



CUMBERLAND
CITY COUNCIL

Financial Statements

1 July 2019 - 30 June 2020

Cumberland City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



General Purpose Financial Statements

for the year ended 30 June 2020

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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.

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

The net operating result after deducting capital income in the Income Statement is \$14.317m which includes one-off non-recurring adjustments \$14.760m. Once we deduct the one-off's, the recurring deficit was \$0.443m the table below is from note 28 of the financial statements.

	2020	2019
	\$'000	\$'000
Non-Recurring Adjustments		
Profit on Sale	(479)	(3,940)
Fair Value Interest	(67)	(212)
Fair Value Investment Property	(3,280)	(9,941)
Operating Grants Recognised	(7,170)	
Fair Value Employee Provisions		1,100
Operating Grants Reversals		2,905
Bond Income	(3,764)	
Total Non-Recurring Adjustments	(14,760)	(10,088)

Consideration should be given to these adjustments from a financial sustainability perspective, and for consistency with the calculation of profit for budget purposes. The unrestricted cash has declined by \$11m and is now \$(3.361)m primary due to the deficit \$0.443m and spending \$41m from general reserve for capital projects.

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.

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements (continued)

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

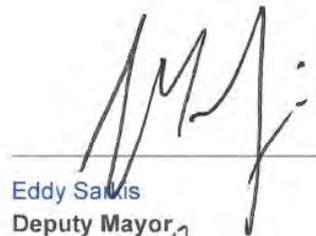
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 18 November 2020.



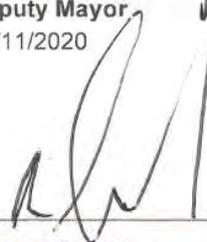
Steve Christou
Mayor
18/11/2020



Eddy Salkis
Deputy Mayor
18/11/2020



Hamish McNulty
General Manager
18/11/2020



Richard Sheridan
Responsible Accounting Officer
18/11/2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
134,168	Rates and annual charges	3a	134,572	129,612
29,646	User charges and fees	3b	24,131	26,846
11,157	Other revenues	3c	11,046	10,362
21,431	Grants and contributions provided for operating purposes	3d,3e	30,775	21,760
18,567	Grants and contributions provided for capital purposes	3d,3e	16,728	18,723
4,977	Interest and investment income	4	3,477	4,675
550	Net gains from the disposal of assets	6	479	3,940
–	Fair value increment on investment properties	11	3,280	9,941
3,088	Rental income	14e	2,461	–
–	Net share of interests in joint ventures and associates using the equity method	19	–	315
223,584	Total income from continuing operations		226,949	226,174
Expenses from continuing operations				
87,954	Employee benefits and on-costs	5a	80,460	83,446
1,425	Borrowing costs	5b	1,330	688
58,414	Materials and contracts	5c	55,907	61,567
32,320	Depreciation and amortisation	5d	34,794	32,470
22,824	Other expenses	5e	22,993	25,072
–	Net share of interests in joint ventures and associates using the equity method	19	420	–
202,937	Total expenses from continuing operations		195,904	203,243
20,647	Operating result from continuing operations		31,045	22,931
20,647	Net operating result for the year		31,045	22,931
20,647	Net operating result attributable to council		31,045	22,931
2,080	Net operating result for the year before grants and contributions provided for capital purposes		14,317	4,208

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

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

The 2019-20 net operating result includes \$14.76m (\$10m in 2018-19) in one-off non-cash, non-recurring, adjustments. These amounts were not included in the calculation of profit for budget. Refer to Note 28.

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		31,045	22,931
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	100,825	38
Total items which will not be reclassified subsequently to the operating result		100,825	38
Total other comprehensive income for the year		100,825	38
Total comprehensive income for the year		131,870	22,969
Total comprehensive income attributable to Council		131,870	22,969

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	15,940	13,687
Investments	7(b)	62,113	86,982
Receivables	8	13,913	13,285
Inventories	9a	208	148
Other	9b	1,033	1,813
Total current assets		<u>93,207</u>	<u>115,915</u>
Non-current assets			
Investments	7(b)	57,645	49,662
Infrastructure, property, plant and equipment	10	2,452,095	2,318,054
Investment property	11	70,285	66,811
Intangible Assets	12	5,044	3,394
Right of use assets	14a	2,148	–
Investments accounted for using the equity method	19	4,872	5,292
Total non-current assets		<u>2,592,089</u>	<u>2,443,213</u>
Total assets		<u>2,685,296</u>	<u>2,559,128</u>
LIABILITIES			
Current liabilities			
Payables	15	32,155	29,284
Contract liabilities	13	3,445	–
Lease liabilities	14b	1,117	–
Borrowings	15	4,585	4,961
Provisions	16	20,173	21,745
Total current liabilities		<u>61,475</u>	<u>55,990</u>
Non-current liabilities			
Lease liabilities	14b	1,070	–
Borrowings	15	31,399	33,812
Provisions	16	221	384
Total non-current liabilities		<u>32,690</u>	<u>34,196</u>
Total liabilities		<u>94,165</u>	<u>90,186</u>
Net assets		<u>2,591,131</u>	<u>2,468,942</u>
EQUITY			
Accumulated surplus	17	2,361,878	2,340,514
Revaluation reserves	17	229,253	128,428
Council equity interest		<u>2,591,131</u>	<u>2,468,942</u>
Total equity		<u>2,591,131</u>	<u>2,468,942</u>

