



CUMBERLAND
COUNCIL



Cumberland Council

General Purpose Financial Statements

1 July 2017 – 30 June 2018

Cumberland Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

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

16 Memorial Ave
Merrylands NSW 2160

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.cumberland.nsw.gov.au.

Cumberland Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales 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 2018.

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 annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

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

Who uses the financial statements?

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

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

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

Cumberland Council

General Purpose Financial Statements for the year ended 30 June 2018

Statement by Councillors and Management made pursuant to Section 413(2c) 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.

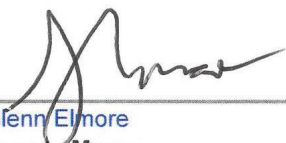
To the best of our knowledge and belief, these financial statements:

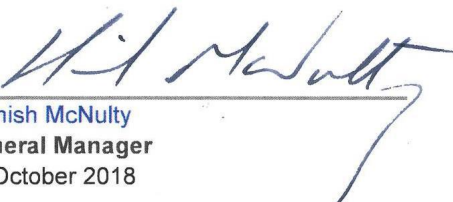
- present fairly the Council's operating result and financial position for the year,
- accord with Council's accounting and other records.

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 17 October 2018.


Greg Cummings
Mayor
17 October 2018


Glenn Elmore
Deputy Mayor
17 October 2018


Hamish McNulty
General Manager
17 October 2018


Richard Sheridan
Responsible Accounting Officer
17 October 2018

Cumberland Council

Income Statement

for the year ended 30 June 2018

Unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 13/5/16 to 30/6/17
Income from continuing operations				
Revenue:				
114,349	Rates and annual charges	3a	113,804	118,375
24,722	User charges and fees	3b	23,384	25,205
4,521	Interest and investment revenue	3c	4,642	6,000
9,825	Other revenues	3d	9,441	9,533
25,157	Grants and contributions provided for operating purpose	3e,f	24,734	40,337
29,056	Grants and contributions provided for capital purposes	3e,f	29,167	42,019
Other income:				
–	Net gains from the disposal of assets	5	–	1,346
–	Net share of interests in joint ventures and associates using the equity method	15	874	706
207,630	Total income from continuing operations		206,046	243,521
Expenses from continuing operations				
78,750	Employee benefits and on-costs	4a	77,048	82,432
615	Borrowing costs	4b	649	823
54,592	Materials and contracts	4c	56,474	68,185
30,223	Depreciation and amortisation	4d	29,800	33,324
21,779	Other expenses	4e	21,178	20,467
–	Net losses from the disposal of assets	5	141	–
–	Revaluation decrement / impairment of IPP&E	4d	–	331
185,959	Total expenses from continuing operations		185,290	205,562
21,671	Operating result from continuing operations		20,756	37,959
21,671	Net operating result for the year		20,756	37,959
Gain on local government amalgamation				
–	Assets and liabilities transferred from former councils		–	2,249,979
21,671	Net result for the year		20,756	2,287,938
(7,385)	Net operating result for the year before grants and contributions provided for capital purposes		(8,411)	(4,060)

Cumberland Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	13/5/16 to 30/6/17
Net result for the year (from Income Statement)		20,756	2,287,938
Other comprehensive income:			
Gain (loss) on revaluation of IPP&E	9a	128,390	–
Total other comprehensive income for the year		128,390	–
Total comprehensive income for the year		149,146	2,287,938
Total comprehensive income attributable to Council		149,146	2,287,938

Cumberland Council

Statement of Financial Position

as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	6,804	15,704
Investments	6b	71,004	67,502
Receivables	7	10,811	26,153
Inventories	8	163	189
Other	8	1,975	760
Total current assets		90,757	110,308
Non-current assets			
Investments	6b	64,206	52,112
Infrastructure, property, plant and equipment	9	2,337,333	2,190,402
Intangible assets	10	2,679	940
Investments accounted for using the equity method	15	4,977	4,103
Total non-current assets		2,409,195	2,247,557
TOTAL ASSETS		2,499,952	2,357,865
LIABILITIES			
Current liabilities			
Payables	11	31,145	37,774
Borrowings	11	1,257	1,245
Provisions	12	18,889	17,028
Total current liabilities		51,291	56,047
Non-current liabilities			
Borrowings	11	8,358	9,615
Provisions	12	876	1,922
Total non-current liabilities		9,234	11,537
TOTAL LIABILITIES		60,525	67,584
Net assets		2,439,427	2,290,281
EQUITY			
Accumulated surplus	13	2,311,037	2,290,281
Revaluation reserves	13	128,390	–
Council interest		2,439,427	2,290,281
Total equity		2,439,427	2,290,281

Cumberland Council

Statement of Cash Flows
for the year ended 30 June 2018

Unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 13/5/16 to 30/6/17
Cash flows from operating activities				
Receipts:				
121,347	Rates and annual charges		113,323	130,928
24,037	User charges and fees		23,838	23,845
3,833	Investment and interest revenue received		5,260	5,756
51,714	Grants and contributions		55,645	80,941
	Bonds, deposits and retention amounts received		1,840	2,374
11,201	Other		35,120	8,728
Payments:				
(76,902)	Employee benefits and on-costs		(76,437)	(84,961)
(55,266)	Materials and contracts		(66,542)	(63,959)
(615)	Borrowing costs		(649)	(823)
(22,920)	Other		(33,333)	(20,249)
<u>56,429</u>	Net cash provided (or used in) operating activities	14b	<u>58,065</u>	<u>82,580</u>
Cash flows from investing activities				
Receipts:				
942	Sale of infrastructure, property, plant and equipment		3,724	2,844
Payments:				
(3,459)	Purchase of investment securities		(15,499)	(381)
(65,665)	Purchase of infrastructure, property, plant and equipment		(53,945)	(78,342)
<u>(68,182)</u>	Net cash provided (or used in) investing activities		<u>(65,720)</u>	<u>(75,880)</u>
Cash flows from financing activities				
Payments:				
(1,245)	Borrowings and advances		(1,245)	(1,701)
<u>(1,245)</u>	Net cash flow provided (used in) financing activities		<u>(1,245)</u>	<u>(1,701)</u>
(12,998)	Net increase/(decrease) in cash and cash equivalents		(8,900)	4,999
18,080	Plus: cash and equivalents – beginning of reporting period	14a	15,704	–
–	Plus: cash transferred on amalgamation of councils		–	10,705
<u>5,082</u>	Cash and cash equivalents – end of the reporting period	14a	<u>6,804</u>	<u>15,704</u>
Additional Information:				
	plus: Investments on hand – end of year	6b	135,210	119,614
	Total cash, cash equivalents and investments		<u>142,014</u>	<u>135,318</u>

Cumberland Council

Statement of Changes in Equity

\$ '000	Notes	2018 Accumulated surplus	IPP&E revaluation reserve	Total equity	13/5/16 to 30/6/17 Accumulated surplus	IPP&E revaluation reserve	Restated Total equity
Opening balance		2,290,281	–	2,290,281	–	–	–
Correction of prior period errors	13 (b)	–	–	–	2,343	–	2,343
Restated opening balance		2,290,281	–	2,290,281	2,343	–	2,343
Net operating result for the year prior to correction of errors and changes in accounting policies		20,756	–	20,756	2,287,938	–	2,287,938
Other comprehensive income		–	128,390	128,390	–	–	–
– Gain (loss) on revaluation of IPP&E	9a	–	128,390	128,390	–	–	–
Other comprehensive income		–	128,390	128,390	–	–	–
Total comprehensive income		20,756	128,390	149,146	2,287,938	–	2,287,938
Closing balance		2,311,037	128,390	2,439,427	2,290,281	–	2,290,281

Cumberland Council

Notes to the Financial Statements

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n/a – not applicable

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Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 18/10/2018.

Council has the power to amend and reissue these 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.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

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

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

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

and are clearly marked.

(a) New and amended standards adopted by Council

AASB 124 Related Party Disclosures was adopted for the first time in the financial statements.

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

Note 21 has now been included in these financial statements for related parties and incorporates all required related party disclosures.

(b) Historical cost convention

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

The reporting period of 13/5/16 to 30/6/17 reflects only 12 months of rates income and not the additional income between 13/5/16 to 30/6/16, per the OLG and AASB1004. Domestic waste charge income was pro rata'd to reflect the whole period, 13/5/16 to 30/6/17 per the OLG and AASB 118.

When comparing figures in these statements, as above, it is important to note the effect the additional period (13/5/2016-30/06/2016) has on the data in these statements.

(c) Significant accounting estimates and judgements

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

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (ii) employee benefit provisions – refer Note 12.

Significant judgements in applying the Council's accounting policies

- (iii) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations

(b) The Trust Fund

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

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 which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

As at the date of authorisation of these financial statements, Council does not consider that any of those standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

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

Effective for annual reporting periods beginning on or after 1 July 2018

- *AASB 9 Financial Instruments*

This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

Effective for annual reporting periods beginning on or after 1 July 2019

- *AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

Effective for annual reporting periods beginning on or after 1 July 2019

- *AASB 16 Leases*

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

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

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

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

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect on Council's future financial statements, financial position, financial performance or cash flows are set out below:

AASB 9 Financial Instruments (2018-19)

The available –for sale investment held will be classified at fair value the other comprehensive income. There was no impairment loss on the current financial statements. In the future the model of determining impairment losses to receivables will be amended. The impact of the new model has not yet being qualified. Other impacts on the reported financial position and performance have not been determined.

AASB 15 Revenue from Contracts with Customers 2019-20)

The changes in revenue recognition requirement in AASB may cause changes to the timing and amount of revenue recovered in the financial statements as well as additional disclosures. The impact has not yet being assessed by the council.

AASB 16 Leases (2019-20)

While the impact of AASB 16 has not yet fully determined, council currently has \$2.055 Million of operating leases which are likely to be brought to accounts. This will result in a non-current right of use asset and recognition of a lase liability which will be separated into current and non-current component. The rental expense will decrease and the depreciation will increase.

AASB 1058 Income of Not-for-Profit Entities (2019-20)

The changes in revenue recognition requirement in AASB15 may cause changes to the timing and amount of the revenue recorded in the financial statement as well as additional disclosure. All revenue streams including grant agreement are currently being reviewed to determine the impact of AASB 1058

Prepaid rates received prior to the beginning of a rating period will now be recognised as a financial liability until the commencement of the rating period

Apart from those listed above, there are no other released standards (with future effective dates) that are expected to have a material impact on Council.

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/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		Total assets held (current and non-current)	
	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	2017
Governance	12,105	18,225	16,028	5,045	(3,923)	13,180	1,129	11,021	208,559	101,269
Administration	7,838	9,871	35,883	51,307	(28,045)	(41,436)	8,480	13,884	166,535	170,156
Public Order and Safety	3,839	3,627	3,520	5,302	319	(1,675)	133	214	–	–
Health	1,304	705	3,523	1,363	(2,219)	(658)	809	96	179	–
Environment	26,780	39,931	43,570	40,951	(16,790)	(1,020)	1,066	1,093	482,990	425,179
Community services and education	16,184	18,041	22,934	22,457	(6,750)	(4,416)	4,804	8,714	162	–
Housing and community amenities	1,059	30,448	12,757	15,334	(11,698)	15,114	366	53	426,875	365,529
Recreation and Culture	9,329	7,875	18,546	34,335	(9,217)	(26,460)	638	949	422,363	502,639
Mining . Manufacturing and construction	33,583	1,718	9,387	16,687	24,196	(14,969)	134	809	–	–
Transport and Communication	7,303	9,972	19,083	11,028	(11,780)	(1,056)	2,472	3,365	787,149	788,801
Economic affairs	648	2,098	59	1,753	589	345	6	39	163	189
General Purpose Revenues	85,200	100,304	–	–	85,200	100,304	–	–	–	–
Share of Joint venture	874	706	–	–	874	706	–	–	4,977	4,103
Other	–	–	–	–	–	–	–	14,229	–	–
Total functions and activities	206,046	243,521	185,290	205,562	20,756	37,959	20,037	54,466	2,499,952	2,357,865

Cumberland Council

Notes to the Financial Statements for the year ended 30 June 2018

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

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

Governance

Includes costs relating to Council role as a component of a democratic government, including elections, councillors fees, expenses, subscription to local association, meeting of council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance

Administration

Public Order and Safety

includes council's fire and emergency services levy fire protection, emergency services, beach control, enforcement of regulations and animal control

Health

includes immunisation, food control, health centres etc.

