u>	<u>85,180</u>	<u>54,600</u>

\$ '000	2020	2019
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#### Details of restrictions

##### External restrictions – included in liabilities

Other	784	–
<b>External restrictions – included in liabilities</b>	<u>784</u>	<u>–</u>

##### External restrictions – other

Developer contributions – general	49,731	53,106
Specific purpose unexpended grants (recognised as revenue) – general fund	8,465	10,417
Stormwater management	4,548	4,046
Voluntary purchase reserve	766	743
Domestic waste management	44,262	39,778
<b>External restrictions – other</b>	<u>107,772</u>	<u>108,090</u>
<b>Total external restrictions</b>	<u>108,556</u>	<u>108,090</u>

##### Internal restrictions

Car park assets	4,203	7,223
Future capital works	1,067	1,079
Museum reserve	22	21
Property development	807	5,032
Sister city committee	105	105
Special Rate Variance reserve	5,546	7,454
Sustainable resource centre plant reserve	673	–
Sustainable resource centre site development	22	22
Town funds	1,071	2,116
Other	500	500
<b>Total internal restrictions</b>	<u>14,016</u>	<u>23,552</u>

#### TOTAL RESTRICTIONS

	<u>122,572</u>	<u>131,642</u>
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## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Purpose</b>				
Rates and annual charges	5,281	–	5,187	–
Accrued revenues				
– Interest on investments	318	–	845	–
– Other income accruals	846	–	1,162	–
Net GST receivable	1,703	–	1,784	–
Other debtors	2,358	–	4,601	–
<b>Total</b>	<b>10,506</b>	<b>–</b>	<b>13,579</b>	<b>–</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(475)	–	(462)	–
Other debtors	(387)	–	(245)	–
<b>Total provision for impairment – receivables</b>	<b>(862)</b>	<b>–</b>	<b>(707)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>9,644</b>	<b>–</b>	<b>12,872</b>	<b>–</b>

\$ '000	2020	2019
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	707	690
– New provisions recognised during the year	155	17
<b>Balance at the end of the year</b>	<b>862</b>	<b>707</b>

## Accounting policy for receivables

## Recognition and measurement

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

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

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

## Impairment

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables (continued)

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

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

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

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

COVID-19 has had an impact on Council's ratepayers and customers, which has been considered when assessing impairment of receivables as at 30 June 2020. However, the impacts of the pandemic have been mitigated through proactive customer engagement and tailored payment solutions.

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.

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

Rates and annual charges outstanding are secured against the property.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Stores and materials	521	–	493	–
Trading stock	71	–	84	–
<b>Total inventories at cost</b>	<b>592</b>	<b>–</b>	<b>577</b>	<b>–</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>592</u></b>	<b><u>–</u></b>	<b><u>577</u></b>	<b><u>–</u></b>
<b>(b) Other assets</b>				
Prepayments	923	–	1,259	–
Interest in CivicRisk Mutual & CivicRisk West	1,376	5,793	–	–
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>2,299</u></b>	<b><u>5,793</u></b>	<b><u>1,259</u></b>	<b><u>–</u></b>

#### 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.

##### Interest in insurance mutuals

Council withdrew from CivicRisk Mutual and CivicRisk West “the insurance mutuals” effective 30 June 2020 as it sourced an alternative provider of insurance and risk services. Council determined that it ceased to have a joint control or significant influence in the insurance mutuals during the year due to structural changes within the insurance mutuals and Council ceasing to have an operational involvement following notification of its withdrawal.

Interests in the insurance mutuals are accounted for as a financial asset in accordance with AASB 9 and held at fair value. Council’s interest in its share of the surplus is calculated, and changes in fair value recognized, as an increase or decrease through its income statement at each reporting period.

Fair value is calculated using the income approach whereby expected future cash flows are discounted to present value. Expected cash flows include investment income.

In the prior years Council’s interest in the Insurance Mutuals was accounted for using the equity method because it exerted significant influence due to the organisational structure and operational arrangements in place at that time (Refer Note 19) for further details.

##### Reconciliation – Interest in CivicRisk Mutual and CivicRisk West

Opening Balance	2020 –
Recognition of financial asset for interest in Insurance Mutuals previously accounted for as an equity interest. (Refer Note 19)	7,707
Net loss from fair value adjustment	(538)
Closing Balance – Interest in CivicRisk Mutual and CivicRisk West	<u>7,169</u>

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

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

	as at 30/06/19				Asset movements during the reporting period						as at 30/06/20			
	Gross carrying amount	Accumulated depreciation	Net carrying amount		Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	28,091	-	28,091	-	-	5,425	-	-	-	-	-	33,516	-	33,516
Plant and equipment (MV, HV and MP)	35,318	(19,331)	15,987	-	8,566	(1,564)	(3,644)	-	-	-	-	37,134	(17,789)	19,345
Office equipment (OE, computer and others)	2,367	(1,817)	550	-	51	-	(99)	-	-	-	-	2,418	(1,916)	502
Furniture and fittings	473	(364)	109	-	2	-	(23)	-	-	-	-	475	(387)	88
<b>Land:</b>														
- Operational land	285,686	-	285,686	-	-	(3,333)	-	-	-	-	-	282,354	-	282,354
- Community land	414,171	-	414,171	-	3,257	-	-	(459)	-	-	-	416,968	-	416,968
- Land under roads (post 30/6/2008)	8,408	-	8,408	-	517	-	-	-	-	-	-	8,925	-	8,925
<b>Infrastructure:</b>														
- Buildings	340,535	(121,062)	219,473	7,020	12,753	-	(7,928)	-	-	-	-	360,307	(128,990)	231,317
- Park Recreational assets	25,198	(13,962)	11,236	39	-	-	(1,206)	-	-	-	-	25,237	(15,168)	10,069
- Roads	503,288	(115,795)	387,493	12,567	826	-	(12,571)	1,147	-	26,097	-	558,978	(143,421)	415,557
- Bridges	47,755	(8,346)	39,409	-	562	-	(535)	(37)	-	2,140	-	49,554	(8,016)	41,538
- Footpaths	123,095	(22,623)	100,472	1,975	973	-	(2,342)	57	-	(6,339)	-	132,069	(37,275)	94,794
- Bulk earthworks (non-depreciable)	24,531	-	24,531	-	-	-	-	569	-	9,689	-	34,789	-	34,789
- Stormwater drainage	255,982	(48,694)	207,288	1,872	112	-	(1,797)	37	-	60,954	-	357,914	(89,448)	268,466
- Kerb and gutter	192,023	(40,671)	151,352	4,259	133	-	(2,509)	-	-	(10,648)	-	210,764	(68,179)	142,585
<b>Other assets:</b>														
- Library books	14,096	(12,567)	1,529	-	300	-	(129)	-	-	-	-	14,396	(12,696)	1,700
- Other Park Recreation & CCTV	38,626	(7,322)	31,304	1,811	10,098	-	(1,841)	(1,314)	-	-	-	49,200	(9,134)	40,066
<b>Total Infrastructure, property, plant and equipment</b>	<b>2,339,643</b>	<b>(412,554)</b>	<b>1,927,089</b>	<b>29,543</b>	<b>43,575</b>	<b>(4,897)</b>	<b>(34,624)</b>	<b>-</b>	<b>(16,987)</b>	<b>98,880</b>	<b>-</b>	<b>2,574,998</b>	<b>(532,419)</b>	<b>2,042,579</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/18				Asset movements during the reporting period				as at 30/06/19			
	Gross carrying amount	Accumulated depreciation	Net carrying amount		Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	20,641	–	20,641	–	–	7,450	–	–	–	28,091	–	28,091
Plant and equipment (MV, HV and MP)	32,905	(18,013)	14,892	–	4,929	(747)	(3,087)	–	–	35,318	(19,331)	15,987
Office equipment (OE, computer and others)	2,092	(1,711)	381	–	275	–	(106)	–	–	2,367	(1,817)	550
Furniture and fittings	407	(340)	67	–	66	–	(24)	–	–	473	(364)	109
<b>Land:</b>												
– Operational land	285,686	–	285,686	–	–	–	–	–	–	285,686	–	285,686
– Community land	414,732	–	414,732	–	–	–	–	(561)	–	414,171	–	414,171
– Land under roads (post 30/6/08)	8,408	–	8,408	–	–	–	–	–	–	8,408	–	8,408
<b>Infrastructure:</b>												
– Buildings – non-specialised	330,073	(113,736)	216,337	7,377	2,357	–	(7,324)	726	–	340,535	(121,062)	219,473
– Park Recreational assets	25,198	(12,757)	12,441	–	–	–	(1,205)	–	–	25,198	(13,962)	11,236
– Roads	490,089	(106,157)	383,932	11,226	1,974	–	(9,639)	–	–	503,288	(115,795)	387,493
– Bridges	47,169	(7,808)	39,361	474	113	–	(539)	–	–	47,755	(8,346)	39,409
– Footpaths	117,615	(20,544)	97,071	3,937	1,465	–	(2,079)	78	–	123,095	(22,623)	100,472
– Bulk earthworks (non-depreciable)	23,970	–	23,970	–	–	–	–	561	–	24,531	–	24,531
– Stormwater drainage	254,313	(46,952)	207,361	1,347	322	–	(1,742)	–	–	255,982	(48,694)	207,288
– Kerb and gutter	186,780	(38,275)	148,505	5,189	54	–	(2,396)	–	–	192,023	(40,671)	151,352
<b>Other assets:</b>												
– Library books	13,783	(12,426)	1,357	–	313	–	(141)	–	–	14,096	(12,567)	1,529
– Other	25,553	(6,013)	19,540	1,817	12,060	–	(1,309)	(804)	–	38,626	(7,322)	31,304
<b>Total Infrastructure, property, plant and equipment</b>	<b>2,279,414</b>	<b>(384,732)</b>	<b>1,894,682</b>	<b>31,367</b>	<b>31,378</b>	<b>(747)</b>	<b>(29,591)</b>	<b>–</b>	<b>–</b>	<b>2,339,643</b>	<b>(412,554)</b>	<b>1,927,089</b>

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



## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

When infrastructure, property, plant and equipment are acquired by Council at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

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

<b>Plant and equipment</b>	Years	<b>Transportation assets</b>	Years
Office equipment	10	Road signs	20
Office furniture	10	Bridge	10 to 100
Computer equipment	3	Kerb & Gutter	80
Vehicles	5	Footpath	10 to 60
Heavy plant/road making equipment	7		
Other plant and equipment	7		
<b>Buildings</b>		<b>Stormwater assets</b>	
Electricals	30	Drains	25 to 150
Hydraulics	30		
Mechanicals	30	<b>Other infrastructure assets</b>	
Roof	40	Park infrastructure assets	7 to 40
Structure	75 to 100		
Fitout	25		
<b>Transportation assets</b>		<b>Other Assets</b>	
Road pavements	100	Library Books	10
Road surface	30	Other Assets	10 to 150
Road Furniture	20 to 25		
Traffic Facilities	20 to 80		
Car park pavement	100		
Car park surface	20 to 30		

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

**Land under roads**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

**Crown reserves**

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

Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note 14.