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		2,340,514	128,428	2,468,942	2,311,037	128,390	2,439,427
Changes due to AASB 1058 and AASB 15 adoption	17	(9,681)	–	(9,681)	–	–	–
Restated opening balance		2,330,833	128,428	2,459,261	2,311,037	128,390	2,439,427
Net operating result for the year		31,045	–	31,045	22,931	–	22,931
Restated net operating result for the period		31,045	–	31,045	22,931	–	22,931
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10	–	100,825	100,825	–	38	38
Other comprehensive income		–	100,825	100,825	–	38	38
Total comprehensive income		31,045	100,825	131,870	22,931	38	22,969
Other Adjustment		–	–	–	6,546	–	6,546
Equity – balance at end of the reporting period		2,361,878	229,253	2,591,131	2,340,514	128,428	2,468,942

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
<i>Receipts:</i>				
138,093	Rates and annual charges		133,012	127,119
29,222	User charges and fees		22,697	26,952
5,027	Investment and interest revenue received		3,742	4,539
40,010	Grants and contributions		43,078	37,944
–	Bonds, deposits and retention amounts received		–	810
13,465	Other		13,730	11,947
<i>Payments:</i>				
(87,922)	Employee benefits and on-costs		(82,195)	(82,085)
(60,345)	Materials and contracts		(51,768)	(61,013)
(1,425)	Borrowing costs		(1,330)	(688)
–	Bonds, deposits and retention amounts refunded		(1,572)	–
(22,823)	Other		(21,969)	(27,217)
53,302	Net cash provided (or used in) operating activities	18b	57,425	38,308
Cash flows from investing activities				
<i>Receipts:</i>				
31,449	Sale of investment securities		16,953	–
500	Sale of infrastructure, property, plant and equipment		765	4,120
<i>Payments:</i>				
–	Purchase of investment securities		–	(1,222)
–	Purchase of investment property		(194)	–
(85,353)	Purchase of infrastructure, property, plant and equipment		(65,005)	(61,537)
(784)	Purchase of intangible assets		(3,366)	(1,936)
(54,188)	Net cash provided (or used in) investing activities		(50,847)	(60,575)
Cash flows from financing activities				
<i>Receipts:</i>				
–	Proceeds from borrowings and advances		–	30,000
<i>Payments:</i>				
(4,328)	Borrowings and advances		(2,789)	(850)
–	Lease liabilities (principal repayments)		(1,536)	–
(4,328)	Net cash flow provided (used in) financing activities		(4,325)	29,150
(5,214)	Net increase/(decrease) in cash and cash equivalents		2,253	6,883
–	Plus: cash and equivalents – beginning of reporting period	18a	13,687	6,804
(5,214)	Cash and cash equivalents – end of the year	18a	15,940	13,687
–	plus: Investments on hand – end of year	7(b)	119,758	136,644
(5,214)	Total cash, cash equivalents and investments		135,698	150,331

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 18 November 2020. 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.

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

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

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

(b) The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Volunteer services falls under the scope of AASB 1058 *Income of Not-for Profit Entities*, rather than AASB 15 because it is not a contract with a customer.

Local governments often benefit from volunteer services and now will have to determine if they would have purchased the services if they had not been donated.

A review of Council's volunteer services concludes no financial impact. Council volunteer services would not be purchased if they had not been donated.

New accounting standards and interpretations issued not yet effective

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

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

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

New accounting standards adopted during the year

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

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

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 17.

Except when an AAS permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements.

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

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Community Programs and Events	3,019	2,948	14,649	13,481	(11,630)	(10,533)	1,397	1,558	152	–
Roads and Stormwater	11,460	14,742	36,837	35,423	(25,377)	(20,681)	4,674	4,991	1,314,020	1,290,120
Parks and Recreation	2,338	3,710	23,536	26,081	(21,198)	(22,371)	(34)	1,275	908,817	796,782
Environmental Programs	1,225	640	2,925	2,546	(1,700)	(1,906)	215	20	–	–
Household Waste and Recycling	35,446	33,251	42,000	40,369	(6,554)	(7,118)	–	357	–	3,079
Children's Services	13,032	12,796	18,669	19,776	(5,637)	(6,980)	4,242	1,640	5,161	5,837
Urban Planning and Development	15,711	19,801	16,318	17,410	(607)	2,391	1,398	759	–	–
Regulatory Programs	5,043	5,910	12,407	11,326	(7,364)	(5,416)	11	17	–	–
Libraries	804	927	7,169	7,263	(6,365)	(6,336)	641	733	21,554	21,767
Pools	1,899	2,252	5,403	5,749	(3,504)	(3,497)	–	–	28,296	26,567
Governance	–	–	401	900	(401)	(900)	–	–	–	–
Community Facilities	1,325	6,610	8,987	11,450	(7,662)	(4,840)	20	193	212,022	212,690
Corporate	135,647	122,587	6,603	11,469	129,044	111,118	8,011	8,647	195,274	202,286
Total functions and activities	226,949	226,174	195,904	203,243	31,045	22,931	20,575	20,190	2,685,296	2,559,128

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Community Programs and Events

Council provides a wide range of cultural, social and community focused projects and programs aimed at access, inclusion and harmony. This includes Youth Programs, Health and Wellbeing, Aged and Disability Services, Community Centres, Community Organisations, and Business Engagement.

Roads and Stormwater

Council maintains the local roads through a program of capital works and precinct audits. Council also manages an extensive system of stormwater drains. This includes Road Maintenance, Footpath/Kerb and Gutter Maintenance, Drainage Maintenance and Street Cleaning.

Parks and Recreation

Council manages an extensive network of parks and recreational reserves where residents can play, socialise and connect with others. Council is responsible for designing and planning local open spaces, sportsgrounds and play spaces. Council also maintains local parks and gardens, sportsgrounds, golf courses, play spaces, hard courts, bush reserves, corridors and streetscapes that make up the approximately 800 ha of green space in Cumberland.