Environment

includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

Community services and education

includes administration and education; social protection(welfare); migrant, aboriginal and other community services(excluding accommodation-as it is covered under 'housing and community amenities) youth services; aged and disability persons services; children services; including family day care; and other family and child

Housing and community amenities

Recreation and Culture

includes public libraries; museums; art galleries; community centres; halls; including public halls and performing arts venues; sporting ground and venues; swimming pools; parks; gardens; lakes and other sporting, recreational and cultural services.

Transport and Communication

includes sealed and unsealed roads, bridges, footpaths and parking areas.

Economic affairs

includes camping areas and caravan parks, tourism and area promotion; industrial development promotion; markets; and other business undertakings.

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	13/5/16 to 30/6/17
(a) Rates and annual charge *		
Ordinary rates		
Residential	59,712	56,268
Business	28,525	27,794
Total ordinary rates	88,237	84,062
Special rates		
Stormwater management services (s496(a))	1,705	1,708
Total special rates	1,705	1,708
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	31,348	32,605
Less: One Off Waste Reserve Refund	(7,486)	–
Total annual charges	23,862	32,605
TOTAL RATES AND ANNUAL CHARGES	113,804	118,375

Council has used 2017 year valuations provided by the NSW Valuer General in calculating its rates.

* The prior period 13/5/16 to 30/6/17 reflects only 12 months of rates income and not the additional period between 13/5/16 to 30/6/16, per the OLG and AASB1004. Domestic waste charge income was pro rata'd to reflect the whole period, 13/5/16 to 30/6/17 per the OLG and AASB 118

Accounting policy for rates and annual charges

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. 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.

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.

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(b) User charges and fees		
(i) Specific user charges (per s.502 – specific 'actual use' charges)		
Waste management services (non-domestic)	547	632
Total specific user charges	547	632
Other user charges and fees		
(ii) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation	524	657
Inspection services	579	554
Registration fees	147	130
Section 149 certificates (EPA Act)	514	517
Section 603 certificates	241	312
Town planning	3,362	3,738
Total fees and charges – statutory/regulatory	5,367	5,908
(iii) Fees and charges – other (incl. general user charges (per s.608))		
Aged care	398	373
Child care	7,308	7,296
Community centres	891	1,317
Lease rentals	370	302
Restoration charges	2,597	2,449
Swimming centres	1,978	2,277
Administration	42	97
Community festivals	92	10
Function centres	954	714
Housing and community amenities	113	286
Libraries	73	83
Recreation and parks	1,372	1,673
Transport and communication	1,074	1,530
Other	208	258
Total fees and charges – other	17,470	18,665
TOTAL USER CHARGES AND FEES	23,384	25,205

Accounting policy for user charges and fees

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

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	282	325
– Cash and investments	4,263	5,551
Fair value adjustments		
– Fair valuation movements in investments (at fair value or held for trading)	97	124
TOTAL INTEREST AND INVESTMENT REVENUE	4,642	6,000

Accounting policy for interest and investment revenue

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

(d) Other revenues

Rental income – other council properties	2,283	1,920
Fines – parking	4,129	4,202
Fines – other	535	514
Legal fees recovery – rates and charges (extra charges)	209	308
Legal fees recovery – other	250	–
Commissions and agency fees	3	4
Diesel rebate	90	60
Insurance claim recoveries	351	360
Vehicle lease recovery	853	790
Lifelong learning	16	126
Community services and education	19	23
Other	703	1,226
TOTAL OTHER REVENUE	9,441	9,533

Accounting policy for other revenue

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

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

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

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

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	13/5/16 to 30/6/17 Operating	2018 Capital	13/5/16 to 30/6/17 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	6,988	13,071	–	–
Pensioners' rates subsidies – general component	933	1,158	–	–
Total general purpose	7,921	14,229	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	486	474	–	–
Aged care	1,295	1,740	–	–
Community care	461	691	–	–
Environmental protection	26	–	–	–
Heritage and cultural	70	–	–	–
Library	620	642	20	–
Library – special projects	–	–	–	193
LIRS subsidy	32	36	–	–
Recreation and culture	–	205	219	242
Street lighting	645	–	–	–
Traffic route subsidy	22	288	–	–
Transport (roads to recovery)	1,416	753	–	1,489
Transport (other roads and bridges funding)	1,137	1,119	30	343
Immunisation	–	31	–	–
Child care/family day care	5,584	6,187	–	–
Health services	2	4	–	–
Amalgamation transition implementation fund	–	10,000	–	–
Stronger community capital grant	–	1,000	–	14,000
Other	51	800	–	–
Total specific purpose	11,847	23,970	269	16,267
Total grants	19,768	38,199	269	16,267
Grant revenue is attributable to:				
– Commonwealth funding	16,132	21,906	–	14,568
– State funding	2,459	16,293	–	1,699
– Other funding	1,177	–	269	–
	19,768	38,199	269	16,267

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	13/5/16 to 30/6/17 Operating	2018 Capital	13/5/16 to 30/6/17 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	21,081	19,009
Other developer contributions (SEPP S 59 Agreements)		–	–	–	140
S 94 – LGA administration		–	–	3,203	5,324
S 94a – employment generation development		–	–	4,151	991
Total developer contributions – cash		–	–	28,435	25,464
Total developer contributions	22	–	–	28,435	25,464
Other contributions:					
Cash contributions					
Community services		–	56	–	–
Dedications – subdivisions (other than by s7.11)		–	–	–	227
Recreation and culture		3,333	30	–	–
Roads and bridges		10	–	–	61
RMS contributions (regional roads, block grant)		53	585	463	–
Community enhancement fund		627	918	–	–
Volunteers		79	3	–	–
Fuel tax rebate		–	48	–	–
Sponsorship		–	2	–	–
Waste performance program		223	–	–	–
Other		641	496	–	–
Total other contributions – cash		4,966	2,138	463	288
Total other contributions		4,966	2,138	463	288
Total contributions		4,966	2,138	28,898	25,752
TOTAL GRANTS AND CONTRIBUTIONS		24,734	40,337	29,167	42,019

Accounting policy for contributions

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

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 above.

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.

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Operating grants recognised in the current period that have not been spent.	1,142	3,429
Add: operating grants received for the provision of goods and services in a future period	558	14,253
Less: operating grants recognised in previous reporting periods that have been spent	(975)	(16,540)
Unexpended and held as restricted assets (operating grants)	<u>725</u>	<u>1,142</u>
Capital grants		
Capital grants recognised in the current period that have not been spent.	17,225	1,214
Add: capital grants received for the provision of goods and services in a future period	114	16,671
Less: capital grants recognised in a previous reporting period now spent	(3,584)	(660)
Unexpended and held as restricted assets (capital grants)	<u>13,755</u>	<u>17,225</u>
Contributions		
Contributions recognised in the current period that have not been spent.	38,365	33,326
Add: contributions received for the provision of goods and services in a future period	30,352	26,597
Less: contributions recognised in a previous reporting period now spent	(11,326)	(21,558)
Unexpended and held as restricted assets (contributions)	<u>57,391</u>	<u>38,365</u>

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	13/5/16 to 30/6/17
(a) Employee benefits and on-costs		
Salaries and wages	59,404	62,893
Employee termination costs	1,934	2,721
Travel expenses	62	97
Employee leave entitlements (ELE)	8,981	8,668
Superannuation – defined contribution plans	5,345	5,091
Superannuation – defined benefit plans	1,344	1,863
Workers' compensation insurance	2,132	1,971
Fringe benefit tax (FBT)	425	561
Training costs (other than salaries and wages)	741	978
Protective clothing	293	60
Total employee costs	80,661	84,903
Less: capitalised costs	(3,613)	(2,471)
TOTAL EMPLOYEE COSTS EXPENSED	77,048	82,432

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

(b) Borrowing costs	2018	13/5/16 to 30/6/17
(i) Interest bearing liability costs		
Interest on loans	649	823
Total interest bearing liability costs expensed	649	823
TOTAL BORROWING COSTS EXPENSED	649	823

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.

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(c) Materials and contracts		
Raw materials and consumables	13,479	13,465
Contractor and consultancy costs	8,690	16,919
– waste disposal tipping fees	17,763	19,759
– facility and infrastructure management	7,090	9,503
– agency staff	4,499	4,437
– other	1,945	1,401
Auditors remuneration ⁽²⁾	175	161
Infringement notice contract costs (SEINS)	440	155
Legal expenses:		
– Legal expenses: planning and development	782	1,002
– Legal expenses: debt recovery	230	280
– Legal expenses: other	963	928
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	264	175
Other	154	–
TOTAL MATERIALS AND CONTRACTS	56,474	68,185

Operating leases

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

1. Auditor remuneration**Auditors of the Council – NSW Auditor-General:****(i) Audit and other assurance services**

Audit and review of financial statements	175	148
Remuneration for audit and other assurance services	175	148
Total remuneration for audit and other assurance services	175	148

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

Audit of regulatory returns	–	13
Remuneration for audit and other assurance services	–	13
Total remuneration for audit and other assurance services	–	13
Total Auditor remuneration	175	161

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	13/5/16 to 30/6/17
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		2,256	3,221
Office equipment		333	597
Furniture and fittings		248	280
Infrastructure:			
– Buildings		6,333	5,779
– Roads		8,931	12,804
– Bridges		553	200
– Footpaths		2,005	752
– Stormwater drainage		5,319	4,747
– Swimming pools		448	361
– Other open space/recreational assets		2,228	2,590
– Library books		348	501
– Other		99	20
Intangible assets	10	699	1,472
Total depreciation and amortisation costs		29,800	33,324
Impairment / revaluation decrement of IPP&E			
Infrastructure		–	331
Total IPP&E impairment / revaluation decrement costs / (reversals)		–	331
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>		<u>29,800</u>	<u>33,655</u>

Accounting policy for depreciation, amortisation and impairment expenses**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 10 for intangible assets.

Impairment of non-financial assets

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

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(e) Other expenses		
Advertising	608	500
Bad and doubtful debts	65	9
Bank charges	217	278
Contributions/levies to other levels of government	43	–
– Department of planning levy	348	285
– NSW fire brigade levy	2,095	2,256
Councillor expenses – mayoral fee	63	–
Councillor expenses – councillors' fees	347	–
Councillors' expenses (incl. mayor) – other (excluding fees above)	65	–
Donations, contributions and assistance to other organisations (Section 356)	–	108
– Donations, contributions and assistance (Stronger Communities Fur	536	1,001
Election expenses	–	850
Electricity and heating	1,578	1,595
Insurance	1,865	2,194
Postage	472	231
Printing and stationery	799	652
Street lighting	2,359	2,779
Subscriptions and publications	481	382
Telephone and communications	1,451	1,151
Valuation fees	356	361
Education programs	316	313
Community events	1,762	1,178
Information technology fees	3,409	2,742
Water rates and charges	1,257	642
Furniture and fittings maintenance and repairs	–	136
Gas charges	113	141
Publicity, promotions, events	266	173
Other	307	510
<u>TOTAL OTHER EXPENSES</u>	<u>21,178</u>	<u>20,467</u>

Accounting policy for other expenses

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

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	13/5/16 to 30/6/17
Property (excl. investment property)	9		
Proceeds from disposal – property		–	1,680
Net gain/(loss) on disposal		–	1,680
Plant and equipment	9		
Proceeds from disposal – plant and equipment		3,724	1,164
Less: carrying amount of plant and equipment assets sold/written off		(3,865)	(1,096)
Net gain/(loss) on disposal		(141)	68
Infrastructure	9		
Less: carrying amount of infrastructure assets sold/written off		–	(402)
Net gain/(loss) on disposal		–	(402)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(141)	1,346

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	667	3,552
Cash-equivalent assets		
– Managed funds	6,137	12,152
Total cash and cash equivalents	6,804	15,704

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes 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.