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".

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

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

\$ '000	as at 30/06/20			as at 30/06/19		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Domestic waste management</b>						
Plant and equipment	11,392	5,177	6,215	10,344	5,918	4,426
Office equipment	17	12	5	17	11	6
Land						
– Operational land	9,685	–	9,685	9,685	–	9,685
Buildings	883	236	647	883	216	667
<b>Total DWM</b>	<b>21,977</b>	<b>5,425</b>	<b>16,552</b>	<b>20,929</b>	<b>6,145</b>	<b>14,784</b>
<b>TOTAL RESTRICTED IPP&amp;E</b>	<b>21,977</b>	<b>5,425</b>	<b>16,552</b>	<b>20,929</b>	<b>6,145</b>	<b>14,784</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 11. Investment properties &amp; others

\$ '000	2020	2019
<b>Owned investment property</b>		
Investment property on hand at fair value	18,964	13,921
<b>Total owned investment property</b>	<b>18,964</b>	<b>13,921</b>

## (a) Reconciliation – owned investment property

**Reconciliation of annual movement:**

<b>Opening balance</b>	13,921	13,874
– Net gain/(loss) from fair value adjustments	5,034	–
– Other movements	9	47
<b>CLOSING BALANCE – OWNED INVESTMENT PROPERTY</b>	<b>18,964</b>	<b>13,921</b>

## (b) Valuation basis

The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2020 revaluations were based on independent assessments made by: Curtis Valuation AAPI CPV

## (c) Contractual obligations at reporting date

Refer to Note 20 for disclosures relating to any capital and service obligations that have been contracted.

\$ '000	2020	2019
<b>(d) Leasing arrangements – Council as lessor</b>		
The investment properties are leased to tenants under long-term operating leases with rentals payable monthly.		
Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:		
Within 1 year	1,004	714
Later than 1 year but less than 5 years	1,767	2,423
Later than 5 years	34	760
<b>Total minimum lease payments receivable</b>	<b>2,805</b>	<b>3,897</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 11. Investment properties &amp; others (continued)

\$ '000	2020	2019
<b>(e) Investment property income and expenditure – summary</b>		
<b>Rental income from investment property:</b>		
– Minimum lease payments	1,098	1,078
<b>Direct operating expenses on investment property:</b>		
– that generated rental income	(45)	(51)
<b>Net revenue contribution from investment property</b>	<u>1,053</u>	<u>1,027</u>
plus:		
<b>Fair value movement for year</b>	5,034	–
<b>Total income attributable to investment property</b>	<u>6,087</u>	<u>1,027</u>

**Accounting policy for investment property**

Investment property, principally comprising freehold industrial 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 2020

## Note 12. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
<b>Software</b>		
<b>Opening values at 1 July</b>		
Gross book value	6,838	6,838
Accumulated amortisation	(6,351)	(6,270)
<b>Net book value – opening balance</b>	<b>487</b>	<b>568</b>
<b>Movements for the year</b>		
– Amortisation charges	(154)	(81)
<b>Closing values at 30 June</b>		
Gross book value	6,838	6,838
Accumulated amortisation	(6,505)	(6,351)
<b>Total software – net book value</b>	<b>333</b>	<b>487</b>
<b><u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u></b>	<b><u>333</u></b>	<b><u>487</u></b>

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

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

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

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

### Note 13. Contract assets and liabilities

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#### Contract assets

Nil

#### Significant changes in contract assets and liabilities

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

#### Accounting policy for contract assets and liabilities

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Leases

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

## (i) Council as a lessee

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

## Office, IT &amp; Gym equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers and large pieces of gymnasium equipments. The leases are for between 1 and 3 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

\$ '000	Plant & Equipment	Ready to use	Total
<b>Opening balance at 30 June 2019</b>	-	-	-
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	842	-	842
Additions to right-of-use assets	1,558	-	1,558
Adjustments to right-of-use assets due to re-measurement of lease liability	-	-	-
Depreciation of right-of-use assets	(600)	-	(600)
<b>Balance at 30 June 2020</b>	<b>1,800</b>	<b>-</b>	<b>1,800</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Leases (continued)

**(i) The maturity analysis**

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	360	1,289	90	1,739	1,739
<b>\$ '000</b>					<b>2020</b>

**(b) Income Statement**

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

Depreciation of right of use assets	601
Expenses relating to short-term leases	101
Expenses relating to low-value leases	973
	<b>1,675</b>

**(c) Statement of Cash Flows**

Total cash outflow for leases	1,739
	<b>1,739</b>

**Accounting policy****Accounting policies under AASB 16 – applicable from 1 July 2019**

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

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

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

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

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

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Leases (continued)

**Exceptions to lease accounting**

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

**Leases at significantly below market value / concessionary leases**

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

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

## (d) Operating leases

\$ '000	2020	2019 Restated
<b>(i) Operating lease income</b>		
<b>Investment properties</b>		
Lease income relating to variable lease payments not dependent on an index or a rate	4,232	4,632
<b>Total income relating to operating leases</b>	<b>4,232</b>	<b>4,632</b>

**Accounting policy**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 15. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	12,461	–	12,474	–
Accrued expenses:				
– Salaries and wages	1,586	–	1,143	–
– Other expenditure accruals	1,504	–	1,383	–
Security bonds, deposits and retentions	7,802	–	7,729	–
Other	1,382	–	409	–
<b>Total payables</b>	<b>24,735</b>	<b>–</b>	<b>23,138</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	59	–	113	59
Finance lease liabilities	360	1,379	–	–
<b>Total borrowings</b>	<b>419</b>	<b>1,379</b>	<b>113</b>	<b>59</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>25,154</u></b>	<b><u>1,379</u></b>	<b><u>23,251</u></b>	<b><u>59</u></b>

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

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Domestic waste management	1,266	–	1,311	–
Other	784	–	–	–
Payables and borrowings relating to externally restricted assets	2,050	–	1,311	–
<b>Total payables and borrowings relating to restricted assets</b>	<b>2,050</b>	<b>–</b>	<b>1,311</b>	<b>–</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>23,104</b>	<b>1,379</b>	<b>21,940</b>	<b>59</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>25,154</u></b>	<b><u>1,379</u></b>	<b><u>23,251</u></b>	<b><u>59</u></b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 15. Payables and borrowings (continued)

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

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

Payables – security bonds, deposits and retentions	6,554	6,492
<b>Total payables and borrowings</b>	<b>6,554</b>	<b>6,492</b>

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

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	172	(113)	–	–	–	–	59
<b>TOTAL</b>	<b>172</b>	<b>(113)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>59</b>

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	424	(252)	–	–	–	172
<b>TOTAL</b>	<b>424</b>	<b>(252)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>172</b>

\$ '000	2020	2019
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**(d) Financing arrangements****(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities <sup>1</sup>	1,500	1,500
Credit cards/purchase cards	500	500
<b>Total financing arrangements</b>	<b>2,000</b>	<b>2,000</b>

**Undrawn facilities as at balance date:**

– Bank overdraft facilities	1,500	1,500
– Credit cards/purchase cards	500	500
<b>Total undrawn financing arrangements</b>	<b>2,000</b>	<b>2,000</b>

**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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 15. Payables and borrowings (continued)

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#### **Accounting policy for payables and borrowings**

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

The financial liabilities of the Council 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 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 (2019 only)**

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 2020

### Note 16. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	6,755	–	6,286	–
Sick leave	434	–	712	–
Long service leave	10,989	606	11,231	559
<b>Sub-total – aggregate employee benefits</b>	<b>18,178</b>	<b>606</b>	<b>18,229</b>	<b>559</b>
<b>Other provisions</b>				
Self insurance – workers compensation	514	2,009	664	2,397
Self insurance – public liability	110	457	25	823
<b>Sub-total – other provisions</b>	<b>624</b>	<b>2,466</b>	<b>689</b>	<b>3,220</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>18,802</u></b>	<b><u>3,072</u></b>	<b><u>18,918</u></b>	<b><u>3,779</u></b>

#### (a) Provisions relating to restricted assets

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

\$ '000	2020	2019
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#### (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	11,917	11,650
	<u>11,917</u>	<u>11,650</u>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 16. Provisions (continued)

#### (c) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Sick leave	Long service leave	
<b>2020</b>				
At beginning of year	6,286	712	11,790	18,788
Additional provisions	4,717	25	1,956	6,698
Amounts used (payments)	(4,232)	(302)	(2,123)	(6,657)
Remeasurement effects	(16)	(1)	(28)	(45)
Total ELE provisions at end of year	6,755	434	11,595	18,784
<b>2019</b>				
At beginning of year	5,851	705	11,882	18,438
Additional provisions	4,560	32	2,138	6,730
Amounts used (payments)	(4,060)	(18)	(2,109)	(6,187)
Remeasurement effects	(65)	(7)	(121)	(193)
Total ELE provisions at end of year	6,286	712	11,790	18,788

\$ '000	Other provisions	
	Self insurance	Total
<b>2020</b>		
At beginning of year	3,909	3,909
Adjustment to provision	(819)	(819)
Total other provisions at end of year	3,090	3,090
<b>2019</b>		
At beginning of year	3,156	3,156
Amounts used (payments)	753	753
Total other provisions at end of year	3,909	3,909

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

##### Accounting policy for provisions

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

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

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

##### Employee benefits

###### Short-term obligations

Liabilities for wages and salaries (including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service) are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 16. Provisions (continued)

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when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

#### **Other long-term employee benefit obligations**

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

#### **On-costs**

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

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

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

#### **Self-insurance**

Council has decided to self-insure for various risks, including public liability and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note 7(c).

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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#### (a) Nature and purpose of reserves

##### **Infrastructure, property, plant and equipment revaluation reserve**

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

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

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

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

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

#### (ii) AASB 15 and AASB 1058

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

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

#### **Upfront fees – Council leisure centre**

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

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

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

#### **Principal v agent**

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

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

#### **Licences**

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

#### **Prepaid rates**

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



## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### **Grants – operating**

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

#### **Grants – capital**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

The following tables show the financial statement line items impacted by adopting AASB 15 and AASB 1058 for the year ended 30 June 2020.

## Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
<b>Current liabilities</b>					
Payables	24,735	–	389	25,124	(i)

(i) Transfer of part operating grant to income received in advance for funds received prior to the satisfaction of the performance obligations under AASB15.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

## Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Grants and contributions provided for operating purposes	18,885	–	389	19,274	(i)
Grants and contributions provided for capital purposes	27,922	–	(4,065)	23,857	(ii)

(i) Transfer of part of operating grant to income received in advance for funds received prior to the satisfaction of the performance obligations under AASB 15.

(ii) Recognition of funds received to construct assets to be controlled by Council which were received in the prior year before the performance obligations of the contract had been satisfied.

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

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

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

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

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

**Financial statement impact of adoption of AASB 16**

Council has recognised right-of-use assets and lease liabilities of \$842,244 at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 2.46%.

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Balance at 1 July 2019
<b>Operating lease commitments at 30 June 2019 per Council financial statements</b>	1,711
<b>Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019</b>	1,624
<b>Less:</b>	
Short-term leases included in commitments note	(721)
Leases for low-value assets included in commitments note	(61)
Other	—
<b>Lease liabilities recognised at 1 July 2019</b>	<u>842</u>

**Council as a lessor**

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

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

\$ '000	Restated Balance 1 July, 2019
Rights-of-use assets	842
<b>Total assets</b>	<u>842</u>

\$ '000	Restated Balance 1 July, 2019
Leases	842
<b>Total liabilities</b>	<u>842</u>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 18. Statement of cash flow information

\$ '000	Notes	2020	2019
<b>(a) Reconciliation of cash and cash equivalents</b>			
Total cash and cash equivalents per Statement of Financial Position	7(a)	63,196	32,953
<b>Balance as per the Statement of Cash Flows</b>		<b>63,196</b>	<b>32,953</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		39,792	33,803
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		35,379	29,672
Net losses/(gains) on disposal of assets		(1,114)	(215)
Non-cash capital grants and contributions		(4,463)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as ‘at fair value’ or ‘held for trading’		1	1
– Investment property		(5,034)	–
Share of net (profits)/losses of associates/joint ventures using the equity method		–	(759)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		3,073	(2,786)
Increase/(decrease) in provision for impairment of receivables		155	17
Decrease/(increase) in inventories		(15)	3
Decrease/(increase) in other current assets		336	(193)
Increase/(decrease) in payables		(13)	1,048
Increase/(decrease) in other accrued expenses payable		564	1,176
Increase/(decrease) in other liabilities		1,046	366
Increase/(decrease) in provision for employee benefits		(4)	350
Increase/(decrease) in other provisions		(819)	753
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>68,884</b>	<b>63,236</b>
<b>(c) Non-cash investing and financing activities</b>			
<b>Bank Guarantees</b>			
Sydney Water Corporation \$20,000.00			
State Insurance Regulatory Authority - Workers Compensation \$2,839,000.00			
Sydney Water Corporation \$119,775.00			
Sydney Water Corporation \$265,810.00			
Endeavour Energy \$20,000.00			
Endeavour Energy \$20,000.00			

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2020	2019	2020	2019
Joint ventures	–	759	–	7,707
<b>Total</b>	<b>–</b>	<b>759</b>	<b>–</b>	<b>7,707</b>

## Joint arrangements

## (i) Joint ventures

Council withdrew from CivicRisk Mutual and CivicRisk West "the insurance mutuals" effective 30 June 2020 as it sourced an alternative provider of insurance and risk services. Council ceased to have a joint control or significant influence in the insurance mutuals during the current financial year due to structural changes within the insurance mutuals and because it ceased to have an operational involvement following notification of its withdrawal. However, it held a significant interest in the insurance mutuals in the prior year.

Council's interest in the insurance mutuals is accounted for as a financial asset in accordance with AASB 9 and held at fair value as at 30 June 2020 (Refer note 9b).

The following information is provided for joint ventures that are individually material to the Council for the applicable financial period. Included are the total amounts as per the joint venture financial statements for year ended 30 June 2019, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

## (a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2020	2019
CivicRisk Mutual (UIP)	Joint venture	Equity Method	–	496
CivicRisk West (Westpool)	Joint venture	Equity Method	–	7,211
<b>Total carrying amounts – material joint ventures</b>			<b>–</b>	<b>7,707</b>

## (b) Details

	Principal activity	Place of business
CivicRisk Mutual (UIP)	Self insurance	Penrith NSW
CivicRisk West (Westpool)	Self insurance	Penrith NSW

## (c) Relevant interests and fair values

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2020	2019	2020	2019	2020	2019
CivicRisk Mutual (UIP)	0.0%	11.0%	0.0%	7.0%	0.0%	6.0%
CivicRisk West (Westpool)	0.0%	17.0%	0.0%	15.0%	0.0%	9.0%

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Interests in other entities (continued)

## (d) Summarised financial information for joint ventures

\$ '000	CivicRisk Mutual (UIP) 2019	CivicRisk West (Westpool) 2019
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,813	2,961
Other current assets	7,215	28,110
<b>Non-current assets</b>	5,368	36,522
<b>Current liabilities</b>		
Current financial liabilities (excluding trade and other payables and provisions)	4,827	7,397
Other current liabilities	346	740
<b>Non-current liabilities</b>		
Non-current financial liabilities (excluding trade and other payables and provisions)	2,279	12,116
<b>Net assets</b>	<b>6,944</b>	<b>47,340</b>
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	8,469	41,761
Profit/(loss) for the period	(1,524)	5,579
<b>Closing net assets</b>	<b>6,945</b>	<b>47,340</b>
<b>Council's share of net assets (%)</b>	7.2%	15.2%
<b>Council's share of net assets (\$)</b>	500	7,196
<b>Statement of comprehensive income</b>		
Income	11,320	9,918
Interest income	447	3,623
Interest expense	–	(18)
Other expenses	(13,291)	(7,944)
<b>Profit/(loss) from continuing operations</b>	<b>(1,524)</b>	<b>5,579</b>
<b>Profit/(loss) for the period</b>	<b>(1,524)</b>	<b>5,579</b>
<b>Total comprehensive income</b>	<b>(1,524)</b>	<b>5,579</b>
<b>Share of income – Council (%)</b>	4.0%	14.7%
<b>Profit/(loss) – Council (\$)</b>	(61)	820
<b>Total comprehensive income – Council (\$)</b>	(61)	820
<b>Summarised Statement of cash flows</b>		
Cash flows from operating activities	2,904	2,439
Cash flows from investing activities	(2,250)	(2,500)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>654</b>	<b>(61)</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 19. Interests in other entities (continued)

#### Accounting policy for joint arrangements

The council has determined that it has joint ventures.

#### **Joint ventures:**

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

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

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Commitments

\$ '000	2020	2019
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	11,542	8,023
Plant and equipment	576	3,807
Land	241	380
Other	6,973	8,644
<b>Total commitments</b>	<b>19,332</b>	<b>20,854</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	19,332	20,854
<b>Total payable</b>	<b>19,332</b>	<b>20,854</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	10,137	11,659
Unexpended grants	3,476	1,101
Externally restricted reserves	2,012	4,187
Internally restricted reserves	3,707	3,907
<b>Total sources of funding</b>	<b>19,332</b>	<b>20,854</b>

**(b) Non-cancellable operating lease commitments (2019 only)****a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	–	641
Later than one year and not later than 5 years	–	1,070
<b>Total non-cancellable operating lease commitments</b>	<b>–</b>	<b>1,711</b>

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

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

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Contingencies

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

**LIABILITIES NOT RECOGNISED****1. Guarantees****(i) 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 lumpsum 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 Members*
Division C	2.5% salaries
Division D	1.64 times member contributions

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

The additional lumpsum contribution for each pooled employer is a share of the total additional contributions of \$40.0 million for 1 July 2020 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2020. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities. The share of the deficit that can be attributed to Council is 1.82%. It is estimated that there are \$726,700.00 past service contributions remaining.

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

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

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

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Contingencies (continued)

of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$1,410,692. The last valuation of the Scheme was performed by Richard Boyfield on FIAA, and covers the period ended 30 June 2019.

Council's expected contribution to the plan for the next annual reporting period is \$1,433,270.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2020 is:

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

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

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

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

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

\* Plus promotional increases

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

**(ii) Workers Compensation Self Insurance Bank Guarantee**

Council is a Self Insurer for Workers Compensation and a condition of its Self Insurance Licence requires either a Term Deposit or Bank Guarantee to be held based on Actuarial Assessment. In June 1997 council decided to take out a Bank Guarantee to comply with the conditions of its Self Insurance Licence.

State Insurance Regulatory Authority has reviewed Council's workers compensation claims liability based on actuarial report dated 30 June 2018 and advised the bank guarantee remains as \$2.839 million.

**(iii) Statewide Limited**

Council was a member of Statewide Mutual until 30 June 2020, 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 June this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 21. Contingencies (continued)

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#### (iv) 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.

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

#### (v) Other guarantees

Council has 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.

#### (ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

### OTHER ASSETS & LIABILITIES NOT RECOGNISED:

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 21. Contingencies (continued)

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#### (i) Regional Illegal Dumping Squads (RIDS)

RID Squads are regionally based teams that specialise in dealing with illegal dumping and illegal landfilling. The squads are funded by the NSW Environment Protection Authority (EPA) and the member local councils who opt to work together and contribute resources to tackle illegal dumping.

The objective of the project is to identify, investigate and prosecute illegal waste dumping offences and trial a range of enforcement strategies.

Each Council has equal interest in the operation and has an undertaking to annually contribute. (\$78,000 for 2019/20)

The RIDS accounts are to be prepared by Resources NSW and were not available at the time of preparing these statements in order to determine the value of Council's interest.

Council's share of the asset, liabilities, income and expenses for this Joint Venture is not considered material.

#### Others

There are pending court litigation in favour of the Council, where it is expected that an amount between \$412,000 to \$712,000 will be received.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Financial risk management

## Risk management

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

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

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

Financial risk management is carried out by the finance team under policies approved by the Council.