Environmental Programs

Council provides a wide range of community-focused waste education and environmental initiatives to help residents live sustainably. Council has also partnered with external agencies to look after and improve local waterways, works with schools to engage children and families and is developing a management plan for vegetation across Cumberland.

Household Waste and Recycling

Council ensures scheduled garbage and recycling bin collection for all residents. This includes a pre-booked household clean-up service as well as dedicated collection services for problem and electronic waste types. Council also collects illegally dumped rubbish to keep kerbsides and public spaces tidy.

Children's Services

Council manages 17 education and care centres. This includes long day preschools, before and after school programs, school holiday programs, occasional care and family day care services.

Urban Planning and Development

Council provides strategic planning and development services to ensure land is used in the best way for the community and complies with Council's best practice planning policies. This service also includes coordinating new developments with infrastructure and economic growth such as innovative land uses, transport, green spaces and community facilities.

Regulatory Programs

Council is responsible for regulating and enforcing health and safety standards across its LGA. This includes investigation of complaints in regard to illegal and unauthorised building works or landuse, Issuance of Notices/Orders/Infringements for identified offences and/or instigating action in either the Local or Land and Environment Court, Investigation and actioning of Swimming Pool Act non-compliances, Food Safety Surveillance Program, Skin Penetration and Public Health Surveillance Program, Legionella Surveillance, Companion Animal Program.

Libraries

Council provides a network of 8 libraries which is a 'one-stop shop' information hub, where residents can come to learn, relax, meet up and borrow a range of resources. Council facilitates and conducts community learning, educational, recreational and development programs in its libraries.

Notes to the Financial Statements

for the year ended 30 June 2020

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

Pools

Council operates five pools located at Lidcombe, Merrylands, Granville, Guildford and Wentworthville. Services include learn to swim programs, sporting events, gyms and family leisure activities.

Governance

Includes costs relating to Council's 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

Community Facilities

The facilities include multipurpose community centres, arts and cultural facilities, halls and meeting rooms. Users of facilities are primarily not-for-profit community organisations, but also include private bookings for functions and commercial use.

Corporate

Overall Administration services to facilitate the efficient delivery of Council's services. Key activities includes: Finance, Human Resources, Information Technology, Corporate Planning, Record Management.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	67,945	65,036
Business	1058 (1)	30,904	30,781
Less: pensioner rebates	1058 (1)	(1,056)	(1,012)
Rates levied to ratepayers		97,793	94,805
Pensioner rate subsidies received	1058 (1)	1,046	1,070
Total ordinary rates		98,839	95,875
Special rates			
Stormwater management services (s496(a))	1058 (1)	1,764	1,737
Rates levied to ratepayers		1,764	1,737
Total special rates		1,764	1,737
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058 (1)	33,928	32,003
Less: pensioner rebates	1058 (1)	(308)	(360)
Annual charges levied		33,620	31,643
Pensioner subsidies received:			
– Domestic waste management	1058 (1)	349	357
Total annual charges		33,969	32,000
TOTAL RATES AND ANNUAL CHARGES		134,572	129,612

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

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

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

Accounting policy for rates and charges

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

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

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

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Waste management services (non-domestic)	15 (1)	621	577
Total specific user charges		621	577
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation	15 (1)	272	202
Inspection services	15 (1)	370	673
Registration fees	15 (1)	117	140
Section 10.7 certificates (EP&A Act)	15 (1)	371	424
Section 603 certificates	15 (1)	234	187
Town planning	15 (1)	3,344	2,696
Other		131	423
Total fees and charges – statutory/regulatory		4,839	4,745
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aged care	15 (1)	346	358
Child care *	15 (1)	8,680	11,054
Community centres	15 (1)	562	739
Lease rentals	1058 (2)	275	258
Parking fees	1058 (2)	270	189
Restoration charges	1058 (2)	2,274	2,100
Swimming centres	1058 (2)	1,410	1,992
Administration	1058 (2)	71	49
Community events	1058 (2)	620	348
Community services	1058 (2)	657	665
Function centres	15 (1)	490	784
Other	1058 (2)	337	36
Housing and community amenities	1058 (2)	127	112
Libraries	1058 (2)	102	82
Recreation and parks	15 (1)	1,797	1,664
Transport and communication	1058 (2)	653	1,094
Total fees and charges – other		18,671	21,524
TOTAL USER CHARGES AND FEES		24,131	26,846

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

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

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

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

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

* Due to COVID grant of \$2.9m received as a result of Commonwealth declaration of free child care

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Accounting policy for user charges and fees

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

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

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

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

2019 accounting policy

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

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – other council properties (2019 only)	1058 (2)	–	2,877
Fines – parking	1058 (1)	3,923	4,821
Fines – other	1058 (2)	721	482
Legal fees recovery – rates and charges (extra charges)	1058 (2)	56	197
Legal fees recovery – other	1058 (2)	164	176
Commissions and agency fees	1058 (1)	9	10
Diesel rebate	1058 (2)	101	83
Insurance claims recoveries	1058 (1)	749	369
Other	1058 (1)	980	547
Bonds Income	1058 (1)	3,760	–
Vehicle lease recovery	1058 (2)	566	776
Lifelong learning	1058 (2)	17	19
Community services and education		–	5
TOTAL OTHER REVENUE		11,046	10,362

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

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

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

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

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

Accounting policy for other revenue

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

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

2019 accounting policy:

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	3,737	4,229	–	–
Payment in advance - future year allocation					
Financial assistance – general component		3,960	4,385	–	–
Total general purpose		7,697	8,614	–	–
Specific purpose					
Aged care	1058 (1)	1,136	1,082	–	–
Community care	1058 (2)	1,983	1,844	–	–
Environmental programs	1058 (1)	12	15	–	–
Heritage and cultural	1058 (1)	8	65	–	–
Library	1058 (1)	641	733	–	–
LIRS subsidy	1058 (1)	383	66	–	–
Recreation and culture	1058 (1)	5	–	108	2,081
Street lighting	1058 (1)	611	1,292	–	–
Traffic route subsidy	1058 (1)	22	22	–	–
Transport (roads to recovery)	1058 (1)	1,040	313	–	–
Transport (other roads and bridges funding)	1058 (2)	185	472	1,698	1,287
Child care/family day care	1058 (1)	972	1,307	–	–
Child Care Covid Grant	1058 (1)	2,928	–	–	–
Other	1058 (1)	1,145	995	–	–
Health services	1058 (2)	1	2	–	–
Total specific purpose		11,072	8,208	1,806	3,368
Total grants		18,769	16,822	1,806	3,368
Grant revenue is attributable to:					
– Commonwealth funding		10,119	14,300	–	1,280
– State funding		8,553	1,995	1,806	2,088
– Other funding		97	527	–	–
		18,769	16,822	1,806	3,368

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	10,149	13,456
S 7.11 – LGA administration		1058 (1)	–	–	232	340
S 7.11a – employment generation development		1058 (1)	–	–	572	768
Total developer contributions – cash			–	–	10,953	14,564
Total developer contributions	26		–	–	10,953	14,564
Other contributions:						
Cash contributions						
Community services		1058 (1)	3	–	–	–
Dedications		1058 (1)	–	–	3,461	791
Recreation and culture		1058 (1)	11	1,365	–	–
Roads and bridges			–	–	508	–
RMS contributions (regional roads, block grant)		1058 (1)	1,408	1,652	–	–
Other		1058 (1)	1,120	785	–	–
Community enhancement fund		1058 (1)	715	510	–	–
Volunteers		1058 (1)	38	7	–	–
Waste performance program		1058 (1)	218	228	–	–
Total other contributions – cash			3,513	4,547	3,969	791
Non-cash contributions						
Other		1058 (1)	1,323	391	–	–
Stronger Communities			7,170	–	–	–
Total other contributions – non-cash			8,493	391	–	–
Total other contributions			12,006	4,938	3,969	791
Total contributions			12,006	4,938	14,922	15,355
TOTAL GRANTS AND CONTRIBUTIONS			30,775	21,760	16,728	18,723

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

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

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

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

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

Accounting policy for grants and contributions**Accounting policy from 1 July 2019****Grant income under AASB 15**

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

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

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

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

Grant income

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

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

Capital grants

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

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

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

Contributions

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

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

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

Accounting policy prior to 1 July 2019

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Operating grants recognised in the current period that have not been spent.	725	725
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	3,054	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	(1,476)	–
Unexpended and held as externally restricted assets (operating grants)	2,303	725
Capital grants		
Capital grants recognised in the current period that have not been spent.	1,786	13,755
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	306	–
Less: capital grants recognised in a previous reporting period now spent (2019 only)	(950)	(11,969)
Unexpended and held as externally restricted assets (capital grants)	1,142	1,786
Contributions		
Contributions recognised in the current period that have not been spent.	66,648	57,391
Add: contributions received for the provision of goods and services in a future period	12,787	17,110
Less: contributions recognised in a previous reporting period now spent	(4,703)	(7,853)
Unexpended and held as externally restricted assets (contributions)	74,732	66,648

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	551	398
– Cash and investments	2,859	4,065
Fair value adjustments		
– Movements in investments at fair value through profit and loss	67	212
Total Interest and investment income	<u>3,477</u>	<u>4,675</u>
Interest revenue is attributable to:		
Overdue rates and annual charges (general fund)	551	398
General Council cash and investments	1,760	2,713
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	1,166	1,564
Total interest and investment revenue	<u>3,477</u>	<u>4,675</u>

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	63,377	65,053
Employee termination costs	1,072	1,377
Employee leave entitlements (ELE)	9,035	10,421
Superannuation – defined contribution plans	6,234	6,210
Superannuation – defined benefit plans	1,026	1,062
Workers' compensation insurance	2,592	3,339
Fringe benefit tax (FBT)	359	376
Protective clothing	116	224
Other	72	–
Total employee costs	83,883	88,062
Less: capitalised costs	(3,423)	(4,616)
TOTAL EMPLOYEE COSTS EXPENSED	80,460	83,446
Number of 'full-time equivalent' employees (FTE) at year end	856	926

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

\$ '000	2020	2019
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on leases	143	–
Interest on loans	1,187	688
Total interest bearing liability costs	1,330	688
Total interest bearing liability costs expensed	1,330	688
TOTAL BORROWING COSTS EXPENSED	1,330	688

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	13,041	15,311
Contractor and consultancy costs	10,484	9,161
– waste disposal tipping fees	20,830	20,333
– facility and infrastructure management	5,367	6,448
– agency staff	2,219	4,180
– other	2,620	2,649
Auditors remuneration	189	208
Infringement notice contract costs (SEINS)	526	548
Legal expenses:		
– Legal expenses: planning and development	399	880
– Legal expenses: debt recovery	65	273
– Legal expenses: other	73	125
Expenses from leases of low value assets (2020 only)	94	–
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments	–	1,451
Total materials and contracts	<u>55,907</u>	<u>61,567</u>
TOTAL MATERIALS AND CONTRACTS	<u>55,907</u>	<u>61,567</u>

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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

1. Operating lease payments are attributable to:

Plant & Equipment	–	1,451
	<u>–</u>	<u>1,451</u>

2. Auditor remuneration

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

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

Audit and review of financial statements	189	208
Remuneration for audit and other assurance services	<u>189</u>	<u>208</u>