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Financial Assets				
a. Financial assets at fair value through:				
– 'Held for trading'	1,004	–	22,624	–
b. 'Held to maturity' Investments	70,000	64,206	44,878	52,112
Total	71,004	64,206	67,502	52,112
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS				
	77,808	64,206	83,206	52,112
Financial assets at fair value through the profit and loss				
NCD's, FRN's (with maturities > 3 months)	1,004	–	22,624	–
Total	1,004	–	22,624	–
Held to maturity investments				
Long term deposits	70,000	32,000	41,366	33,000
NCD's, FRN's (with maturities > 3 months)	–	32,206	3,512	19,112
Total	70,000	64,206	44,878	52,112

Accounting policy for investments**Classification**

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

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

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

(b) Held to maturity investments

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

Recognition and de-recognition

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

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	77,808	64,206	83,206	52,112
attributable to:				
External restrictions	2,401	64,206	7,337	52,112
Internal restrictions	43,479	–	22,475	–
Unrestricted	31,928	–	53,394	–
	77,808	64,206	83,206	52,112

\$ '000	2018		2017	
Details of restrictions				
External restrictions – other				
Developer contributions – general			57,391	38,365
Specific purpose unexpended grants			1,818	4,312
Domestic waste management			3,829	10,812
Stormwater management			3,524	3,656
Other special levies			–	11
Domestic waste management ELE			–	1,193
Holroyd gardens – future works			–	547
Traffic management projects			–	553
Other			45	–
External restrictions – other			66,607	59,449
Total external restrictions			66,607	59,449
Internal restrictions				
Employees leave entitlement			5,139	5,242
Carry over works			–	2,644
Stronger community fund			12,662	13,818
Parks and gardens amenities			157	771
Marrong Reserve South			3,200	–
Special Rate Variation			6,236	–
Woodville Reserve			14,900	–
S355 Park committee			1,185	–
Total internal restrictions			43,479	22,475
TOTAL RESTRICTIONS			110,086	81,924

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	4,087	–	3,606	–
User charges and fees	1,697	–	775	–
Contributions to works	18	–	48	–
Accrued revenues				
– Interest on investments	1,454	–	1,871	–
– Other income accruals	1,831	–	1,644	–
Amounts due from other councils	–	–	14,900	–
Government grants and subsidies	63	–	1,034	–
Net GST receivable	1,700	–	1,675	–
Restoration charges	2	–	347	–
Workers' compensation insurance	131	–	90	–
Lease/rental of properties	147	–	82	–
Other debtors	(2)	–	65	–
Total	10,987	–	26,294	–
Less: provision for impairment				
User charges and fees	(118)	–	(66)	–
Other debtors	(58)	–	(75)	–
Total provision for impairment – receivables	(176)	–	(141)	–
<u>TOTAL NET RECEIVABLES</u>	<u>10,811</u>	<u>–</u>	<u>26,153</u>	<u>–</u>

There are no restrictions applicable to the above assets.

	2018	13/5/16 to 30/6/17
Movement in provision for impairment of receivables		
Balance at the beginning of the year	141	225
+ new provisions recognised during the year	58	–
– amounts already provided for and written off this year	(23)	(84)
Balance at the end of the year	176	141

Cumberland Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

Impairment

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

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

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

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	163	–	189	–
Total inventories at cost	163	–	189	–
<u>TOTAL INVENTORIES</u>	<u>163</u>	<u>–</u>	<u>189</u>	<u>–</u>
(b) Other assets				
Prepayments	1,975	–	760	–
<u>TOTAL OTHER ASSETS</u>	<u>1,975</u>	<u>–</u>	<u>760</u>	<u>–</u>

Accounting policy**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 basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

Cumberland Council

Notes to the Financial Statements
for the year ended 30 June 2018

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

Asset class	as at 30/6/2017			Asset movements during the reporting period						as at 30/6/2018			
				Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions new assets	Carrying value of disposals	Depreciation expense				WIP transfers
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount										
\$ '000													
Capital work in progress	1,249	–	1,249	49,605	–	–	(43,490)	–	–	–	7,364	–	7,364
Plant and equipment	36,133	23,275	12,858	1,253	(3,866)	(2,256)	–	–	–	–	27,696	19,707	7,989
Office equipment	12,895	11,192	1,703	–	–	(333)	1,520	–	–	–	14,414	11,524	2,890
Furniture and fittings	5,622	3,533	2,089	–	–	(248)	163	–	–	–	5,785	3,781	2,004
Land:													
– Operational land	318,807	–	318,807	–	–	–	–	–	108,068	–	426,875	–	426,875
– Community land	360,887	–	360,887	–	–	–	515	–	–	–	361,402	–	361,402
– Land under roads (post 30/6/08)	105	–	105	–	–	–	–	–	–	–	105	–	105
Land improvements – non-depreciable	365	–	365	–	–	–	–	–	(365)	–	–	–	–
Land improvements – depreciable	5,176	900	4,276	–	–	–	–	–	(4,276)	–	–	–	–
Infrastructure:													
– Buildings	263,642	58,397	205,245	–	–	(6,333)	6,648	–	–	–	263,545	57,985	205,560
– Roads	793,099	188,999	604,100	–	–	(8,931)	18,260	–	20,322	–	805,038	171,287	633,751
– Bridges	55,743	11,881	43,862	–	–	(553)	–	–	–	–	49,162	5,853	43,309
– Footpaths	151,036	52,250	98,786	–	–	(2,005)	8,297	–	–	–	159,018	53,941	105,077
– Stormwater drainage	636,637	153,341	483,296	–	–	(5,319)	1,369	–	–	–	579,701	100,355	479,346
– Swimming pools	22,860	2,579	20,281	–	–	(448)	918	–	–	–	23,778	3,027	20,751
– Other open space/recreational assets	90,463	62,099	28,364	–	–	(2,228)	5,798	4,641	–	–	64,577	28,001	36,576
Other assets:													
– Library books	15,931	12,549	3,382	650	–	(348)	–	–	–	–	16,573	12,889	3,684
– Other	845	98	747	–	–	(99)	2	–	–	–	847	197	650
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	2,771,495	581,093	2,190,402	51,508	(3,866)	(29,101)	–	–	128,390	–	2,805,880	468,547	2,337,333

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

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed 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 asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Transportation assets		Stormwater assets	
Sealed roads: surface	20	Drains	80 to 100
Sealed roads: structure	50	Culverts	50 to 80
Unsealed roads	20	Flood control structures	80 to 100
Bridge: concrete	100		
Bridge: other	50	Other infrastructure assets	
Road pavements	60	Bulk earthworks	20
Kerb, gutter and footpaths	40	Swimming pools	50
		Unsealed roads	20
		Other open space/recreational assets	20
		Other infrastructure	20

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

Land under roads

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

Council has elected to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	5,379	5,097
Accumulated amortisation (1/7)	(4,189)	(2,967)
Accumulated impairment (1/7)	(250)	–
Net book value – opening balance	940	2,130
Movements for the year		
– Purchases	2,438	282
– Amortisation charges	(699)	(1,222)
– Impairment charges	–	(250)
Closing values:		
Gross book value (30/6)	7,817	5,379
Accumulated amortisation (30/6)	(4,888)	(4,189)
Accumulated impairment (30/6)	(250)	(250)
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>2,679</u>	<u>940</u>

¹ The net book value of intangible assets represent:

– Software	2,679	940
	<u>2,679</u>	<u>940</u>

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

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

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

Cumberland Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	869	–	139	–
Accrued expenses:				
– Other expenditure accruals	8,827	–	16,441	–
Security bonds, deposits and retentions	20,789	–	18,949	–
Other	662	–	2,245	–
Total payables	31,145	–	37,774	–
Borrowings				
Loans – secured ¹	1,257	8,358	1,245	9,615
Total borrowings	1,257	8,358	1,245	9,615
TOTAL PAYABLES AND BORROWINGS	32,402	8,358	39,019	9,615

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Domestic waste management	771	–	588	605
Payables and borrowings relating to externally restricted assets	771	–	588	605
Total payables and borrowings relating to restricted assets	771	–	588	605
Total payables and borrowings relating to unrestricted assets	31,631	8,358	38,431	9,010
TOTAL PAYABLES AND BORROWINGS	32,402	8,358	39,019	9,615

¹: Loans are secured over the general rating income of Council

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

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Payables and borrowings (continued)

\$ '000	2018	2017
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(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

Payables – security bonds, deposits and retentions	17,797	16,639
	17,797	16,639

(c) Changes in liabilities arising from financing activities

Class of borrowings	Opening balance as at 1/7/17	Cash flows	Non-cash changes			Closing balance as at 30/6/18
			Acquisition	Fair value changes	Other non-cash movements	
Loans – secured	10,860	(1,245)	–	–	–	9,615
TOTAL	10,860	(1,245)	–	–	–	9,615

\$ '000	2018	2017
---------	------	------

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

Bank overdraft facilities ⁽¹⁾	1,500	1,000
Credit cards/purchase cards	240	330
Total financing arrangements	1,740	1,330

Undrawn facilities as at balance date:

– Bank overdraft facilities	1,500	1,000
– Credit cards/purchase cards	240	330
Total undrawn financing arrangements	1,740	1,330

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

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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 draw down occurs. To the extent 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.

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	6,550	–	6,135	–
Sick leave	543	–	730	–
Long service leave	10,486	825	9,635	1,922
ELE on-costs	1,310	51	528	–
<u>TOTAL PROVISIONS</u>	<u>18,889</u>	<u>876</u>	<u>17,028</u>	<u>1,922</u>

(a) Current provisions not anticipated to be settled within the next twelve months

2018 2017

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

Provisions – employees benefits	<u>12,233</u>	<u>9,584</u>
	<u>12,233</u>	<u>9,584</u>

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

Cumberland Council

Notes to the Financial Statements
for the year ended 30 June 2018

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

 \$ '000

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

Nature of prior-period error

Asset Reclassification Corrections	4,121
Asset Duplication	1,778

Management has assessed the impact to be immaterial

Adjustments to the comparative figures for the year ended 30 June 2017

Statement of Financial Position	Original Balance 30 June, 2017	Impact Increase/ (decrease)	Restated Balance 30 June, 2017
Total assets	<u>2,355,522</u>	<u>2,343</u>	<u>2,357,865</u>
Total equity	<u>2,355,522</u>	<u>2,343</u>	<u>2,357,865</u>

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	6,804	15,704
Balance as per the Statement of Cash Flows		6,804	15,704
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		20,756	37,959
Adjust for non-cash items:			
Depreciation and amortisation		29,800	33,324
Net losses/(gains) on disposal of assets		141	(1,346)
Non-cash capital grants and contributions		–	(227)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as ‘at fair value’ or ‘held for trading’		(97)	(124)
– Revaluation decrements / impairments of IPP&E direct to P&L		–	331
Share of net (profits) or losses of associates/joint ventures		(874)	(706)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		15,307	12,870
Increase/(decrease) in provision for doubtful debts		35	(84)
Decrease/(increase) in inventories		26	345
Decrease/(increase) in other assets		(1,215)	(197)
Increase/(decrease) in payables		730	3,116
Increase/(decrease) in other accrued expenses payable		(7,616)	(2,154)
Increase/(decrease) in other liabilities		257	470
Increase/(decrease) in employee leave entitlements		815	(997)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		58,065	82,580
(c) Non-cash investing and financing activities			
Other dedications		–	227
Total non-cash investing and financing activities		–	227