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	63,196	32,953	–	–
Receivables	9,644	12,872	–	–
Investments				
– 'Financial assets at amortised cost'	77,350	106,600	–	–
<b>Fair value through profit and loss</b>				
Investments				
– 'Held for trading'	226	227	–	–
Other financial assets	7,169	–	–	–
<b>Total financial assets</b>	<b>157,585</b>	<b>152,652</b>	<b>–</b>	<b>–</b>
<b>Financial liabilities</b>				
Payables	24,735	23,138	–	–
Loans/advances	59	172	–	–
<b>Total financial liabilities</b>	<b>24,794</b>	<b>23,310</b>	<b>–</b>	<b>–</b>

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

The finance team manage the cash and investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with S625 of the *Local Government Act 1993* and the ministerial investment order. This policy is regularly reviewed by Council and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by local government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Financial risk management (continued)

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Financial risk management (continued)

## (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
<b>2020</b>				
Possible impact of a 10% movement in market values	23	23	(23)	(23)
Possible impact of a 1% movement in interest rates	1,401	1,401	(1,401)	(1,401)
<b>2019</b>				
Possible impact of a 10% movement in market values	23	23	(23)	(23)
Possible impact of a 1% movement in interest rates	1,379	1,379	(1,379)	(1,379)



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Financial risk management (continued)

**(b) Credit risk**

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

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

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

There are no significant concentrations of credit risk, 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.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2020</b>						
Gross carrying amount	–	5,281	–	–	–	5,281
<b>2019</b>						
Gross carrying amount	–	5,187	–	–	–	5,187

**Receivables - non-rates and annual charges**

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 90 days overdue	Total
<b>2020</b>						
Gross carrying amount	–	2,226	288	389	619	3,522
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	62.50%	10.98%
<b>ECL provision</b>	–	–	–	–	387	387
<b>2019</b>						
Gross carrying amount	–	4,488	1,124	417	579	6,608
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	42.31%	3.71%
<b>ECL provision</b>	–	–	–	–	245	245

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Financial risk management (continued)

## (c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2020</b>							
Trade/other payables	0.00%	7,802	16,535	–	–	24,337	24,735
Loans and advances	0.00%	–	59	–	–	59	59
Lease liabilities	0.00%	–	360	1,289	90	1,739	1,739
<b>Total financial liabilities</b>		<b>7,802</b>	<b>16,954</b>	<b>1,289</b>	<b>90</b>	<b>26,135</b>	<b>26,533</b>
<b>2019</b>							
Trade/other payables	0.00%	7,729	15,409	–	–	23,138	23,138
Loans and advances	2.53%	–	57	115	–	172	172
<b>Total financial liabilities</b>		<b>7,729</b>	<b>15,466</b>	<b>115</b>	<b>–</b>	<b>23,310</b>	<b>23,310</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 28/05/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
<b>REVENUES</b>				
Rates and annual charges	115,006	116,903	1,897	2% <b>F</b>
User charges and fees	18,680	18,229	(451)	(2)% <b>U</b>
Other revenues	21,464	16,703	(4,761)	(22)% <b>U</b>
Budget included rental income, which was reclassified (\$4.2m) in order to comply with current year disclosure requirements in the Local Government Code of Accounting Practice and Financial Reporting.				
Operating grants and contributions	22,962	18,885	(4,077)	(18)% <b>U</b>
Budget based on previous Childcare funding model, which changed 1 July 2019. Operating Contributions decreased and User Charges and Fees increased by a corresponding amount.				
Capital grants and contributions	24,872	27,922	3,050	12% <b>F</b>
Actuals includes \$4.1m of funds received in the prior year which was recognised as income in the current year under AASB 15 and AASB 1058 because the performance obligations of the contracts were not satisfied until the current year.				
Interest and investment revenue	3,767	2,832	(935)	(25)% <b>U</b>
Reduction in RBA cash rate of 1.25% over the past 12 months, and lower yields from investments due to uncertainty in the market during the pandemic and expectations of further interest rate reductions resulted in an unfavourable variance.				
Net gains from disposal of assets	685	1,114	429	63% <b>F</b>
Variance due to profit from the sale of Wetherill Street subdivision, which was not included in the original budget.				
Fair value increment on investment property	–	5,034	5,034	∞ <b>F</b>
Rental income	–	4,232	4,232	∞ <b>F</b>
Joint ventures and associates – net profits	–	–	–	∞ <b>F</b>
<b>EXPENSES</b>				
Employee benefits and on-costs	78,250	74,936	3,314	4% <b>F</b>
Borrowing costs	511	35	476	93% <b>F</b>

Did not proceed with property development for which borrowings budgeted for.

Materials and contracts	34,696	30,120	4,576	13% <b>F</b>
Deferral of consultancy costs for the LEP projects (\$1.8m), savings in Repairs & Maintenance (\$1.3m) and a range of other				

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
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expense saving initiatives were the main contributing factors to the favourable variance.

<b>Depreciation and amortisation</b>	<b>31,731</b>	<b>35,379</b>	<b>(3,648)</b>	<b>(11)%</b>	<b>U</b>
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Timing of capitalisation of large capital work projects and the application of the new accounting standard AASB16-Leases (Right-of-use Depreciation) contributed to the unfavourable variance.

<b>Other expenses</b>	<b>34,338</b>	<b>31,592</b>	<b>2,746</b>	<b>8%</b>	<b>F</b>
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**STATEMENT OF CASH FLOWS**

<b>Cash flows from operating activities</b>	<b>50,385</b>	<b>68,884</b>	<b>18,499</b>	<b>37%</b>	<b>F</b>
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Expense savings from proactive cost control and prudent management, combined with higher capital grant income contributed to above budget cash flows.

<b>Cash flows from investing activities</b>	<b>(85,113)</b>	<b>(37,866)</b>	<b>47,247</b>	<b>(56)%</b>	<b>F</b>
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Lower than budgeted capital expenditure and movement in investments are the primary reasons for this favourable variance.

<b>Cash flows from financing activities</b>	<b>(262)</b>	<b>(775)</b>	<b>(513)</b>	<b>196%</b>	<b>U</b>
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Due to new leasing standard the principal lease payment contributed to this unfavourable variance.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 24. Fair Value Measurement

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

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

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

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

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

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

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

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

2020	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
	30/06/20	–	226	–	226
		–	226	–	226
<b>Investment property</b>					
	30/06/20	–	5,075	–	5,075
	30/06/20	–	5,630	–	5,630
	30/06/20	–	8,259	–	8,259
		–	18,964	–	18,964
<b>Infrastructure, property, plant and equipment</b>					
		–	–	19,347	19,347
		–	–	502	502
		–	–	86	86
	30/06/18	–	282,353	–	282,353
	30/06/16	–	–	416,969	416,969
	30/06/18	–	–	–	–
	30/06/18	–	–	231,318	231,318
	30/06/16	–	–	10,069	10,069
	30/06/20	–	–	415,557	415,557
	30/06/20	–	–	41,537	41,537
	30/06/20	–	–	94,794	94,794
	30/06/20	–	–	268,466	268,466
	30/06/20	–	–	142,587	142,587
		–	–	1,698	1,698
	30/06/16	–	–	40,066	40,066
	30/06/16	–	–	8,925	8,925
	30/06/20	–	–	34,789	34,789
		–	282,353	1,726,710	2,009,063

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 24. Fair Value Measurement (continued)

2019	Date of latest valuation	Fair value measurement hierarchy			Total	
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs		
<b>Recurring fair value measurements</b>						
<b>Financial assets</b>						
Investments						
	– 'Held for trading'	30/06/19	–	227	–	227
<b>Total financial assets</b>			–	227	–	227
<b>Investment property</b>						
	167 Meadows Road, Mount Pritchard NSW 2170	30/06/17	–	3,635	–	3,635
	9 Walker Place, Wetherill Park NSW 2164	30/06/17	–	4,252	–	4,252
	396 Victoria Street, Wetherill Park, NSW 2164	30/06/17	–	6,034	–	6,034
<b>Total investment property</b>			–	13,921	–	13,921
<b>Infrastructure, property, plant and equipment</b>						
	Plant and equipment		–	–	15,987	15,987
	Office equipment		–	–	550	550
	Furniture and fittings		–	–	109	109
	Operational land	30/06/18	–	285,686	–	285,686
	Community land	30/06/16	–	–	414,171	414,171
	Buildings Specialised	30/06/18	–	–	–	–
	Buildings Non Specialised	30/06/18	–	–	219,473	219,473
	Park infrastructure	30/06/16	–	–	11,236	11,236
	Roads	30/06/15	–	–	387,493	387,493
	Bridges	30/06/15	–	–	39,409	39,409
	Footpaths	30/06/15	–	–	100,472	100,472
	Stormwater drainage	30/06/15	–	–	207,288	207,288
	Kerb and gutter	30/06/15	–	–	151,352	151,352
	Library books		–	–	1,529	1,529
	Other assets Park Recreation & CCTV	30/06/16	–	–	31,304	31,304
	Land under Roads	30/06/16	–	–	8,408	8,408
	Bulk Earthworks	30/06/15	–	–	24,531	24,531
<b>Total infrastructure, property, plant and equipment</b>			–	285,686	1,613,312	1,898,998

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

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

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

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

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

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

#### Investment property

Council engages external, independent and qualified valuers to determine the fair value of its investment properties every three years. As at 30 June 2020 the valuation of the investment property portfolio was performed by Curtis Valuation AAPI CPV.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 24. Fair Value Measurement (continued)

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All investment property valuations are included in level 2 of the hierarchy. The value of investment property has determined using either the capitalisation of rental income method or with reference to value of similar properties within the area. The key unobservable input to the valuation is the rent or price per square metre.

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

##### Operational Land and Buildings

Council engages the external, independent and qualified valuers to determine the fair value of the Council's operational land and buildings. The last revaluation of the operational land and buildings were undertaken by Scott Fullarton FAPI CPP as at 30 June 2018.

Gross Value of each building, which is obtained by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology. The key unobservable input being the rate square metre has been benchmarked to construction costs of similar properties across the industry.

The fair value of operational land has been determined by referencing it to current prices in an active market for similar properties. Where such information is not available, current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences are considered. Appropriate adjustments are also made for the inherent features of the property such as fire-prone, flood zonings and usability of the land.

##### Community Land and Land under Roads

The fair value for community land in level 3 has been determined from the Valuer General's Valuation performed for rating purposes. Land under roads has been determined using a unit rate per square metre. Given the nature of Community land and Land under roads, comparable sales data is generally not available. As the Valuer General's valuation considers land in all zoning, average unit derived from Valuer's General's valuation is considered the most practicable approach to valuing Community Land and Land under roads.

The last revaluation of the community land based on Valuer General's valuation was performed at 30 June 2016.