Total Auditor-General remuneration

Total Auditor-General remuneration	<u>189</u>	<u>208</u>
Non NSW Auditor-General audit firms		
Total Auditor remuneration	<u>189</u>	<u>208</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		1,744	2,282
Office equipment		520	475
Furniture and fittings		252	252
Infrastructure:	10		
– Buildings		6,481	6,560
– Roads		10,211	9,862
– Bridges		558	553
– Footpaths		2,227	2,206
– Stormwater drainage		5,413	5,342
– Swimming pools		496	469
– Other open space/recreational assets		2,741	2,670
Right of use assets	14	1,575	–
Other assets:			
– Library books		424	387
– Other		436	191
Intangible assets	12	1,716	1,221
Total gross depreciation and amortisation costs		<u>34,794</u>	<u>32,470</u>
Total depreciation and amortisation costs		<u>34,794</u>	<u>32,470</u>
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>34,794</u>	<u>32,470</u>

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

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

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

Impairment of non-financial assets

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(e) Other expenses		
Advertising	572	594
Bad and doubtful debts	486	(24)
Bank charges	365	374
Contributions/levies to other levels of government		
– Department of planning levy	366	352
– NSW fire brigade levy	2,504	2,421
– Other contributions/levies	–	15
Councillor expenses – mayoral fee	89	86
Councillor expenses – councillors' fees	428	443
Councillors' expenses (incl. mayor) – other (excluding fees above)	37	75
Donations, contributions and assistance to other organisations (Section 356)	–	20
– Donations, contributions and assistance	293	731
Electricity and heating	1,858	2,090
Insurance	2,488	2,336
Postage	427	470
Printing and stationery	251	396
Street lighting	3,127	3,690
Subscriptions and publications	255	321
Telephone and communications	1,134	1,514
Valuation fees	282	296
Education programs	38	36
Community events	1,885	2,678
Information technology fees	2,918	2,714
Water rates and charges	1,414	1,197
Gas charges	106	123
Publicity, promotions, events	80	288
Other	1,590	1,836
Total other expenses	22,993	25,072
TOTAL OTHER EXPENSES	22,993	25,072

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Proceeds from disposal – property		490	3,887
Less: carrying amount of property assets sold/written off		(286)	(180)
Net gain/(loss) on disposal		204	3,707
Plant and equipment			
	10		
Proceeds from disposal – plant and equipment		275	233
Net gain/(loss) on disposal		275	233
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		479	3,940

Accounting policy for disposal of assets

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

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

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	7,383	507
Cash-equivalent assets		
– Managed funds	8,557	13,180
Total cash and cash equivalents	15,940	13,687

Accounting policy for cash and cash equivalents

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	5,113	43,645	17,982	23,662
b. 'Financial assets at amortised cost'	57,000	14,000	69,000	26,000
Total Investments	62,113	57,645	86,982	49,662
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	78,053	57,645	100,669	49,662
Financial assets at fair value through the profit and loss				
Managed funds	–	7,812	–	–
NCD's, FRN's (with maturities > 3 months)	5,113	30,715	17,982	18,673
Other long term financial assets	–	5,118	–	4,989
Total	5,113	43,645	17,982	23,662
Financial assets at amortised cost				
Long term deposits	57,000	14,000	69,000	26,000
Total	57,000	14,000	69,000	26,000

Accounting policy for investments

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

Financial assets through profit or loss

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

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

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

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	78,053	57,645	100,669	49,662
attributable to:				
External restrictions	22,836	57,645	24,580	49,662
Internal restrictions	58,578	–	67,616	–
Unrestricted	(3,361)	–	8,473	–
	<u>78,053</u>	<u>57,645</u>	<u>100,669</u>	<u>49,662</u>

\$ '000	2020	2019
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Details of restrictions

External restrictions

Developer contributions – general	74,732	66,648
Specific purpose unexpended grants (recognised as revenue) – general fund	3,445	2,511
Domestic waste management	421	1,557
Stormwater management	1,915	2,180
Other special levies	(32)	27
Other	–	1,319
Total external restrictions	<u>80,481</u>	<u>74,242</u>

Internal restrictions

Employees leave entitlement	6,052	5,177
Stronger community fund	–	5,850
Parks and gardens amenities	–	137
Marrong Reserve South	3,154	3,200
Special Rate Variation	1,290	4,492
Woodville Reserve	11,155	13,528
S355 Park committee	975	1,266
Merrylands CBD Reserve	23,901	28,703
Unclaimed Bond Reserve	2,828	–
Financial Assistance Grant Reserve	3,960	–
Property Reserve	5,263	5,263
Total internal restrictions	<u>58,578</u>	<u>67,616</u>

TOTAL RESTRICTIONS

	<u>139,059</u>	<u>141,858</u>
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	8,140	–	6,580	–
Interest and extra charges	207	–	84	–
User charges and fees	3,401	–	1,494	–
Contributions to works	8	–	8	–
Accrued revenues				
– Interest on investments	698	–	1,153	–
– Other income accruals	164	–	508	–
Government grants and subsidies	–	–	1,811	–
Net GST receivable	1,829	–	1,061	–
Workers' compensation insurance	(26)	–	149	–
Lease/rental of properties	161	–	97	–
Childrens and community services	(157)	–	292	–
Other debtors	(18)	–	69	–
Total	14,407	–	13,306	–
Less: provision of impairment				
User charges and fees	(494)	–	(21)	–
Total provision for impairment – receivables	(494)	–	(21)	–
TOTAL NET RECEIVABLES	13,913	–	13,285	–
Unrestricted receivables	13,913	–	13,285	–
TOTAL NET RECEIVABLES	13,913	–	13,285	–