Cumberland Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 15. Interests in other entities

\$ '000

	Council's share of net income		Council's share of net assets	
	2018	13/5/16 to 30/6/17	2018	2017
Joint ventures	874	706	4,977	4,103
Total	874	706	4,977	4,103

(a) Joint arrangements

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

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2018	2017
CivicRisk Mutual	Joint Venture	Equity Accounting	762	568
CivicRisk Metro	Joint Venture	Equity Accounting	4,215	3,535
Total carrying amounts – material joint ventures			4,977	4,103

(b) Details

Name of entity	Principal activity	Place of business
CivicRisk Mutual	Risk management and insurance pooling to councils	Penrith, NSW
CivicRisk Metro	Public liability and professional indemnity to councils	Penrith, NSW

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2018	2017	2018	2017	2018	2017	2018	2017
CivicRisk Mutual	n/a	n/a	9%	9%	9%	9%	6%	6%
CivicRisk Metro	n/a	n/a	35%	30%	31%	30%	11%	14%

(d) Summarised financial information for joint ventures

Statement of financial position	CivicRisk Mutual		CivicRisk Metro	
	2018	2017	2018	2017
Current assets				
Cash and cash equivalents	1,158	505	15	27
Other current assets	5,759	6,239	8,114	5,738
Non-current assets	5,989	5,889	16,220	18,168
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	2,988	2,890	1,815	1,443
Other current liabilities	–	423	–	150
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	1,448	2,830	8,985	10,730
Net assets	8,470	6,490	13,549	11,610

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Interests in other entities (continued)

\$ '000

(d) Summarised financial information for joint ventures cont'd

	CivicRisk Mutual		CivicRisk Metro	
	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17
Reconciliation of the carrying amount				
Opening net assets (1 July)	6,490	7,286	11,610	9,421
Profit/(loss) for the period	1,978	(796)	1,938	2,189
Closing net assets	8,468	6,490	13,548	11,610
Council's share of net assets (%)	9.0%	8.8%	31.1%	30.4%
Council's share of net assets (\$)	762	568	4,214	3,534
Statement of comprehensive income				
Income	9,425	8,424	2,115	2,781
Interest income	439	461	1,077	1,088
Other expenses	(7,886)	(9,681)	(1,254)	(1,681)
Profit/(loss) from continuing operations	1,978	(796)	1,938	2,188
Profit/(loss) for period	1,978	(796)	1,938	2,188
Total comprehensive income	1,978	(796)	1,938	2,188
Share of income – Council (%)	9.6%	8.2%	35.3%	35.2%
Profit/(loss) – Council (\$)	190	(65)	684	771
Total comprehensive income – Council (\$)	190	(65)	684	771

Joint ventures

Interests in joint ventures are accounted for using the equity method in accordance with AASB128 Investments in *Associates and Joint Ventures*. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

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

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

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

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Commitments for expenditure

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	1,623	–
Plant and equipment	1,064	–
Fixtures & Furniture	137	–
Library	2	–
Open Space	899	–
Office Equipment	851	–
Roads	1,953	–
Total commitments	6,529	–
These expenditures are payable as follows:		
Within the next year	6,529	–
Total payable	6,529	–
Sources for funding of capital commitments:		
Unrestricted general funds	6,529	–
Total sources of funding	6,529	–
(b) Finance lease commitments		
Nil		
(c) Operating lease commitments (non-cancellable)		
Within the next year	810	423
Later than one year and not later than 5 years	1,244	466
Total non-cancellable operating lease commitments	2,054	889
Conditions relating to operating leases:		
– All operating lease agreements are secured only against the leased asset.		
– No lease agreements impose any financial restrictions on Council regarding future debt etc.		

Cumberland Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

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

(iii) StateCover Limited

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

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

Cumberland Council

Notes to the Financial Statements for the year ended 30 June 2018

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

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iii) StateCover Limited (continued)

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.

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

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

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

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

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

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

ASSETS NOT RECOGNISED:

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

(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.

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management

\$ '000

Risk management

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest

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

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

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

Council held the following Financial Instruments at reporting date

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	6,804	15,704	6,804	15,704
Investments				
– Financial assets at fair value through profit or loss held for trading	1,004	22,624	–	22,624
– 'Held to maturity'	134,206	96,990	135,210	96,990
Receivables	10,811	26,153	10,811	26,153
Total financial assets	152,825	161,471	152,825	161,471
Financial liabilities				
Payables	31,145	37,774	31,164	36,132
Borrowings	9,615	10,860	9,615	10,860
Total financial liabilities	40,760	48,634	40,779	46,992

Fair value is determined as follows:

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

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management (continued)

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there 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.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Income Statement	Equity	Income Statement	Equity
2018				
Impact of a 10% movement in market values	100	100	(100)	(100)
Impact of a 1% movement in interest rates	68	68	(68)	(68)
13/5/16to 30/6/17				
Impact of a 10% movement in market values	2,262	2,262	(2,262)	(2,262)
Impact of a 1% movement in interest rates	1,127	1,127	(1,127)	(1,127)

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

There are no significant concentrations of credit risk, 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.

A profile of Council's receivables credit risk at balance date follows:

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	100%	82%	100%	86%
Overdue	0%	18%	0%	14%
	100%	100%	100%	100%

(ii) Ageing of receivables – value

Rates and annual charges

	2018	2017
Current	4,087	3,606
	4,087	3,606

Other receivables

	2018	2017
Current	5,676	5,272
0 – 30 days overdue	252	67
31 – 60 days overdue	126	36
61 – 90 days overdue	112	38
> 91 days overdue	734	731
	6,900	6,144

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables		20,789	–	–	–	20,789	31,145
Loans and advances	5.15%	–	1,257	4,044	4,314	9,615	9,615
Total financial liabilities		20,789	1,257	4,044	4,314	30,404	40,760
2017							
Trade/other payables		18,949	18,825	–	–	37,774	37,774
Loans and advances	5.88%	–	1,925	6,295	6,747	14,967	10,860
Total financial liabilities		18,949	20,750	6,295	6,747	52,741	48,634

Note 19. Material budget variations

Council's original financial budget for 17/18 was adopted by the Council on 03 July 2017 and is not required to be audited.

While the Income Statement included in this General Purpose Financial Report 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.

Council has no material budget variations.

Cumberland Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 20. Fair value measurement

\$ '000

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

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

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

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

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

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

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

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– 'Held for trading'	30/06/18	–	–	1,004	1,004
Total financial assets		–	–	1,004	1,004
Infrastructure, property, plant and equipment					
Operational land	30/06/18	–	426,875	–	426,875
Community land	30/06/17	–	–	361,402	361,402
Land under roads (post 30/6/08)	30/06/17	–	–	105	105
Open Space / Recreational Assets	30/06/17	–	–	36,576	36,576
Buildings	30/06/17	–	–	205,560	205,560
Roads	30/06/18	–	–	633,751	633,751
Bridges	30/06/17	–	–	43,309	43,309
Footpaths	30/06/17	–	–	105,077	105,077
Stormwater drainage	30/06/17	–	–	479,346	479,346
Swimming pools	30/06/17	–	–	20,751	20,751
Total infrastructure, property, plant and equipment		–	426,875	1,885,877	2,312,752

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement

\$ '000

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values (continued):

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– ‘Held for trading’	30/06/17	–	–	22,624	22,624
Total financial assets		–	–	22,624	22,624
Infrastructure, property, plant and equipment					
Operational land	30/06/17	–	318,807	–	318,807
Community land	30/06/17	–	–	360,887	360,887
Land under roads (post 30/6/08)	30/06/17	–	–	105	105
Buildings - specialised	30/06/17	–	–	101,269	101,269
Buildings – non-specialised	30/06/17	–	–	70,691	70,691
Roads	30/06/17	–	–	603,875	603,875
Bridges	30/06/17	–	–	51,687	51,687
Footpaths	30/06/17	–	–	100,974	100,974
Stormwater drainage	30/06/17	–	–	425,178	425,178
Swimming pools	30/06/17	–	–	20,281	20,281
Other Assets	30/06/17	–	–	129,664	129,664
Total infrastructure, property, plant and equipment		–	318,807	1,864,611	2,183,418

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

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

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

Financial assets

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

Infrastructure, property, plant and equipment (IPP&E)**Operational Land**

Operational land has valued this year by using an independent valuer

Community Land

Council's community land was valued based on the Land Value (LV) provided by the Valuer-General in 2016.

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

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

Land Under Roads

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment. Values were determined by valuation of road segments at the average unit value of properties adjoining the relevant road segment and then discounted by 90% in accordance with the Code

Buildings - Non specialised and Specialised

Council's buildings were valued based on the condition survey approach described in IPWEA's Practice Note 3 for Buildings and were used to determine the expected life ranges and criticality factors to produce the Depreciated Replacement Cost (DRC) Values and associated depreciation by component. While all buildings were physically inspected inputs such as estimates of residual value and pattern of consumption required.

Roads and Bridges

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

The cost approach was utilised with inputs such as estimates pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which impacted significantly on the final determination of fair value.

Stormwater Drainage

Assets within this class comprise pits, pipes, open channels, and various types of water quality devices. The Level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement

Swimming Pools

While some elements of gross replacement values could be supported from market evidence other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

Open Space Assets

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

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

\$ '000

(3).Reconciliation of movements

a. A reconciliation of the movements in recurring fair value measurements allocated to Level 3 of the hierarchy is provided below:

	Community land	Land under roads (post 30/6/08)	Land improv. - non depreciable	Land improv. - depreciable	Total
Balance on transfer from former Councils	360,839	105	–	4,646	365,590
Purchases (GBV)	48	–	365	12	424
Depreciation and impairment	–	–	–	(382)	(382)
Closing balance – 30/6/17	360,887	105	365	4,276	365,632
Transfers from/(to) another asset class	–	–	(365)	(4,276)	(4,640)
Purchases (GBV)	515	–	–	–	515
Closing balance – 30/6/18	361,402	105	–	–	361,507

	Buildings	Roads	Bridges	Total
Balance on transfer from former Councils	175,174	607,668	41,896	824,738
Purchases (GBV)	2,194	9,070	57	11,321
Disposals (WDV)	–	(84)	(402)	(486)
Depreciation and impairment	(5,779)	(12,804)	(201)	(18,784)
Adjustments and Transfers	33,656	250	2,512	36,418
Closing balance – 30/6/17	205,245	604,100	43,862	853,206
Purchases (GBV)	6,648	18,260	–	24,908
Depreciation and impairment	(6,333)	(8,931)	(553)	(15,817)
FV gains – other comprehensive income	–	20,322	–	20,322
Closing balance – 30/6/18	205,560	633,751	43,309	882,619

	Footpaths	Stormwater drainage	Pools and open space recreational	Total
Balance on transfer from former Councils	100,184	429,774	86,077	616,035
Purchases (GBV)	1,487	147	1,472	3,106
Depreciation and impairment	(753)	(4,747)	(2,569)	(8,068)
WIP Transfers	53	4	24,779	24,836
Adjustments and Transfers	(2,187)	58,118	(61,113)	(5,182)
Closing balance – 30/6/17	98,785	483,296	48,646	630,727
Transfers from/(to) another asset class	–	–	4,641	4,641
Purchases (GBV)	8,297	1,369	6,716	16,382
Depreciation and impairment	(2,005)	(5,319)	(2,676)	(10,000)
Other movement	–	–	–	–
Closing balance – 30/6/18	105,077	479,346	57,327	641,750