##### Infrastructure Assets

Valuations for infrastructure assets in level 3, other than specialised buildings, are performed internally by the Council. The gross value of the infrastructure assets are determined by unit rate to total volume which is normally square internal engineering meters, cubic metres or lineal metres.

The unit rate, which is a key unobservable input, is determined using rates stipulated in contracts with third party suppliers.

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## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 24. Fair Value Measurement (continued)

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

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

\$ '000	IPP&E
<b>2019</b>	
<b>Opening balance</b>	1,589,985
Purchases (GBV)	62,012
Disposals (WDV)	(747)
Depreciation and impairment	(29,591)
Other movement	–
Correction for WIP	(8,347)
<b>Closing balance</b>	<b>1,613,312</b>
<b>2020</b>	
<b>Opening balance</b>	1,613,312
Purchases (GBV)	68,294
Disposals (WDV)	(4,897)
Depreciation and impairment	(35,225)
Other movement	85,226
Correction for WIP	–
<b>Closing balance</b>	<b>1,726,710</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 24. Fair Value Measurement (continued)

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

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

Class	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>		
Capital work in progress	Cost approach used to approximate fair value	Gross replacement cost
Plant and equipment	Cost approach used to approximate fair value	Gross replacement cost
Office equipment	Cost approach used to approximate fair value	Gross replacement cost
Furniture and fittings	Cost approach used to approximate fair value	Gross replacement cost
Operational land	Market based direct comparison	Land value, land area
Community land	NSW Valuer General land valuation	Land value, land area
Buildings Specialised	Cost approach used to approximate fair value	Gross replacement cost
Buildings Non Specialised	Market based direct comparison	Gross replacement cost
Park infrastructure	Unit rate per sqr meter or length	Asset condition, remaining lives, residual value
Roads	Unit rate per sqr meter or length	Asset condition, remaining lives, residual value
Bridges	Unit rate per sqr meter or length	Asset condition, remaining lives, residual value
Footpaths	Unit rate per sqr meter or length	Asset condition, remaining lives, residual value
Stormwater drainage	Unit rate per sqr meter or length	Asset condition, remaining lives, residual value
Kerb and gutter	Unit rate per sqr meter or length	Asset condition, remaining lives, residual value
Library books	Cost approach used to approximate fair value	Gross replacement cost
Other assets	Cost approach used to approximate fair value	Gross replacement cost
Land under Roads	NSW Valuer General land valuation	Land value, land area
Bulk Earthworks	Unit rate per sqr meter or length	Asset condition, remaining lives, residual value

**(5) Highest and best use**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 25. Related party disclosures

#### (a) Key management personnel

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

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

\$ '000	2020	2019
<b>Compensation:</b>		
Short-term benefits	3,298	2,781
<b>Total</b>	<b>3,298</b>	<b>2,781</b>

#### (b) Other transactions with KMP and their related parties

There are no transactions with close family members of Council's KMP during financial year 2019/20.

### Note 26. Events occurring after the reporting date

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 27. Statement of developer contributions

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

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

## Summary of contributions and levies

	as at 30/06/19		Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance		Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
Drainage	5,426		42	-	93	(6)	-	5,555	-
Roads	4		-	-	-	-	-	4	-
Traffic facilities	254		-	-	4	(2)	-	256	-
Parking	1,332		-	-	24	(74)	-	1,282	-
Open space	28,126		2,382	-	475	(5,404)	-	25,579	-
Community facilities	5,860		610	-	105	(650)	-	5,925	-
Concrete Path Paving	93		2	-	-	(22)	-	73	-
Administration	740		84	-	13	(103)	-	734	-
City Wide	350		39	-	7	-	-	396	-
<b>S7.11 contributions – under a plan</b>	<b>42,185</b>		<b>3,159</b>	-	<b>721</b>	<b>(6,261)</b>	-	<b>39,804</b>	-
<b>S7.12 levies – under a plan</b>	<b>10,030</b>		<b>2,028</b>	-	<b>172</b>	<b>(3,209)</b>	-	<b>9,021</b>	-
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>52,215</b>		<b>5,187</b>	-	<b>893</b>	<b>(9,470)</b>	-	<b>48,825</b>	-
S7.4 planning agreements	891		-	-	15	-	-	906	-
<b>Total contributions</b>	<b>53,106</b>		<b>5,187</b>	-	<b>908</b>	<b>(9,470)</b>	-	<b>49,731</b>	-

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

### Note 27. Statement of developer contributions (continued)

	as at 30/06/19		Contributions received during the year				Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance		Cash	Non-cash		Held as restricted asset				Cumulative internal borrowings due/(payable)	
<b>\$ '000</b>											
<b>S7.1.1 Contributions – under a plan</b>											
<b>CONTRIBUTION PLAN - 1999 Stormwater Drainage Facilities</b>											
– Creek	522		–	–	–	9	–	–	–	531	–
– Wetherill Park	4,904		42	–	–	84	(6)	–	–	5,024	–
<b>Total</b>	<b>5,426</b>		<b>42</b>	<b>–</b>	<b>–</b>	<b>93</b>	<b>(6)</b>	<b>–</b>	<b>–</b>	<b>5,555</b>	<b>–</b>
<b>CONTRIBUTION PLAN - 1999 Roads adjacent to Open Space</b>											
– Road Catchment Bonnyrigg	1		–	–	–	–	–	–	–	1	–
– Roads Catchment St John Park	2		–	–	–	–	–	–	–	2	–
– Roads Rural Roads Upgrade	1		–	–	–	–	–	–	–	1	–
<b>Total</b>	<b>4</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4</b>	<b>–</b>
<b>CONTRIBUTION PLAN – Rural Area Upgrading &amp; Traffic Management Facilities</b>											
– Traffic Facilities	254		–	–	–	4	(2)	–	–	256	–
<b>Total</b>	<b>254</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>4</b>	<b>(2)</b>	<b>–</b>	<b>–</b>	<b>256</b>	<b>–</b>
<b>CONTRIBUTION PLAN – 1999 Car Parking &amp; Associated Facilities</b>											
– Parking Cabramatta	73		–	–	–	2	–	–	–	75	–
– Parking Fairfield	962		–	–	–	17	(3)	–	–	976	–
– Parking Canley Heights	297		–	–	–	5	(71)	–	–	231	–
<b>Total</b>	<b>1,332</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>24</b>	<b>(74)</b>	<b>–</b>	<b>–</b>	<b>1,282</b>	<b>–</b>
<b>CONTRIBUTION PLAN – 1999 Land Acquisition for Open Space &amp; Drainage</b>											
– Land Acquisitions	6,751		–	–	–	105	(2,906)	–	–	3,950	–
<b>Total</b>	<b>6,751</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>105</b>	<b>(2,906)</b>	<b>–</b>	<b>–</b>	<b>3,950</b>	<b>–</b>

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

### Note 27. Statement of developer contributions (continued)

	as at 30/06/19		Contributions received during the year				as at 30/06/20	
	Opening Balance	Non-cash	Cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
<b>CONTRIBUTION PLAN – 1999 Community Facilities</b>								
– Fairfield	857	–	–	15	(650)	–	222	–
<b>Total</b>	<b>857</b>	<b>–</b>	<b>–</b>	<b>15</b>	<b>(650)</b>	<b>–</b>	<b>222</b>	<b>–</b>
<b>CONTRIBUTION PLAN – 1999 Recreation &amp; Open Space Embellishment</b>								
– Bonnyrigg	2	–	–	–	–	–	2	–
<b>Total</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>–</b>
<b>CONTRIBUTION PLAN – 1999 Concrete Path Paving</b>								
– Fairfield Heights	93	–	2	–	(22)	–	73	–
<b>Total</b>	<b>93</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>(22)</b>	<b>–</b>	<b>73</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER S94A</b>								
– Administration	13	–	3	–	(13)	–	3	–
<b>Total</b>	<b>13</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>(13)</b>	<b>–</b>	<b>3</b>	<b>–</b>
<b>CONTRIBUTION PLAN 2011 Community Facilities District</b>								
– Cabramatta	126	–	11	2	–	–	139	–
– Fairfield/Canley Heights	893	–	104	16	–	–	1,013	–
<b>Total</b>	<b>1,019</b>	<b>–</b>	<b>115</b>	<b>18</b>	<b>–</b>	<b>–</b>	<b>1,152</b>	<b>–</b>
<b>CONTRIBUTION PLAN 2011 Community Facilities Local</b>								
– Fairfield	658	–	92	12	–	–	762	–
– Fairfield Heights	823	–	114	15	–	–	952	–
– Villawood	574	–	37	10	–	–	621	–
– Canley Heights	458	–	95	9	–	–	562	–
– Cabramatta	609	–	97	11	–	–	717	–
– Prairiewood	862	–	60	15	–	–	937	–
<b>Total</b>	<b>3,984</b>	<b>–</b>	<b>495</b>	<b>72</b>	<b>–</b>	<b>–</b>	<b>4,551</b>	<b>–</b>

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

### Note 27. Statement of developer contributions (continued)

	as at 30/06/19		Contributions received during the year				Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance		Cash	Non-cash		Held as restricted asset				Cumulative internal borrowings due/(payable)	
<b>\$ '000</b>											
<b>CONTRIBUTION PLAN 2011 Land Acquisition</b>											
- Cabramatta	4,125		746	-		76	-	-		4,947	-
- Fairfield	5,740		785	-		103	-	-		6,628	-
- Western LGA	5,685		345	-		100	-	-		6,130	-
- Western LGA	2,313		152	-		40	-	-		2,505	-
<b>Total</b>	<b>17,863</b>		<b>2,028</b>			<b>319</b>				<b>20,210</b>	
<b>CONTRIBUTION PLAN 2011 Open Space Embellishment</b>											
- Cabramatta	636		113	-		12	-	-		761	-
- Fairfield	936		126	-		16	(39)	-		1,039	-
- Villawood	594		31	-		9	(1,293)	-		(659)	-
- Western LGA	1,344		84	-		14	(1,166)	-		276	-
<b>Total</b>	<b>3,510</b>		<b>354</b>			<b>51</b>	<b>(2,498)</b>			<b>1,417</b>	
<b>CONTRIBUTION PLAN 2011 Administration</b>											
- Administration	727		81	-		13	(90)	-		731	-
<b>Total</b>	<b>727</b>		<b>81</b>			<b>13</b>	<b>(90)</b>			<b>731</b>	
<b>CONTRIBUTION PLAN 2011 – City Wide</b>											
- City Wide	350		39	-		7	-	-		396	-
<b>Total</b>	<b>350</b>		<b>39</b>			<b>7</b>				<b>396</b>	