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	21	176
+ new provisions recognised during the year	494	–
– amounts already provided for and written off this year	(21)	(155)
Balance at the end of the year	494	21

Accounting policy for receivables

Recognition and measurement

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

Impairment

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

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	208	–	148	–
Total inventories at cost	208	–	148	–
<u>TOTAL INVENTORIES</u>	<u>208</u>	<u>–</u>	<u>148</u>	<u>–</u>
(b) Other assets				
Prepayments	1,033	–	1,813	–
<u>TOTAL OTHER ASSETS</u>	<u>1,033</u>	<u>–</u>	<u>1,813</u>	<u>–</u>

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period								as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments	Other - Accounting Adjustment	Revalue decrements to equity (ARR)	Revalue increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	26,755	–	26,755	61,699	–	–	(25,884)	(1,435)	–	–	–	61,135	–	61,135
Plant and equipment	28,142	(20,550)	7,592	1,020	(260)	(1,744)	–	–	–	–	–	27,868	(21,260)	6,608
Office equipment	15,327	(11,999)	3,328	–	–	(520)	267	–	–	–	–	15,594	(12,519)	3,075
Furniture and fittings	5,819	(4,033)	1,786	23	–	(252)	266	–	–	–	–	6,107	(4,284)	1,823
Land:														
– Operational land	380,564	–	380,564	–	–	–	–	–	–	–	–	380,564	–	380,564
– Community land	372,294	–	372,294	–	(286)	–	3,245	3,461	–	–	27,864	406,578	–	406,578
– Land under roads (post 30/6/08)	143	–	143	–	–	–	–	–	–	–	–	143	–	143
Infrastructure:														
– Buildings	257,263	(61,358)	195,905	–	–	(6,481)	12,958	–	6,986	–	–	280,231	(70,863)	209,368
– Roads	816,687	(180,591)	636,096	–	–	(10,211)	2,122	–	–	–	–	818,810	(190,804)	628,006
– Bridges	49,389	(6,407)	42,982	–	–	(558)	–	–	–	–	–	49,388	(6,964)	42,424
– Footpaths	160,795	(55,018)	105,777	–	–	(2,227)	451	–	–	(773)	–	152,783	(49,555)	103,228
– Stormwater drainage	584,206	(105,697)	478,509	–	–	(5,413)	3,895	–	–	–	–	588,101	(111,110)	476,991
– Swimming pools	24,745	(3,496)	21,249	–	–	(496)	1,786	–	1,241	(15,554)	–	10,936	(2,710)	8,226
– Other open space/recreational assets	69,880	(30,671)	39,209	–	–	(2,741)	59	–	(8,227)	–	89,288	154,137	(36,549)	117,588
Other assets:														
– Library books	17,228	(13,277)	3,951	498	–	(424)	–	–	–	–	–	17,726	(13,701)	4,025
– Other	2,302	(388)	1,914	–	–	(436)	835	–	–	–	–	3,137	(824)	2,313
Total Infrastructure, property, plant and equipment	2,811,539	(493,485)	2,318,054	63,240	(546)	(31,503)	–	2,026	–	(16,327)	117,152	2,973,238	(521,143)	2,452,095

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

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

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

\$ '000	as at 30/06/18			Asset movements during the reporting period								as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Transfers between Classes	Other movements (details....)	Tfrs from/(to) investment properties	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	7,364	–	7,364	59,122	–	–	(39,731)	–	–	–	–	26,755	–	26,755
Plant and equipment	27,696	(19,707)	7,989	2,427	(626)	(2,282)	84	–	–	–	–	28,142	(20,550)	7,592
Office equipment	14,414	(11,524)	2,890	1	–	(475)	912	–	–	–	–	15,327	(11,999)	3,328
Furniture and fittings	5,785	(3,781)	2,004	–	–	(252)	34	–	–	–	–	5,819	(4,033)	1,786
Land:														
– Operational land	426,875	–	426,875	–	–	–	–	–	–	(46,311)	–	380,564	–	380,564
– Community land	361,402	–	361,402	791	–	–	1,478	–	8,623	–	–	372,294	–	372,294
– Land under roads (post 30/6/08)	105	–	105	–	–	–	–	–	–	–	38	143	–	143
Infrastructure:														
– Buildings	263,545	(57,985)	205,560	–	–	(6,560)	7,464	–	–	(10,559)	–	257,263	(61,358)	195,905
– Roads	805,038	(171,287)	633,751	–	(159)	(9,862)	13,227	–	(861)	–	–	816,687	(180,591)	636,096
– Bridges	49,162	(5,853)	43,309	–	–	(553)	226	–	–	–	–	49,389	(6,407)	42,982
– Footpaths	159,018	(53,941)	105,077	–	(21)	(2,206)	4,299	(156)	(1,216)	–	–	160,795	(55,018)	105,777
– Stormwater drainage	579,701	(100,355)	479,346	–	–	(5,342)	4,505	–	–	–	–	584,206	(105,697)	478,509
– Swimming pools	23,778	(3,027)	20,751	223	–	(469)	744	–	–	–	–	24,745	(3,496)	21,249
– Other open space/recreational assets	64,577	(28,001)	36,576	–	–	(2,670)	5,303	–	–	–	–	69,880	(30,671)	39,209
Other assets:														
– Library books	16,573	(12,889)	3,684	654	–	(387)	–	–	–	–	–	17,228	(13,277)	3,951
– Other	847	(197)	650	–	–	(191)	1,455	–	–	–	–	2,302	(388)	1,914
Total Infrastructure, property, plant and equipment	2,805,880	(468,547)	2,337,333	63,218	(806)	(31,249)	–	(156)	6,546	(56,870)	38	2,811,539	(493,485)	2,318,054