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Related party transactions

\$ '000

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:

Compensation:	2018
Short-term benefits	1,720
Termination benefits	193
Total	<u><u>1,913</u></u>

b. Other transactions with KMP and their related parties

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

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Statement of developer contributions

\$ '000

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

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal transfers (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	647	1,106	–	36	(506)	(1,309)	(26)	–
Parking	–	39	–	117	–	–	156	–
Open space	2,906	14,432	–	1,301	(8,044)	9,038	19,633	–
Community facilities	1,064	4,216	–	211	(157)	6,533	11,867	–
Accessibility and traffic	–	865	–	122	(445)	–	542	–
Contribution plan no. 2	19,969	–	–	–	–	(19,395)	574	–
Merrylands town centre	2,647	–	–	71	–	–	2,718	–
Public domain	3,334	5,527	–	(208)	(1,841)	4,711	11,523	–
Woodville Ward	49	1,116	–	31	–	–	1,196	–
Administration	888	648	–	41	(333)	422	1,666	–
S7.11 contributions – under a plan	31,504	27,949	–	1,722	(11,326)	–	49,849	–
S7.12 levies – under a plan	2,956	148	–	83	–	–	3,187	–
Total S7.11 and S7.12 revenue under plans	34,460	28,097	–	1,805	(11,326)	–	53,036	–
S7.11 not under plans	53	–	–	–	–	–	53	–
SEPP 59 agreements	3,852	338	–	112	–	–	4,302	–
Total contributions	38,365	28,435	–	1,917	(11,326)	–	57,391	–

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1 (former Holroyd)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	766	–	–	–	–	(766)	–	–
Open space	1,208	–	–	–	–	(1,208)	–	–
Open space	1,224	–	–	–	–	(1,224)	–	–
Open space	474	–	–	–	–	(474)	–	–
Administration	56	–	–	–	–	(56)	–	–
Administration	37	–	–	–	–	(37)	–	–
Total	3,765	–	–	–	–	(3,765)	–	–

CONTRIBUTION PLAN No. 2 (former Holroyd)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal Transfers (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	–	1,397	–	542	(7,550)	(16,458)	(22,069)	–
Open space	–	6,672	–	315	(57)	15,518	22,448	–
Open space	–	5,296	–	393	–	15,328	21,017	–
Community facilities	–	2,827	–	167	(90)	7,299	10,203	–
Open space	–	1,067	–	51	(437)	(2,391)	(1,710)	–
Public domain	–	2,389	–	118	(54)	4,711	7,164	–
Contribution plan no. 2	19,969	–	–	–	–	(19,395)	574	–
Drainage	–	1,106	–	19	(506)	(1,309)	(690)	–
Administration	–	317	–	15	(171)	515	676	–
Total	19,969	21,071	–	1,620	(8,865)	3,818	37,613	–

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

MERRYLANDS TOWN CENTRE (former Holroyd)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal Transfers (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Merrylands town centre	2,647	–	–	71	–	–	2,718	–
Total	2,647	–	–	71	–	–	2,718	–

2007 Section 94 Contribution Plan (former Auburn)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal Transfers (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	647	–	–	17	–	–	664	–
Parking	–	39	–	117	–	–	156	–
Community facilities	298	1,389	–	44	(67)	–	1,664	–
Accessibility and traffic	–	865	–	122	(445)	–	542	–
Public domain	3,334	3,138	–	(326)	(1,787)	–	4,359	–
Administration	795	331	–	26	(162)	–	990	–
Total	5,074	5,762	–	–	(2,461)	–	8,375	–

Contribution Plan (Former Auburn)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal Transfers (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S94A levies under a plan	2,956	148	–	83	–	–	3,187	–
Total	2,956	148	–	83	–	–	3,187	–

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

Woodville Ward

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal Transfers (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Woodville Ward	49	1,116	–	31	–	–	1,196	–
Total	49	1,116	–	31	–	–	1,196	–

S7.12 LEVIES – UNDER A PLAN

CONTRIBUTION PLAN (former Auburn)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal Transfers (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	2,956	148	–	83	–	–	3,187	–
Total	2,956	148	–	83	–	–	3,187	–

S7.11 CONTRIBUTIONS – NOT UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal Transfers (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	53	–	–	–	–	(53)	–	–
Total	53	–	–	–	–	(53)	–	–

Cumberland Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Indicator 2017	Benchmark
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>(9,241)</u>	-5.25%	-2.96%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>175,908</u>			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>151,174</u>	73.72%	65.88%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>205,075</u>			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>88,356</u>	4.31x	3.52x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>20,490</u>			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>21,208</u>	11.20x	11.19x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>1,894</u>			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>3,946</u>	3.34%	2.78%	< 5% metro
Rates, annual and extra charges collectible	<u>118,058</u>			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>108,804</u>	7.33 mths	6.3 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>178,206</u>			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

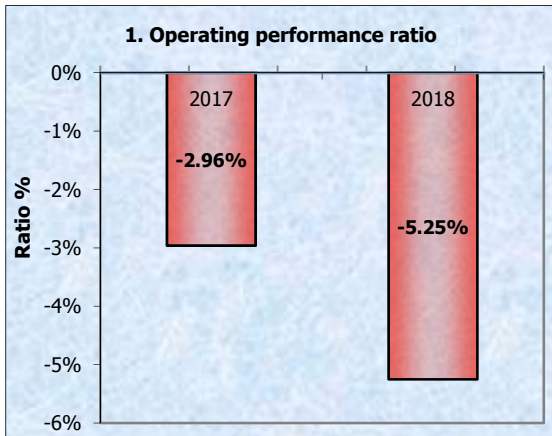
⁽³⁾ Refer to Notes 11 and 12.

⁽⁴⁾ Refer to Note 11(b) and 12(a) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Cumberland Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 23(b). Statement of performance measures – consolidated results (graphs)



Purpose of operating performance ratio

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

Commentary on 2017/18 result

2017/18 ratio -5.25%

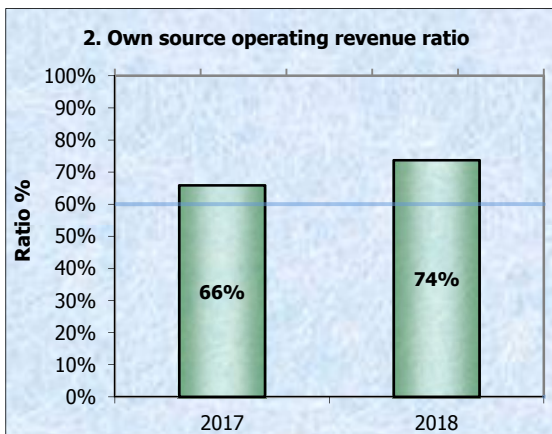
the deficit 5.25% included \$9.338m being 5.4% payments from external waste reserve as a one off payment approved by administrator. Council target 0.5% Surplus and would have been \$1m short of this mark for 2018

Benchmark: Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26



Ratio is outside benchmark



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 2017/18 result

2017/18 ratio 73.72%

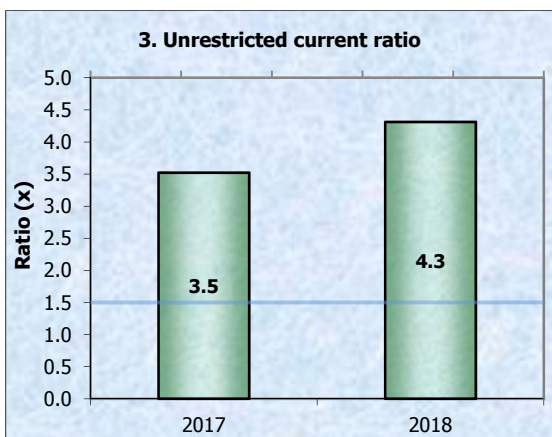
This ration is dependant upon the level of Capital Contributions and will range 73% to 78% in LTFP. This financial year there was high levels of capital income. In 2017 there was a one of grant \$14m.

Benchmark: Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26



Ratio achieves benchmark



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 2017/18 result

2017/18 ratio 4.31x

Actual results are tracking above the long term expected average of 2.5 due to higher levels of internal reserves

Benchmark: Minimum ≥ 1.50

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

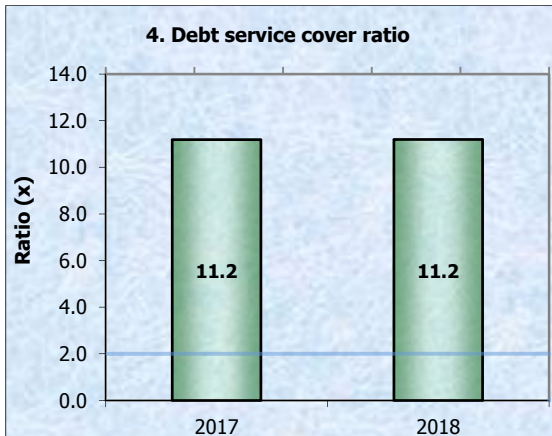


Ratio achieves benchmark

Cumberland Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 23(b). Statement of performance measures – consolidated results (graphs)



Purpose of debt service cover ratio

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

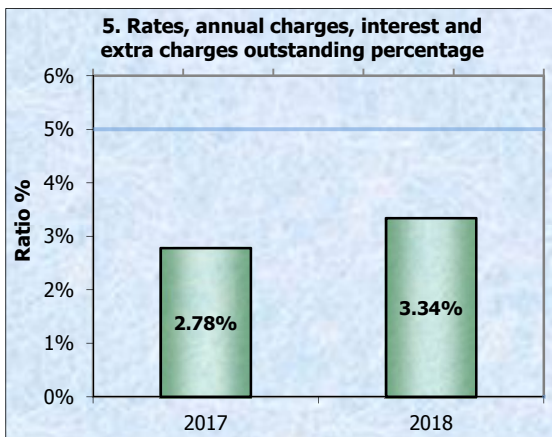
Commentary on 2017/18 result

2017/18 ratio 11.20x

This is a strong results that indicates Council has capacity to use debt.

Benchmark: Minimum >=2.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark



Purpose of rates and annual charges outstanding ratio

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

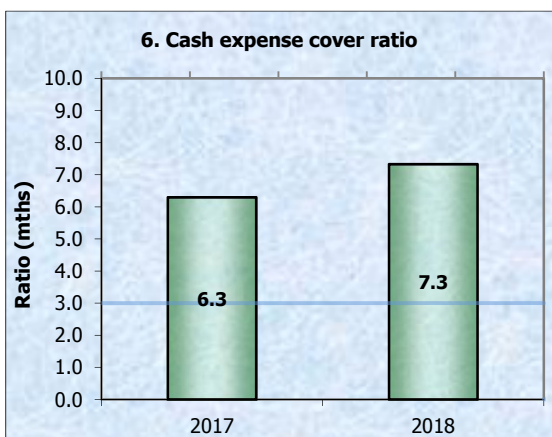
Commentary on 2017/18 result

2017/18 ratio 3.34%

The level of outstanding rates is with the expected range. There was 4.9% increase in the debt. In 2017 the ratio is effected by One high levels of revenue due to it being 58 week period.