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

Note 27. Statement of developer contributions (continued)

	as at 30/06/19		Contributions received during the year			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Non-cash	Cash						Held as restricted asset	Cumulative internal borrowings due/(payable)
<b>\$ '000</b>										
<b>S7.12 Levies – under a plan</b>										
<b>CONTRIBUTION PLAN NUMBER 2011</b>										
– Section 94A Levy Contributions	10,030	–	2,028	–	172	(3,209)	–	9,021	–	–
<b>Total</b>	<b>10,030</b>	<b>–</b>	<b>2,028</b>	<b>–</b>	<b>172</b>	<b>(3,209)</b>	<b>–</b>	<b>9,021</b>	<b>–</b>	<b>–</b>
<b>S7.4 planning agreements</b>										
<b>Bonnyrigg Living Community Communities</b>										
– Bonnyrigg Living Community Cont	868	–	–	–	–	–	–	868	–	–
<b>Total</b>	<b>868</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>868</b>	<b>–</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
<b>\$ '000</b>			<b>Restated</b>		
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>5,723</b>	<b>3.22%</b>	8.99%	8.27%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>177,785</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>158,900</b>	<b>77.25%</b>	80.69%	82.61%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>205,707</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>44,751</b>	<b>1.91x</b>	2.04x	2.82x	>1.50x
Current liabilities less specific purpose liabilities	<b>23,435</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>41,137</b>	<b>50.79x</b>	175.24x	123.88x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>810</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>4,806</b>	<b>3.93%</b>	4.06%	3.37%	<5.00%
Rates, annual and extra charges collectible	<b>122,175</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>63,196</b>	<b>5.06</b>	2.70	3.15	>3.00
Monthly payments from cash flow of operating and financing activities	<b>12,493</b>	<b>mths</b>	mths	mths	mths

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

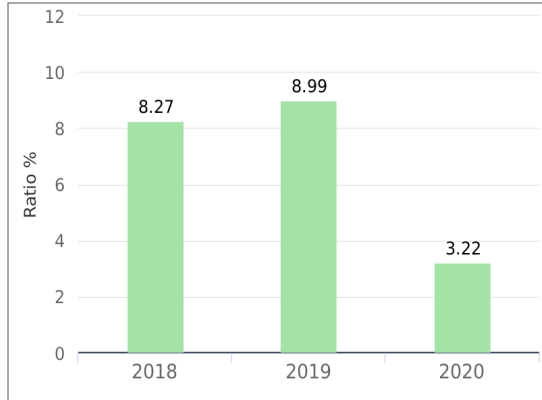
(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method



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

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2019/20 result

2019/20 ratio 3.22%

Operating performance ratio for the current year dropped from previous years due to Covid 19 and the economic down turn. However Council maintains operating performance well above the benchmark set by Local Government Code of Accounting Practice and Financials update No:28 which is 0.00.

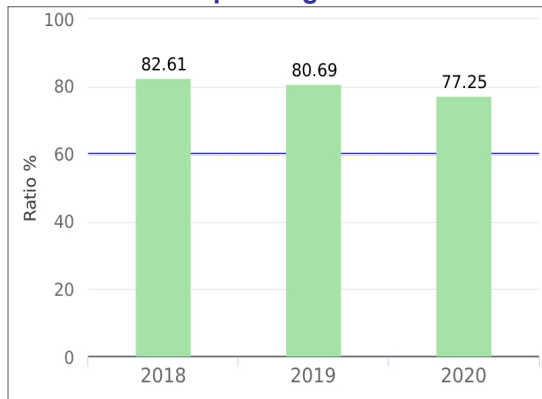
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2019/20 result

2019/20 ratio 77.25%

Council consistently maintains this ratio well above the benchmark set by Local Government Code of Accounting Practice and Financials update No:28 which is 60%. It proves that the Council has a great reliance on own source of funding for its operations. For the last 5 years this ratio is in the region of 80%.

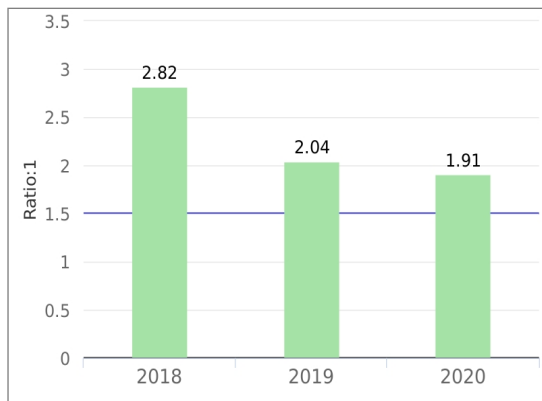
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio 1.91x

Council's unrestricted current ratio is 1.91 compared to the benchmark set by Local Government Code of Accounting Practice and Financials update No:28 which is 1.50. Council maintains this ratio above the benchmark and has sufficient liquid funds to meet its obligations.

Benchmark: — > 1.50x

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

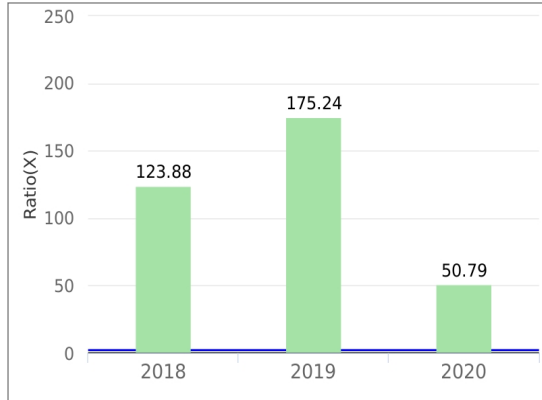
Ratio achieves benchmark

Ratio is outside benchmark

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

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 50.79x

Council's debt service cover ratio is in a very strong position and has been for the last few years. Council has very minimal debt and has sufficient funds to meet its obligations.

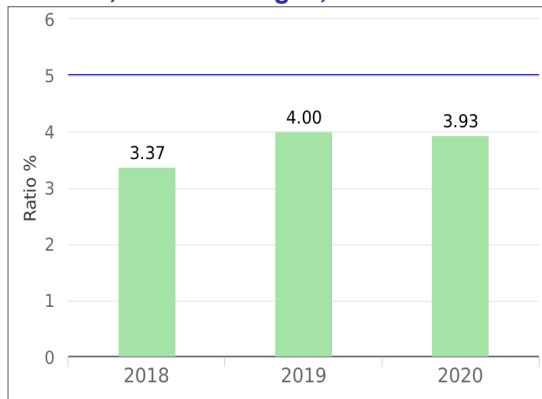
Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 3.93%

Outstanding rates, charges and fees are 3.9% which is within the benchmark set by Local Government Code of Accounting Practice and Financials update No:28 of 5%.

Council consistently maintains this ratio within the benchmark which shows that debt management processes are working well.

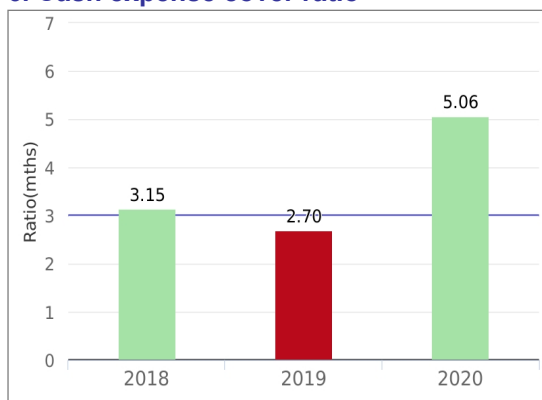
Benchmark: — < 5.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 5.06 mths

Council's cash expense cover ratio is 5 months compared to benchmark set by Local Government Code of Accounting Practice and Financials update No:28 of 3 months. This shows that council could meet its payment obligations without additional cashflow.

Whilst the prior year ratio was below the benchmark, Council did not have an issue because it held \$52.1m in FRN's that could be converted to cash at short notice.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

# Fairfield City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 29. Council information and contact details

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**Principal place of business:**

86 Avoca Road  
WAKELEY NSW 2176

**Contact details****Mailing Address:**

PO Box 21  
FAIRFIELD NSW 1860

**Telephone:** 02 9725 0222

**Facsimile:** 02 9725 4249

**Opening hours:**

8:30am - 4:30pm  
Monday to Friday

**Internet:** [www.fairfieldcity.nsw.gov.au](http://www.fairfieldcity.nsw.gov.au)

**Email:** [mail@fairfieldcity.nsw.gov.au](mailto:mail@fairfieldcity.nsw.gov.au)

**Officers****General Manager**

Alan Young

**Responsible Accounting Officer**

Lachlan Gunn

**Public Officer**

Brad Cutts

**Auditors**

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

**Elected members****MAYOR**

Frank Carbone

**COUNCILLORS**

Paul Adam Azzo  
Del Bennett  
Anita Kazi  
Charbel Saliba  
Peter Fowler Grippaudo  
Dai Le  
Kien Ly  
Adrian Wong  
Ninos Khoshaba  
Joe Molluso  
Andrew Rohan  
Sera Yilmaz

**Other information**

**ABN:** 83 140 439 239





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

To the Councillors of Fairfield City Council

## Opinion

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

In my opinion:

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

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

## Basis for Opinion

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

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

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

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

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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

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

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

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

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

S Bond .

Sally Bond  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 October 2020  
SYDNEY







Mr Frank Carbone  
 Mayor  
 Fairfield City Council  
 PO Box 21  
 FAIRFIELD NSW 1860

Contact: Sally Bond  
 Phone no: 02 9275 7172  
 Our ref: D2023987/1723

28 October 2020

Dear Mayor

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

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

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

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

**INCOME STATEMENT**

**Operating result**

	<b>2020</b>	<b>2019</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
Rates and annual charges revenue	116.9	113.8	↑ 2.7
Grants and contributions revenue	46.8	36.7	↑ 27.5
Operating result from continuing operations	39.8	33.8	↑ 17.8
Net operating result before capital grants and contributions	11.9	17.4	↓ 31.6

Rates and annual charges revenue increased by \$3.1 million (2.7 per cent) to \$116.9 million in 2019-20 due to the annual rate peg increase applied to ordinary rates (2.7 per cent) and a slight increase in the base rate for domestic waste charges.

Grants and contributions revenue increased by \$10.1 million (27.5 per cent) to \$46.8 million in 2019-20 mainly due to increase in capital grants received for Smithfield Road upgrade and Fairfield Showground redevelopment.