Notes to the Financial Statements

for the year ended 30 June 2020

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	2 to 15	Playground equipment	5 to 20
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Vehicles	5 to 10		
Heavy plant/road making equipment	5 to 10	Buildings	
Other plant and equipment	3 to 50	Buildings: masonry	50 to 100
		Buildings: other	10 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	50 to 120
Bores	20 to 40	Culverts	50 to 120
Reticulation pipes: PVC	70 to 80	Flood control structures	50 to 120
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	5 to 120	Bulk earthworks	20 to 50
Sealed roads: structure	5 to 120	Swimming pools	10 to 50
Unsealed roads	5 to 120	Unsealed roads	5 to 120
Bridges	30 to 100	Other open space/recreational assets	5 to 150
Road pavements	60 to 150	Other infrastructure	5 to 75
Kerb, gutter and footpaths	20 to 150		

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

Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB1051. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB116 Property, Plant and Equipment.

Notes to the Financial Statements

for the year ended 30 June 2020

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

Crown reserves

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Investment properties

\$ '000	2020	2019
Owned investment property		
Investment property on hand at fair value	70,285	66,811
Total owned investment property	<u>70,285</u>	<u>66,811</u>

(a) Reconciliation – owned investment property

Reconciliation of annual movement:

Opening balance	66,811	–
– Net gain/(loss) from fair value adjustments	3,280	9,941
– Transfers from/(to) owner occupied (Note 10)	–	56,870
– Other movements	194	–
CLOSING BALANCE – OWNED INVESTMENT PROPERTY	<u>70,285</u>	<u>66,811</u>

(b) Valuation basis (2019 only)

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

The 2019 revaluations were based on independent assessments made by Assetic Australia Pty Ltd, Bruce Phillips, Certified Practising Valuer, AAPI Member 67847

\$ '000	2020	2019
(c) Investment property income and expenditure – summary (2019 only)		
Fair value movement for year	3,280	9,941
Total income attributable to investment property	<u>3,280</u>	<u>9,941</u>

Accounting policy for investment property

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
Software		
Opening values at 1 July		
Gross book value	9,754	7,817
Accumulated amortisation	(6,360)	(4,888)
Accumulated impairment	–	(250)
Net book value – opening balance	3,394	2,679
Movements for the year		
– Other movements	–	(1)
– Purchases	3,366	1,937
– Amortisation charges	(1,716)	(1,221)
Closing values at 30 June		
Gross book value	13,120	9,754
Accumulated amortisation	(8,076)	(6,360)
Total software – net book value	5,044	3,394
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	5,044	3,394

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Contract assets and liabilities

\$ '000	Notes	2020 Current	2020 Non-current
Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	1,142	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	2,303	–
Total grants received in advance		3,445	–
Total contract liabilities		3,445	–

Notes

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

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

\$ '000	2020 Current	2020 Non-current
(i) Contract liabilities relating to restricted assets		
Total contract liabilities relating to unrestricted assets	3,445	–
Total contract liabilities	3,445	–

\$ '000	2020
(ii) Revenue recognised (during the financial year) from opening contract liability balances	
Grants and contributions received in advance:	
Capital grants (to construct Council controlled assets)	671
Operating grants (received prior to performance obligation being satisfied)	8,926
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	9,597

Significant changes in contract assets and liabilities

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

Accounting policy for contract assets and liabilities

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Contract assets and liabilities (continued)

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases

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

(i) Council as a lessee

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

Terms and conditions of leases

These leases have between 1 and 4 years remaining.

Vehicles

Council leases vehicles and equipment with lease terms varying from 1 to 5 years; the lease payments are fixed during the lease term however some of the leases include variable payments based on usage and there is generally no renewal option.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 1 and 5 years with no renewal option, the payments are fixed,

\$ '000	Motor Vehicles	Photocopiers	Total
(a) Right of use assets			
Opening balance at 30 June 2019	–	–	–
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	2,792	239	3,031
Additions to right-of-use assets	678	14	692
Depreciation charge	(1,466)	(109)	(1,575)
<u>RIGHT OF USE ASSETS</u>	<u>1,982</u>	<u>166</u>	<u>2,148</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

\$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liabilities	1,117	1,070
<u>TOTAL LEASE LIABILITIES</u>	<u>1,117</u>	<u>1,070</u>

(i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	1,117	1,070	–	2,187	2,187

\$ '000	2020 Current	2020 Non-current
Total lease liabilities relating to unrestricted assets	47	2,140
<u>Total lease liabilities</u>	<u>47</u>	<u>2,140</u>

\$ '000	2020
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(c) Income Statement

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

Interest on lease liabilities	143
Depreciation of right of use assets	1,575
Expenses relating to low-value leases	94
	<u>1,812</u>

(d) Statement of Cash Flows

Total cash outflow for leases	1,679
	<u>1,679</u>

Leases at significantly below market value – concessionary / peppercorn leases

Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

Accounting policy

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

Accounting policies under AASB 16 – applicable from 1 July 2019

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / concessionary leases

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

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

Refer to Note 5c and Note 20.

(ii) Council as a lessor

Council leases out a number of properties; these leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property in the Statement of Financial Position.