Benchmark: Maximum <5.00%
Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio is within Benchmark
 Ratio is outside Benchmark



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 2017/18 result

2017/18 ratio 7.33 mths

Currently track above long term average 4.7 long term forecast due to higher internal reserves

Benchmark: Minimum >=3.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark

Cumberland Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 24. Council information and contact details

Principal place of business:

16 Memorial Ave
Merrylands NSW 2160

Contact details

Mailing address:

PO Box 42
Merrylands NSW 2160

Opening hours:

Monday to Friday
Merrylands Branch - 8am to 4.30pm
Auburn Branch - 8.30am to 4pm

Telephone: 02 8757 9000

Facsimile: 02 9840 9734

Internet: www.cumberland.nsw.gov.au

Email: council@cumberland.nsw.gov.au

Officers

GENERAL MANAGER

Hamish McNulty

Elected members

MAYOR

Greg Cummings

RESPONSIBLE ACCOUNTING OFFICER

Richard Sheridan

Other information

ABN: 22 798 563 329



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial report
Cumberland Council

To the Councillors of Cumberland Council

Opinion

I have audited the accompanying financial report of Cumberland Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial report:
 - has been presented, in all material respects, in accordance with the requirements of this Division
 - is consistent with the Council's accounting records
 - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, 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 report 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 Report' section of my report.

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

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

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

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

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

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 Report

The Councillors are responsible for the preparation and fair presentation of the financial report 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 report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

- obtain reasonable assurance about whether the financial report 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 financial report.

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Somaiya Ahmed
Director, Financial Audit Services

19 October 2018
SYDNEY

Cr Greg Cummings
Mayor
Cumberland Council
16 Memorial Ave
Merrylands, NSW 2160

Contact : Somaiya Ahmed
Phone no: 02 9275 7424
Our ref: D1824802/1719

19 October 2018

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2018
Cumberland Council**





I have audited the general purpose financial statements of the Cumberland Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	113.8	118.4	(3.9) 
Grants and contributions revenue	53.9	82.3	34.5 
Operating result for the year	20.8	38.0	45.3 
Net operating result before capital amounts	(8.4)	(4.1)	(104.9) 

Council’s operating result of \$20.8 million (including the effect of depreciation and amortisation expense of \$29.8 million) was \$17.3 million lower than the 2016–17 result. This was mainly attributable to:

- decreased in rates and annual charges revenue of \$4.6 million compared to 2016-17 from the harmonisation of rates in the merged Council
- decrease in user charges and fees by \$1.8 million
- decrease in grants and contribution revenue by \$28.4 million
- offset by a decrease in the operating expenses by \$20.3 million.

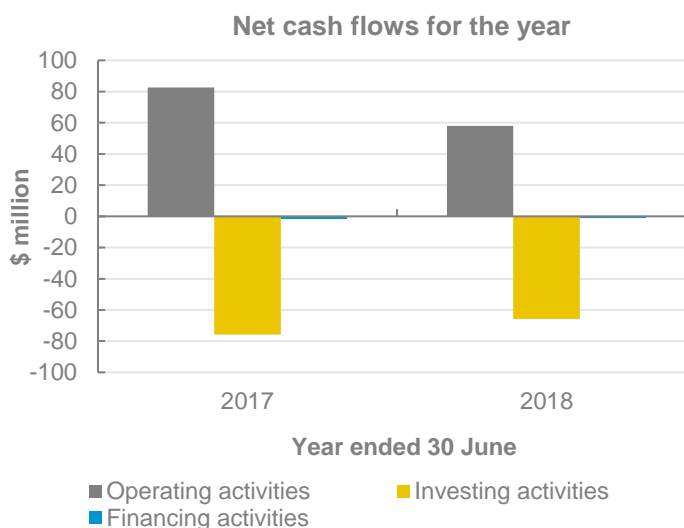
The net operating result before capital grants and contributions (loss of \$8.4 million) was \$4.3 million lower than the 2016–17 result primarily due to the reduction in grant and contribution funding, offset by a decrease in operating expenses.

Grants and contributions revenue (\$53.9 million) decreased by \$28.4 million (34.5 per cent) in 2017–2018 due to one-off grants of \$25.0 million received for amalgamation and stronger community in 2016-17.

STATEMENT OF CASH FLOWS

Cash inflows from operating activities decreased by \$24.5 million in line with reduction in receipts of government grants and contributions of \$25.3 million.

Cash flows from investing activities decreased by \$10.2 million reflecting a reduction in purchases of infrastructure, property plant and equipment of \$24.4 million offset by increase in purchases of investments by \$15.1 million.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	66.6	59.4	<ul style="list-style-type: none"> • Cash and investments increased by \$6.7 million, mainly due to investment income of \$5.3 million • Significant externally restricted funds include Developer Contributions of \$57.4 million
Internal restrictions	43.5	22.5	
Unrestricted	31.9	53.4	
Cash and investments	142.0	135.3	<ul style="list-style-type: none"> • Significant internally restricted funds include Stronger Community fund of \$12.7 million and Woodville Reserve of \$14.9 million.

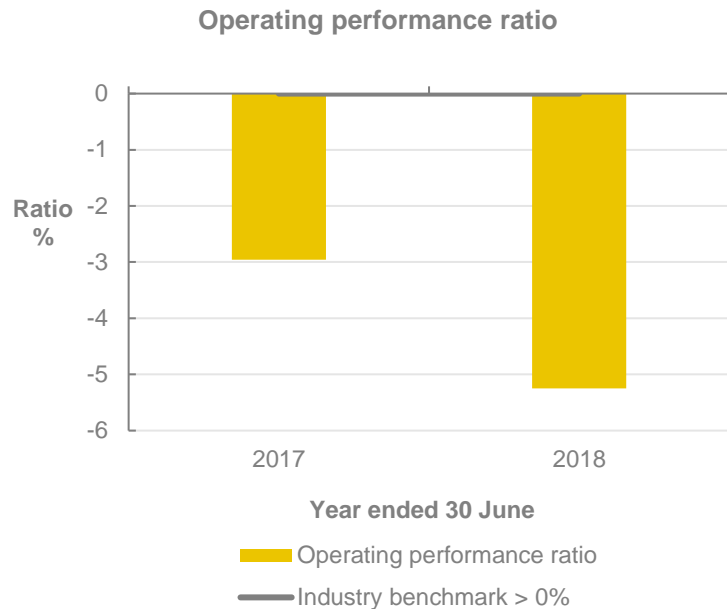
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 23 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

Operating performance ratio

- Council did not meet the benchmark of greater than zero
- Council's Operating Performance has declined from 2016-17 due to the reduction in rates and annual charges revenue.

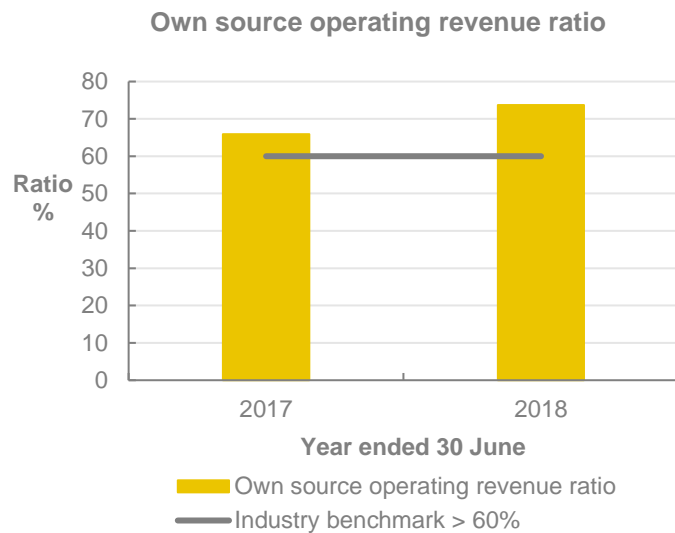
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

- Council exceeded the benchmark of greater than zero per cent in 2017-18.
- Council's Operating Performance has increased from 2016-17 due to the reduction of government grant funding of \$28.4 million in 2017-18.

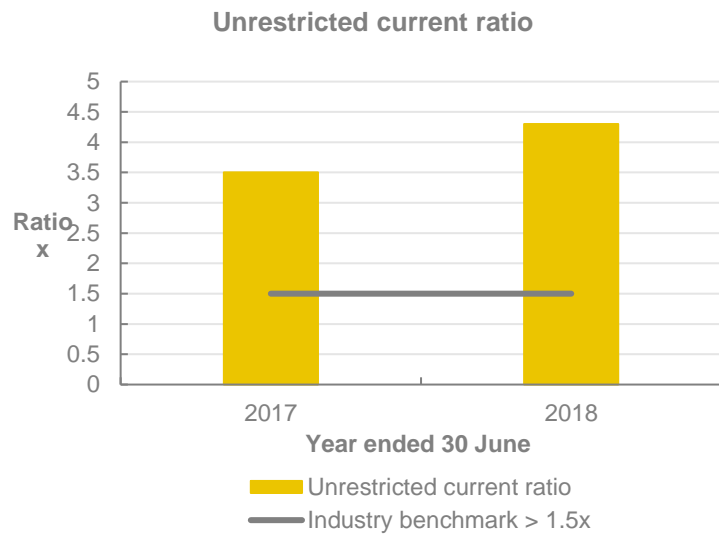
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council continues to exceed the benchmark due to high cash and investment balances.

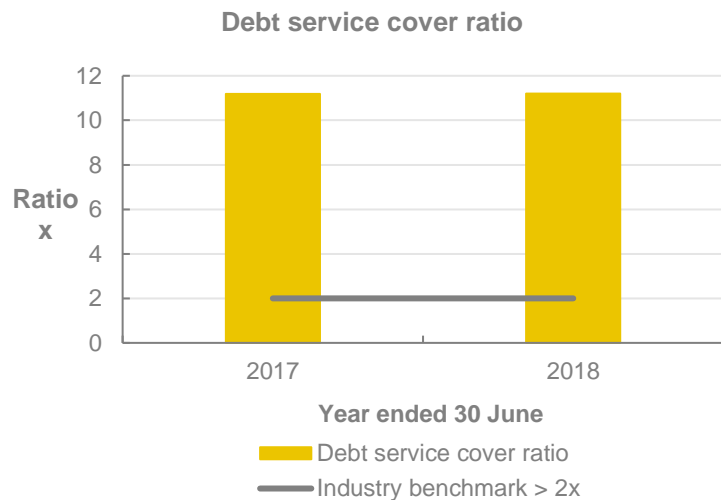
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

- Council exceeded the benchmark of greater than two times in 2017–18.
- The ratio remained stable from previous year.

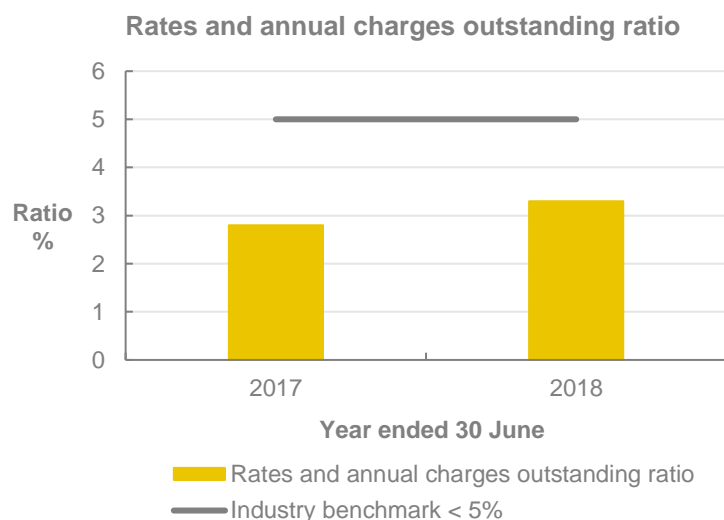
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

Council continues to achieve the benchmark for outstanding rates and annual charges.