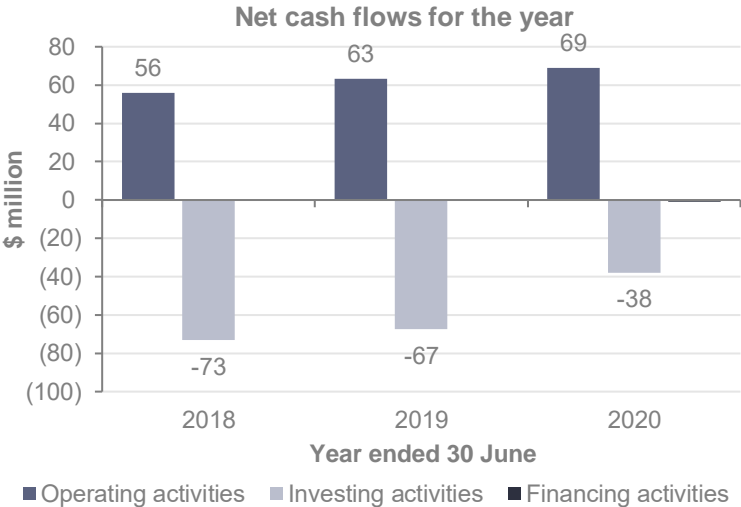
The Council's operating result from continuing operations of \$39.8 million (including depreciation and amortisation expense of \$39.8 million) was \$6.0 million higher than the 2018-19 result. This increase resulted from the net impact of the following:

- increases in rates and annual charges and grants revenue by a total of \$13.2 million as described above
- fair value increment on investment properties of \$5.0 million
- decrease in other revenue and investment income by \$6.0 million reflecting impacts of COVID-19 on fines, rental income, facilities use and RBA cash rate
- increase in depreciation and amortisation expenses by \$5.7 million due to newly completed capital works.

The net operating result before capital grants and contributions of \$11.9 million was \$5.5 million lower than the 2018-19 result.

## STATEMENT OF CASH FLOWS

Operating cash inflows are higher than last year mainly due to increase in grants and contributions received. Cash outflows from investing activities decreased due to substantially higher inflows from sale of investment securities compared to last year. The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of the Council during the year.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	108.6	108.1	• externally restricted balances include cash reserves earmarked for specific purposes such as developer contributions and domestic waste management.
Internal restrictions	14.0	23.6	
Unrestricted	18.2	8.1	
<b>Cash and investments</b>	<b>140.8</b>	<b>139.8</b>	<ul style="list-style-type: none"> <li>• balances are internally restricted due to Council policy or decisions for forward plans including works program. Decrease in internally restricted funds is due to decreases in special rate variance reserve, and funds for property development and car park assets.</li> <li>• unrestricted balances provide liquidity for day-to-day operations.</li> </ul>

### Debt

The Council has bank overdraft facilities of \$1.5 million which remain unused as at 30 June 2020.

## PERFORMANCE

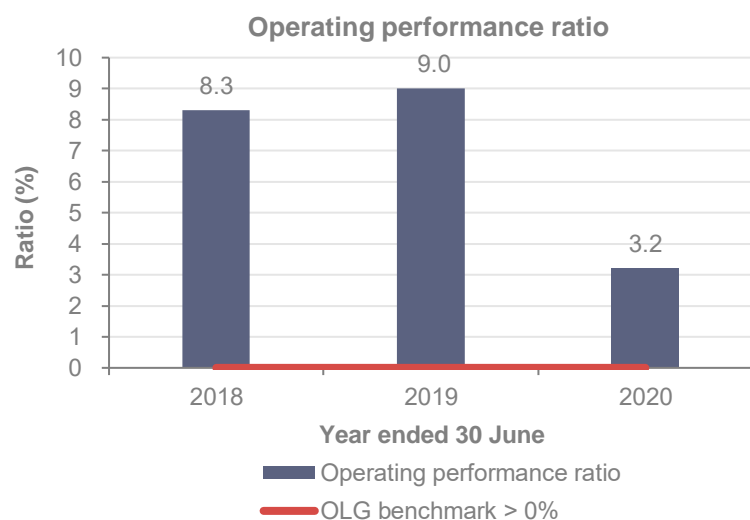
### Performance measures

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

#### Operating performance ratio

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

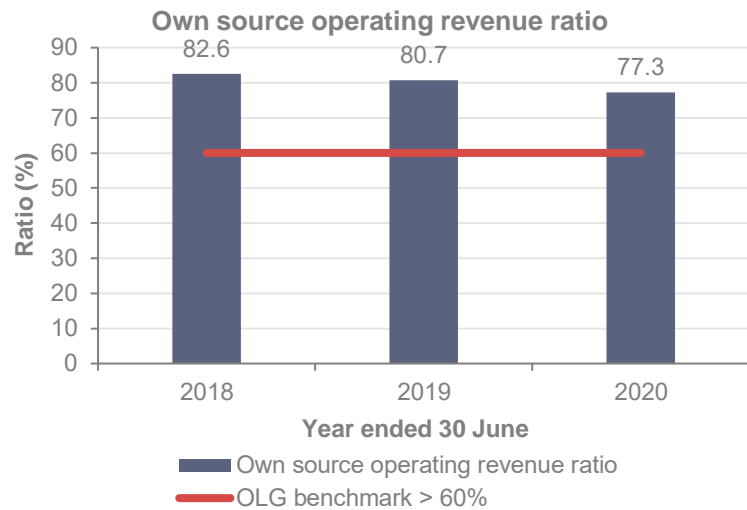
Whilst operating performance decreased from the previous year due to the impact of COVID-19 on operations, the Council met the OLG benchmark for the current reporting period.



### Own source operating revenue ratio

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

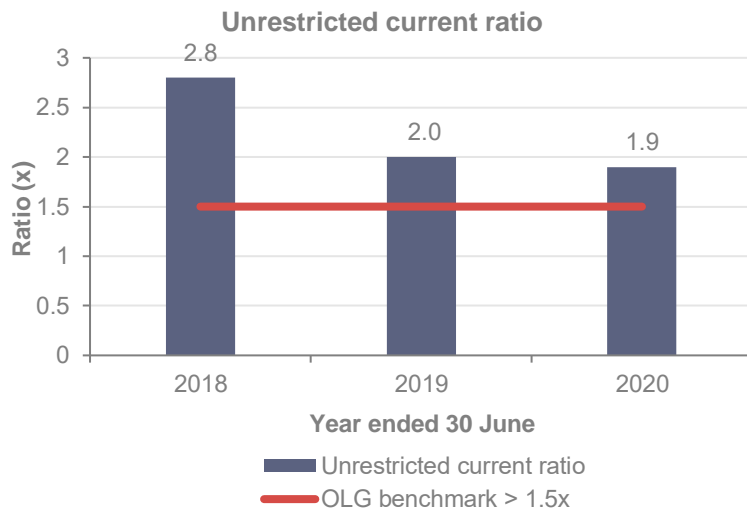
The Council's own source operating revenue ratio has remained steady over the past three years, and continues to exceed the OLG benchmark.



### Unrestricted current ratio

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

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

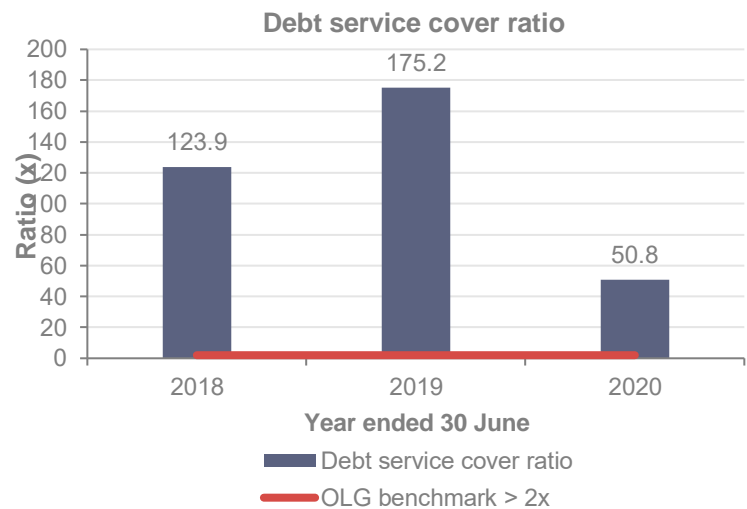


### Debt service cover ratio

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

The decrease in the 2020 ratio was due to first-time recognition of interest expense and lease liabilities under the new accounting standard AASB 16 'Leases'.

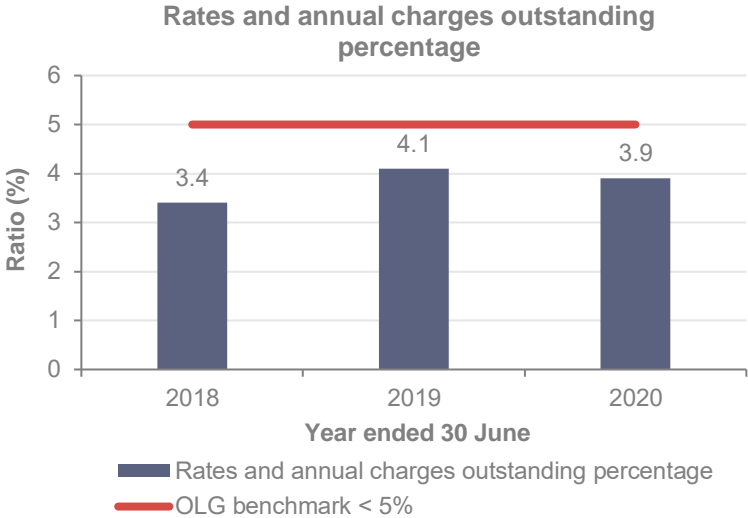
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



**Rates and annual charges outstanding percentage**

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

The Council's rates and annual charges outstanding ratio has remained below the benchmark level of 'less than 5 per cent' over the last three years.