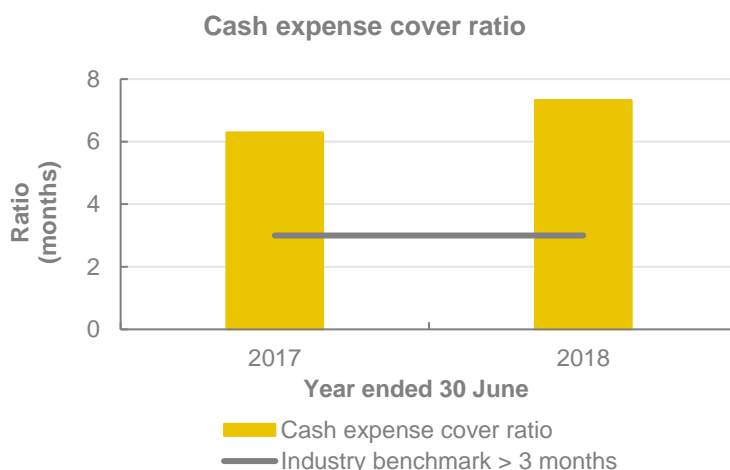
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

- Council exceeded the benchmark of greater than three months.
- This has increased slightly from prior year due to reduction in cash expenditure in 2017-18 from operations.

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.

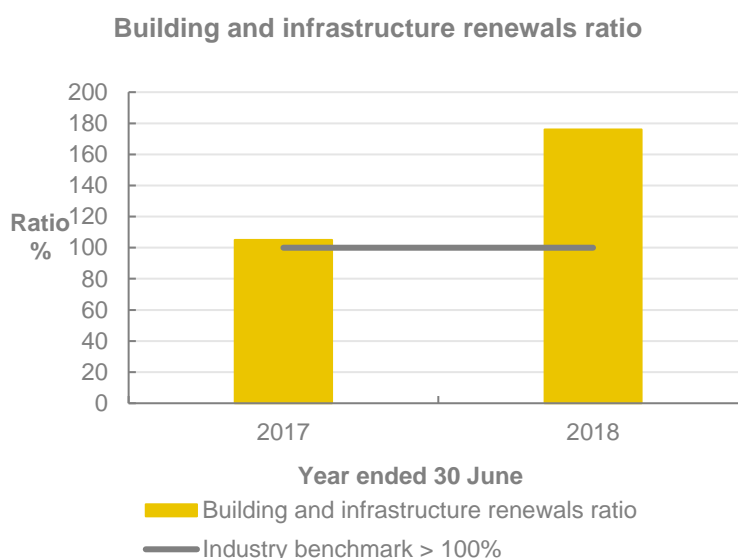


Building and infrastructure renewals ratio (unaudited)

- Council's building and infrastructure renewal ratios of 176 per cent met the OLG benchmark of greater than 100 per cent.
- This reflected capital investment in infrastructure asset renewals at a higher level than depreciation for the period.

The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from council's Special Schedule 7 which has not been audited.



OTHER MATTERS

New accounting standards implemented

AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

Effective for annual reporting periods beginning on or after 1 January 2017

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 11.

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or after 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public-sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

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 reports.

The Council's:

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



Somaiya Ahmed
Director, Financial Audit Services

Cumberland Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Cumberland Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Other Business Activities	3
Statement of Financial Position – Other Business Activities	6
3. Notes to the Special Purpose Financial Statements	9
4. Auditor’s Report	13

Background

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

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council’s self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council’s borrowing position by comparison with commercial rates).
-

Cumberland Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

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

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

Signed in accordance with a resolution of Council made on 17 October 2018.




Greg Cummings
Mayor



Glenn Elmore
Councillor



Hamish McNulty
General manager



Richard Sheridan
Responsible accounting officer

Cumberland Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

\$ '000	Golf Course		Aged Care Units	
	Category 2		Category 2	
	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17
Income from continuing operations				
User charges	1,004	947	381	373
Other income	–	248	–	–
Total income from continuing operations	1,004	1,195	381	373
Expenses from continuing operations				
Employee benefits and on-costs	622	682	13	10
Materials and contracts	62	401	169	156
Depreciation, amortisation and impairment	79	75	254	350
Calculated taxation equivalents	45	175	56	220
Other expenses	156	101	12	18
Total expenses from continuing operations	964	1,434	504	754
Surplus (deficit) from continuing operations before capital amounts	40	(239)	(123)	(381)
Surplus (deficit) from continuing operations after capital amounts	40	(239)	(123)	(381)
Surplus (deficit) from all operations before tax	40	(239)	(123)	(381)
Less: corporate taxation equivalent (30%) [based on result before capital]	(12)	–	–	–
SURPLUS (DEFICIT) AFTER TAX	28	(239)	(123)	(381)
Plus opening retained profits	17,460	–	10,371	–
Plus assets and liabilities transferred from former councils	–	14,854	–	10,698
Plus/less: prior period adjustments	1,250	2,670	3,406	(166)
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	45	175	56	220
– Corporate taxation equivalent	12	–	–	–
Closing retained profits	18,795	17,460	13,710	10,371
Return on capital %	0.2%	-1.4%	-0.9%	-3.7%
Subsidy from Council	458	655	484	628

Cumberland Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

\$ '000	Function Centres		Swim Centres	
	Category 2		Category 1	
	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17
Income from continuing operations				
User charges	986	1,321	2,049	2,350
Other income	–	5	20	26
Total income from continuing operations	986	1,326	2,069	2,376
Expenses from continuing operations				
Employee benefits and on-costs	763	805	1,935	1,182
Materials and contracts	488	397	1,777	1,373
Depreciation, amortisation and impairment	–	145	448	555
Calculated taxation equivalents	90	160	678	163
Other expenses	42	156	630	2,317
Total expenses from continuing operations	1,383	1,663	5,468	5,590
Surplus (deficit) from continuing operations before capital amounts	(397)	(337)	(3,399)	(3,214)
Surplus (deficit) from continuing operations after capital amounts	(397)	(337)	(3,399)	(3,214)
Surplus (deficit) from all operations before tax	(397)	(337)	(3,399)	(3,214)
SURPLUS (DEFICIT) AFTER TAX	(397)	(337)	(3,399)	(3,214)
Plus opening retained profits	3,049	–	13,659	–
Plus assets and liabilities transferred from former councils	–	227	–	(7,713)
Plus/less: prior period adjustments	2,721	2,999	16,226	24,423
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	90	160	678	163
Closing retained profits	5,463	3,049	27,164	13,659
Return on capital %	-7.1%	-10.3%	-12.4%	-23.0%
Subsidy from Council	544	415	4,122	3,547

Cumberland Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2018

Long Day Care

Category 1

\$ '000	2018	13/5/16 to 30/6/17
Income from continuing operations		
User charges	6,809	4,474
Grants and contributions provided for non-capital purposes	5,654	4,140
Other income	41	138
Total income from continuing operations	12,504	8,752
Expenses from continuing operations		
Employee benefits and on-costs	9,750	7,473
Materials and contracts	1,123	319
Depreciation, amortisation and impairment	144	215
Calculated taxation equivalents	385	517
Other expenses	370	730
Total expenses from continuing operations	11,772	9,254
Surplus (deficit) from continuing operations before capital amounts	732	(502)
Surplus (deficit) from continuing operations after capital amounts	732	(502)
Surplus (deficit) from all operations before tax	732	(502)
Less: corporate taxation equivalent (30%) [based on result before capital]	(220)	–
SURPLUS (DEFICIT) AFTER TAX	512	(502)
Plus opening retained profits	12,249	–
Plus assets and liabilities transferred from former councils		2,390
Plus/less: prior period adjustments	–	9,844
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	385	517
– Corporate taxation equivalent	220	–
Closing retained profits	13,366	12,249
Return on capital %	3.0%	-3.7%
Subsidy from Council	–	822

Cumberland Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

	Golf Course		Aged Care Units	
	Category 2		Category 2	
\$ '000	2018	2017	2018	2017
ASSETS				
Non-current assets				
Infrastructure, property, plant and equipment	18,949	17,460	13,713	10,371
Total non-current assets	18,949	17,460	13,713	10,371
TOTAL ASSETS	18,949	17,460	13,713	10,371
LIABILITIES				
Current liabilities				
Payables	2	–	3	–
Provisions	53	–	–	–
Total current liabilities	55	–	3	–
Non-current liabilities				
Provisions	99	–	–	–
Total non-current liabilities	99	–	–	–
TOTAL LIABILITIES	154	–	3	–
NET ASSETS	18,795	17,460	13,710	10,371
EQUITY				
Accumulated surplus	18,795	17,460	13,710	10,371
Council equity interest	18,795	17,460	13,710	10,371
TOTAL EQUITY	18,795	17,460	13,710	10,371

Cumberland Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

	Function Centres		Swim Centres	
	Category 2		Category 1	
\$ '000	2018	2017	2018	2017
ASSETS				
Current assets				
Receivables	58	46	–	–
Total Current Assets	58	46	–	–
Non-current assets				
Infrastructure, property, plant and equipment	5,575	3,257	27,474	13,998
Total non-current assets	5,575	3,257	27,474	13,998
TOTAL ASSETS	5,633	3,303	27,474	13,998
LIABILITIES				
Current liabilities				
Payables	8	–	23	–
Provisions	80	253	79	336
Total current liabilities	88	253	102	336
Non-current liabilities				
Provisions	82	1	208	3
Total non-current liabilities	82	1	208	3
TOTAL LIABILITIES	170	254	310	339
NET ASSETS	5,463	3,049	27,164	13,659
EQUITY				
Accumulated surplus	5,463	3,049	27,164	13,659
Council equity interest	5,463	3,049	27,164	13,659
TOTAL EQUITY	5,463	3,049	27,164	13,659

Cumberland Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

Long Day Care

Category 1

\$ '000	2018	2017
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	24,171	13,447
Total non-current assets	24,171	13,447
TOTAL ASSETS	24,171	13,450
LIABILITIES		
Current liabilities		
Payables	9	–
Provisions	310	1,036
Total current liabilities	319	1,036
Non-current liabilities		
Provisions	567	165
Total non-current liabilities	567	165
TOTAL LIABILITIES	886	1,201
NET ASSETS	23,285	12,249
EQUITY		
Accumulated surplus	23,285	12,249
Council equity interest	23,285	12,249
TOTAL EQUITY	23,285	12,249

Cumberland Council

Special Purpose Financial Statements for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10

Cumberland Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies

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

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

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

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

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

National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

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

Category 1

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

- a. **Child Care**
Provision of Child Long Day Care Service
- b. **Swimming Centres**
Provision of Swimming Centre Activities

Category 2

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

- a. **Golf Course**
Provision for generating income through the operation of a Golf Course

Cumberland Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

b. Aged Care Units

Provision of accommodation for aged services

c. Function Centres

Hall Hire for functions, including catering

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars,

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

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

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

The rate applied of 30% is the equivalent company tax rate prevalent at reporting date.

Local government rates and charges

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

Cumberland Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

$$\frac{\text{Operating result before capital income + interest expense}}{\text{Written down value of I,PP\&E as at 30 June}}$$

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% at 30/6/18.

(iv) Dividends

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial report
Cumberland Council

To the Councillors of Cumberland Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of Cumberland Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, notes comprising a summary of Significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Golf Course
- Aged Care Units
- Function Centres
- Swim Centres
- Long Day Care.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2018, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and the Emphasis of Matter referring to the basis of accounting.

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 Report' section of my report.

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

- obtain reasonable assurance about whether the financial report 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 financial report.

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'Somaiya', written over a light blue horizontal line.

Somaiya Ahmed
Director, Financial Audit Services

19 October 2018
SYDNEY

Cumberland Council

SPECIAL SCHEDULES
for the year ended 30 June 2018

Cumberland Council

Special Schedules

for the year ended 30 June 2018

Contents

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Special Schedules ¹

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¹ Special Schedules are not audited (with the exception of Special Schedule 2).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Cumberland Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	23,364	12,063	–	(11,301)
Administration	25,566	11,541	–	(14,025)
Public order and safety				
Fire service levy, fire protection, emergency services	–	–	–	–
Enforcement of local government regulations	5,693	2,892	–	(2,801)
Animal control	582	–	–	(582)
Total public order and safety	6,479	2,892	–	(3,587)
Health	–	894	–	894
Environment				
Other environmental protection	1,526	656	–	(870)
Solid waste management	28,387	828	–	(27,559)
Street cleaning	6,627	4	–	(6,623)
Drainage	–	–	–	–
Stormwater management	6,544	–	–	(6,544)
Total environment	43,084	1,488	–	(41,596)
Community services and education				
Administration and education	7,282	481	–	(6,801)
Aged persons and disabled	1,792	233	–	(1,559)
Children's services	12,087	12,740	–	653
Total community services and education	21,161	13,195	–	(7,966)
Housing and community amenities				
Public cemeteries	–	–	–	–
Public conveniences	772	4	–	(768)
Street lighting	–	–	–	–
Town planning	12,087	2,089	27,751	17,753
Other community amenities	–	190	–	190
Total housing and community amenities	12,859	2,283	27,751	17,175

Cumberland Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	5,711	3,176	–	(2,535)
Community centres and halls	–	294	–	294
Sporting grounds and venues	–	666	–	666
Swimming pools	4,737	4,302	–	(435)
Parks and gardens (lakes)	12,221	11,298	–	(923)
Other sport and recreation	754	–	–	(754)
Total recreation and culture	23,618	19,739	–	(3,879)
Mining, manufacturing and construction				
Building control	–	5,873	–	5,873
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	–	5,873	–	5,873
Transport and communication				
Urban roads (UR) – local	18,617	3,827	1,416	(13,374)
Urban roads – regional	–	–	–	–
Parking areas	340	–	–	(340)
Footpaths	–	–	–	–
Aerodromes	–	–	–	–
Other transport and communication	10,224	3,213	–	(7,011)
Total transport and communication	29,159	7,040	1,416	(20,703)
Economic affairs				
Other economic affairs	–	2	–	2
Total economic affairs	–	2	–	2
Totals – functions	185,290	77,010	29,167	(79,113)
General purpose revenues ⁽¹⁾		98,995		98,995
Share of interests – joint ventures and associates using the equity method	–	874		874
NET OPERATING RESULT ⁽²⁾	185,290	176,879	29,167	20,756

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

Cumberland Council

Special Schedule 2 – Permissible income for general rates
for the year ended 30 June 2019

\$'000	2018/19				2017/18				
	Former Auburn City Council	Former Holroyd City Council	Former Parramatta City Council	Cumberland Council	Former Auburn City Council	Former Holroyd City Council	Former Parramatta City Council	Cumberland Council	
Notional general income calculation ⁽¹⁾									
Last year notional general income yield	a	24,084	51,147	14,076	89,307	23,586	49,319	–	72,905
Plus or minus adjustments ⁽²⁾	b	139	793	116	1,048	901	(942)	13,598	13,557
Notional general income	c = (a + b)	24,223	51,940	14,192	90,355	24,487	48,377	13,598	86,462
Permissible income calculation									
Special variation percentage ⁽³⁾	d	0.00%	7.00%	0.00%	7.00%	0.00%	7.00%	0.00%	7.00%
Or rate peg percentage	e	2.30%	0.00%	2.30%	2.30%	1.50%	0.00%	1.50%	1.50%
Plus special variation amount	h = d x (c – g)	–	3,636	–	3,636	–	3,386	–	3,386
Or plus rate peg amount	i = c x e	557	–	326	884	367	–	204	571
Sub-total	k = (c + g + h + i + j)	24,780	55,576	14,518	94,874	24,854	51,763	13,802	90,420
Plus (or minus) last year's carry forward total	l	625	605	(274)	956	(146)	284	–	138
Less valuation objections claimed in the previous year	m	–	–	–	–	–	(15)	–	(15)
Sub-total	n = (l + m)	625	605	(274)	956	(146)	269	–	123
Total permissible income	o = k + n	25,405	56,181	14,244	95,830	24,708	52,032	13,802	90,543
Less notional general income yield	p	25,631	55,917	14,165	95,713	24,084	51,147	14,076	89,307
Catch-up or (excess) result	q = o – p	(226)	264	79	117	624	885	(274)	1,236
Less unused catch-up ⁽⁵⁾	s	–	–	–	–	–	(281)	–	(281)
Carry forward to next year	t = q + r – s	(226)	264	79	117	624	604	(274)	955

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a return (FDR) to administer this process.
- (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 Special Schedule 2 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Cumberland Council

To the Councillors of Cumberland Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Cumberland Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), 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 and the Emphasis of Matter referring to the basis of accounting.

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule had 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

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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



Somaiya Ahmed
Director, Financial Audit Services

19 October 2018
SYDNEY

Cumberland Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	4,419	4,419	1,150	4,739	220,569	280,239	41%	41%	17%	1%	0%
	Car Parks	–	–	51	69	5,742	7,084	28%	41%	27%	4%	0%
	Sub-total	4,419	4,419	1,201	4,808	226,311	287,323	40.9%	41.2%	17.0%	1.2%	-0.4%
Roads	Sealed roads	25,418	25,418	4,719	3,509	508,251	631,128	47%	25%	22%	6%	0%
	Bridges	599	599	235	–	43,309	49,162	24%	54%	21%	1%	0%
	Kerbs	165	165	2,047	–	122,214	168,106	7%	32%	61%	0%	0%
	FootPaths	2,748	2,748	1,875	552	104,320	159,018	10%	41%	42%	6%	0%
	Public Transport Shelters	–	–	1	–	49	71	0%	0%	100%	0%	0%
	Signs	48	48	8	31	213	438	3%	23%	63%	9%	2%
	Street Furniture	–	–	–	–	360	408	77%	23%	0%	0%	0%
	Traffic Management Device	262	262	26	79	3,421	4,887	32%	51%	11%	4%	1%
	Sub-total	29,240	29,240	8,911	4,171	782,137	1,013,218	33.5%	30.3%	31.4%	4.6%	0.2%
Stormwater drainage	Stormwater drainage	22,449	–	353	414	438,062	511,256	8%	30%	57%	4%	0%
	Stormwater GPT	–	–	94	163	2,583	4,826	0%	3%	97%	0%	0%
	Stormwater Pits	16,305	–	121	–	38,701	63,619	11%	40%	23%	25%	0%
	Sub-total	38,754	–	568	577	479,346	579,701	8.6%	31.2%	53.5%	6.2%	0.5%
Open space/recreational assets	Park Infrastructure	1,036	1,036	472	4,351	16,510	31,426	44%	0%	48%	7%	0%
	Irrigation	2,796	2,796	294	–	2,917	6,530	29%	5%	23%	5%	38%
	Playgrounds	1,099	1,099	157	20	6,106	10,031	18%	37%	34%	4%	7%
	Lighting	1,672	1,672	136	–	2,079	2,079	12%	3%	4%	32%	48%
	Other Structures	–	–	79	–	2,831	3,988	0%	0%	100%	0%	0%
	Park active Areas	2,414	2,414	254	–	6,015	10,348	27%	12%	38%	13%	11%
	Fences	13	13	2	–	118	175	44%	0%	48%	7%	0%
	Sub-total	9,030	9,030	1,394	4,371	36,576	64,577	32.3%	8.2%	43.5%	7.8%	6.4%
TOTAL – ALL ASSETS	81,443	42,689	12,074	13,927	1,524,370	1,944,819	27.0%	31.4%	35.8%	4.6%	0.4%	

Notes:

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

Cumberland Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Indicator 2017	Benchmark
Infrastructure asset performance indicators * consolidated				
1. Buildings and infrastructure renewals ratio ⁽¹⁾				
Asset renewals ⁽²⁾	45,475	176.14%	104.62%	>= 100%
Depreciation, amortisation and impairment	25,817			
2. Infrastructure backlog ratio ⁽¹⁾				
Estimated cost to bring assets to a satisfactory standard	81,443	5.34%	9.70%	< 2.00%
Net carrying amount of infrastructure assets	1,524,370			
3. Asset maintenance ratio				
Actual asset maintenance	13,927	115.35%	125.87%	> 100%
Required asset maintenance	12,074			
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	42,689	2.20%	7.24%	
Gross replacement cost	1,944,819			

Notes

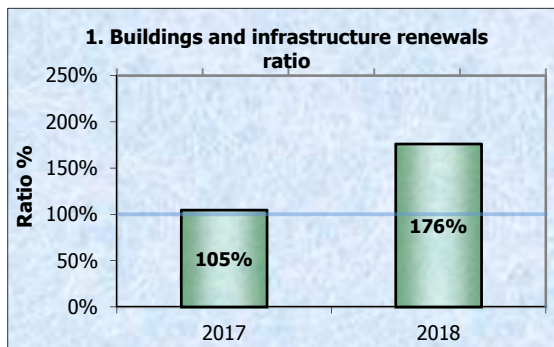
* All asset performance indicators are calculated using the asset classes identified in the previous table.

⁽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.

Cumberland Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2018



Purpose of asset renewals ratio

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

Commentary on 2017/18 result

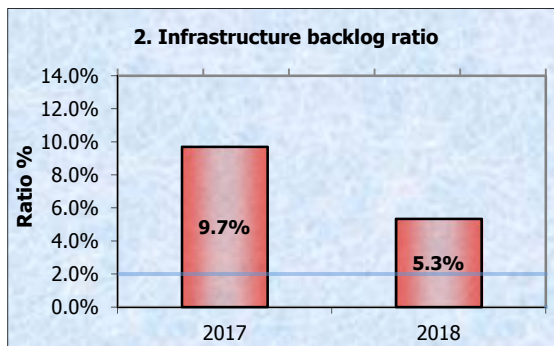
2017/18 Ratio 176.14%

Achieves the outcome

Renewal of Infrastructure was substantially above the target. This is impacted by SRV and council decision to invest heavily in renewal

Benchmark: ——— Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of infrastructure backlog ratio

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

Commentary on 2017/18 result

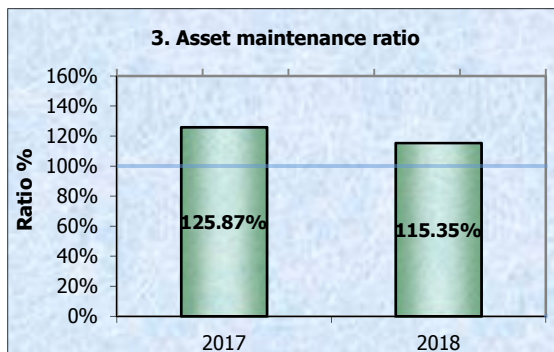
2017/18 Ratio 5.34%

Fails

Council made the decision to report on cost to return the asset to new as opposed to cost to refurbish. The definition of backlog and the target are not clear in this definition.

Benchmark: ——— Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2017/18 result

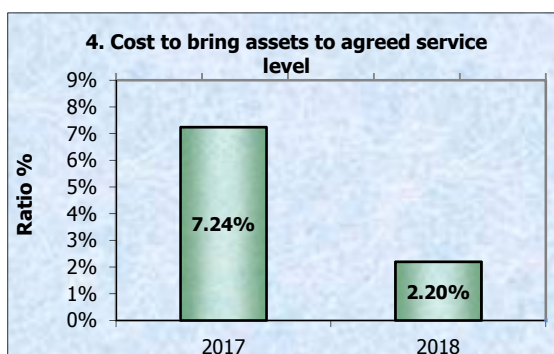
2017/18 Ratio 115.35%

Achieves the outcome

Council currently meets the criteria which ensure assets are being all maintained in working condition.

Benchmark: ——— Minimum $> 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of agreed service level ratio

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 2017/18 result

2017/18 Ratio 2.20%

Council excludes the stormwater from the backlog as community agreed service level of this asset class is not to fail.