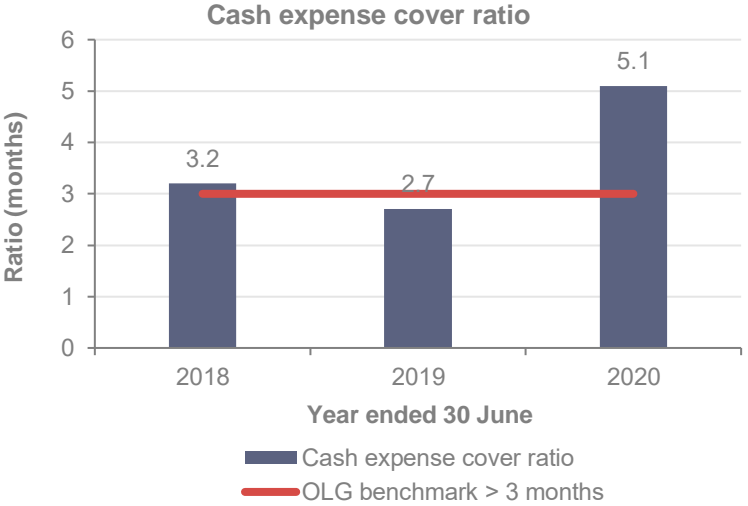


**Cash expense cover ratio**

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

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

Whilst the prior year ratio was below the benchmark, Council did not have a liquidity issue because it held \$52.1m in floating rate notes that could be converted to cash at short notice.



**Infrastructure, property, plant and equipment renewals**

- the Council's asset renewal additions for the year were \$29.5 million compared to \$31.4 million in the previous year
- renewals mostly consisted of road, kerb and gutter and building upgrades
- the unaudited infrastructure renewals ratio was 119.8 per cent compared to 147.1 per cent in the prior year (benchmark set by OLG is 100).

## **OTHER MATTERS**

### **Impact of new accounting standards**

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

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

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

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

The Council recognised a \$4.5 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

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

#### **AASB 16 'Leases'**

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

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

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

The Council recognised right-of-use assets and lease liabilities of \$0.8 million at 1 July 2019 on adoption of AASB 16.

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

## Legislative compliance

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

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

S Bond .

Sally Bond  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Alan Young, City Manager  
Alan Travers, Chair of Audit, Risk and Improvement Committee  
Jim Betts, Secretary of the Department of Planning, Industry and Environment





# Fairfield City Council

SPECIAL SCHEDULES  
for the year ended 30 June 2020

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*"...a thriving, safe and friendly place with people who support and respect each other. A community where people can be proud to live, invest and prosper."*





Special Schedules

for the year ended 30 June 2020

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Contents	Page
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Report on Infrastructure Assets - Values as at 30 June 2020	8
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## Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	84,985	82,550
Plus or minus adjustments <sup>2</sup>	b	313	201
<b>Notional general income</b>	c = a + b	<b>85,298</b>	<b>82,751</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	2,218	2,234
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>87,516</b>	<b>84,985</b>
<b>Total permissible income</b>	o = k + n	<b>87,516</b>	<b>84,985</b>
Less notional general income yield	p	87,516	84,985
<b>Catch-up or (excess) result</b>	q = o - p	-	-
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	-	-

**Notes**

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

To the Councillors of Fairfield City Council

### **Opinion**

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Fairfield City Council (the Council) for the year ending 30 June 2021.

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Schedule**

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

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

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

My objectives are to:

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

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

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

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

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

S Bond .

Sally Bond  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 October 2020  
SYDNEY





Report on Infrastructure Assets  
as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring assets agreed level of to satisfactory service set by Council maintenance <sup>a</sup>			2019/20 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost						
		Estimated cost to bring assets to satisfactory standard \$ '000	2019/20 Required maintenance \$ '000	2019/20 Actual maintenance \$ '000				1	2	3	4	5		
<b>Buildings</b>	Buildings	6,793	12,130	13,060	231,558	360,216	21.0%	32.0%	43.0%	2.0%	2.0%	0.0%	0.0%	0.0%
	Other	—	—	—	(1)	—	21.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>6,793</b>	<b>12,130</b>	<b>13,060</b>	<b>231,557</b>	<b>360,216</b>	<b>21.0%</b>	<b>32.0%</b>	<b>43.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Other structures</b>	Park & Recreation	919	4,331	4,234	49,271	73,050	66.0%	17.0%	15.0%	2.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>919</b>	<b>4,331</b>	<b>4,234</b>	<b>49,271</b>	<b>73,050</b>	<b>66.0%</b>	<b>17.0%</b>	<b>15.0%</b>	<b>2.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads	8,151	15,651	16,923	416,601	558,978	31.0%	48.0%	19.0%	2.0%	0.0%	0.0%	0.0%	0.0%
	Bridges	172	300	530	41,548	49,553	49.0%	45.0%	5.0%	0.0%	1.0%	0.0%	0.0%	0.0%
	Footpaths	2,823	3,169	2,595	94,783	132,069	19.0%	46.0%	32.0%	3.0%	0.0%	0.0%	0.0%	0.0%
	Other	—	—	—	1	—	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Kerb and gutter	4,405	3,728	4,554	142,583	210,766	32.0%	40.0%	23.0%	3.0%	2.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>15,551</b>	<b>22,848</b>	<b>24,602</b>	<b>695,516</b>	<b>951,366</b>	<b>30.5%</b>	<b>45.8%</b>	<b>21.0%</b>	<b>2.3%</b>	<b>0.5%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Stormwater drainage</b>	Stormwater drainage	430	1,358	2,636	268,456	357,914	20.0%	62.0%	18.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>430</b>	<b>1,358</b>	<b>2,636</b>	<b>268,456</b>	<b>357,914</b>	<b>20.0%</b>	<b>62.0%</b>	<b>18.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
	<b>TOTAL - ALL ASSETS</b>	<b>23,693</b>	<b>40,667</b>	<b>44,532</b>	<b>1,244,800</b>	<b>1,742,546</b>	<b>27.9%</b>	<b>45.1%</b>	<b>24.7%</b>	<b>1.7%</b>	<b>0.7%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>

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

Infrastructure asset condition assessment 'key'

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

## Report on Infrastructure Assets (continued)

as at 30 June 2020

	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
<b>\$ '000</b>			<b>Restated</b>		
<b>Infrastructure asset performance indicators (consolidated) *</b>					
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>					
Asset renewals <sup>2</sup>	<b>30,144</b>	<b>119.75%</b>	147.10%	121.02%	>=100.00%
Depreciation, amortisation and impairment	<b>25,173</b>				
<b>Infrastructure backlog ratio <sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<b>23,693</b>	<b>1.90%</b>	1.84%	1.93%	<2.00%
Net carrying amount of infrastructure assets	<b>1,244,800</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>44,532</b>	<b>109.50%</b>	120.36%	122.41%	>100.00%
Required asset maintenance	<b>40,667</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>23,693</b>	<b>1.36%</b>	1.39%	1.42%	
Gross replacement cost	<b>1,742,546</b>				

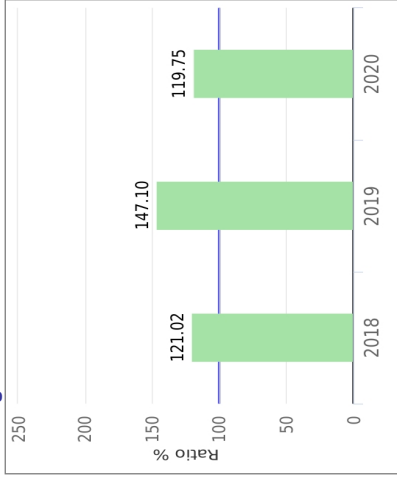
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)  
as at 30 June 2020

**Buildings and infrastructure renewals ratio**



**Buildings and infrastructure renewals ratio**

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

**Commentary on result**  
19/20 ratio 119.75%

Council's infrastructure renewals ratio is 120% which is higher than the benchmark set by Local Government Code of Accounting Practice and Financials update No:28 of 100%. This means the council is funding sufficiently to renew its assets and keep them at satisfactory service level to the community.

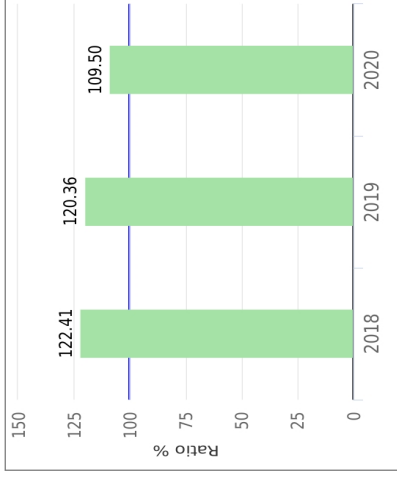
Benchmark: — >= 100.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

**Asset maintenance ratio**



**Asset maintenance ratio**

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

**Commentary on result**  
19/20 ratio 109.50%

Council's asset maintenance ratio is 109.5% which is higher than benchmark set by Local Government Code of Accounting Practice and Financials update No:28 of 100.0%. This means council is funding adequately in asset maintenance to minimize the infrastructure maintenance backlog.

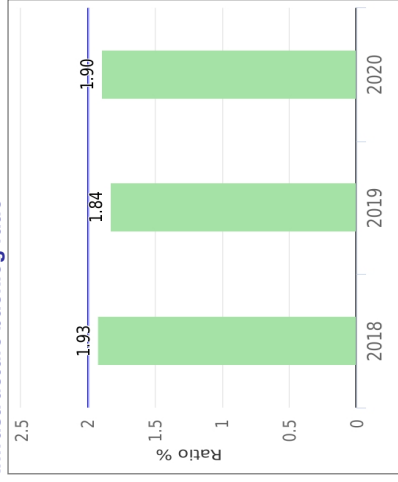
Benchmark: — > 100.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

**Infrastructure backlog ratio**



**Infrastructure backlog ratio**

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

**Commentary on result**  
19/20 ratio 1.90%

Council's infrastructure backlog ratio is 1.9% which is lower than benchmark set by Local Government Code of Accounting Practice and Financials update No:28 of 2.0%. This means the council has no major backlog of renewals on infrastructure assets and indicates that assets are renewed progressively.

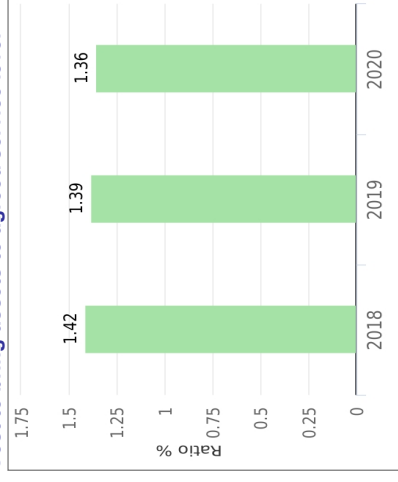
Benchmark: — < 2.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

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



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

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

**Commentary on result**  
19/20 ratio 1.36%

Council agreed service level ratio for the last few years in the region of 1.3. This means council is adequately funded to maintain the assets to provide agreed service level to the community.