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

\$ '000	2020
(i) Operating lease income	
Investment properties	
Lease income	2,461
Total income relating to operating leases	2,461

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	5,607	–	1,408	–
Accrued expenses:				
– Other expenditure accruals	5,200	–	5,750	–
Security bonds, deposits and retentions	20,027	–	21,599	–
Other	1,321	–	527	–
Total payables	32,155	–	29,284	–
Borrowings				
Loans – secured ¹	4,585	31,399	4,961	33,812
Total borrowings	4,585	31,399	4,961	33,812
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>36,740</u>	<u>31,399</u>	<u>34,245</u>	<u>33,812</u>

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

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Domestic waste management	1,144	–	1,370	–
Payables and borrowings relating to externally restricted assets	1,144	–	1,370	–
Total payables and borrowings relating to restricted assets	1,144	–	1,370	–
Total payables and borrowings relating to unrestricted assets	35,596	31,399	32,875	33,812
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>36,740</u>	<u>31,399</u>	<u>34,245</u>	<u>33,812</u>

\$ '000	2020	2019
(b) Current payables and borrowings not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	16,397	17,713
Total payables and borrowings	16,397	17,713

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings (continued)

(c) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	38,773	(2,789)	–	–	–	–	35,984
Lease liabilities	–	2,187	–	–	–	–	2,187
TOTAL	38,773	(602)	–	–	–	–	38,171

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	9,615	29,158	–	–	–	38,773
TOTAL	9,615	29,158	–	–	–	38,773

\$ '000	2020	2019
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(d) Financing arrangements

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

Bank overdraft facilities ¹	1,500	1,500
Credit cards/purchase cards	240	240
Total financing arrangements	1,740	1,740

Undrawn facilities as at balance date:

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

Additional financing arrangements information

Breaches and defaults

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

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

Accounting policy for payables and borrowings

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings (continued)

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	6,766	14	7,156	26
Sick leave	482	–	536	–
Long service leave	11,420	207	12,372	358
ELE on-costs	1,505	–	1,681	–
Sub-total – aggregate employee benefits	20,173	221	21,745	384
TOTAL PROVISIONS	20,173	221	21,745	384
Total provisions relating to unrestricted assets	20,173	221	21,745	384
TOTAL PROVISIONS	20,173	221	21,745	384

\$ '000	2020	2019
(a) Current provisions not anticipated to be settled within the next twelve months		
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	11,038	16,568
	11,038	16,568

(b) Description of and movements in provisions

\$ '000	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	
2020					
At beginning of year	7,182	536	12,730	1,681	22,129
Other	(402)	(54)	(1,103)	(176)	(1,735)
Total ELE provisions at end of year	6,780	482	11,627	1,505	20,394
2019					
At beginning of year	6,550	543	11,311	1,361	19,765
Other	632	(7)	1,419	320	2,364
Total ELE provisions at end of year	7,182	536	12,730	1,681	22,129

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

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

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

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

(i) AASB 15 and AASB 1058

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

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

Principal v agent

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

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

Licences

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

Prepaid rates

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

Grants – operating

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

Grants – capital

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract liabilities	
– Under AASB 15	9,681
Total Contract liabilities	<u>9,681</u>

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

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards
Current assets				
Cash and cash equivalents	15,940	–	–	15,940
Investments	62,113	–	–	62,113
Receivables	13,913	–	–	13,913
Inventories	208	–	–	208
Other	1,033	–	–	1,033
Total current assets	<u>93,207</u>	<u>–</u>	<u>–</u>	<u>93,207</u>
Current liabilities				
Payables	32,155	–	–	32,155
Contract liabilities	3,445	–	(3,445)	–
Lease liabilities	1,117	–	–	1,117
Borrowings	4,585	–	–	4,585
Provisions	20,173	–	–	20,173
Total current liabilities	<u>61,475</u>	<u>–</u>	<u>(3,445)</u>	<u>58,030</u>
Non-current assets				
Investments	57,645	–	–	57,645
Infrastructure, property, plant and equipment	2,452,095	–	–	2,452,095
Investment property	70,285	–	–	70,285
Intangible assets	5,044	–	–	5,044
Right of use assets	2,148	–	–	2,148
Investments accounted for using equity method	4,872	–	–	4,872
Total non-current assets	<u>2,592,089</u>	<u>–</u>	<u>–</u>	<u>2,592,089</u>
Non-current liabilities				
Lease liabilities	1,070	–	–	1,070
Borrowings	31,399	–	–	31,399
Provisions	221	–	–	221

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards
Total Non-current liabilities	32,690	–	–	32,690
Net assets	2,591,131	–	3,445	2,594,576
Equity				
Accumulated surplus	2,361,878	–	3,445	2,365,323
Revaluation reserves	229,253	–	–	229,253
Council equity interest	2,591,131	–	3,445	2,594,576
Total equity	2,591,131	–	3,445	2,594,576

Income Statement

\$ '000	Income Statement and comprehen- sive income under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Income Statement and comprehen- sive income under previous revenue standards
<u>Income from continuing operations</u>				
Rates and annual charges	134,572	–	–	134,572
User charges and fees	24,131	–	–	24,131
Other revenues	11,046	–	–	11,046
Grants and contributions provided for operating purposes	30,775	–	(6,542)	24,233
Grants and contributions provided for capital purposes	16,728	–	306	17,034
Interest and investment income	3,477	–	–	3,477
Net gains from the disposal of assets	479	–	–	479
Fair value increment on investment properties	3,280	–	–	3,280
Rental income	2,461	–	–	2,461
Total Income from continuing operations	226,949	–	(6,236)	220,713
<u>Expenses from continuing operations</u>				
Employee benefits and on-costs	80,460	–	–	80,460
Borrowing costs	1,330	–	–	1,330
Materials and contracts	55,907	–	–	55,907
Depreciation and amortisation	34,794	–	–	34,794
Other expenses	22,993	–	–	22,993
Net share of interests in joint ventures and associates using the equity method	420	–	–	420
Total Expenses from continuing operations	195,904	–	–	195,904
Total Operating result from continuing operations	31,045	–	(6,236)	24,809
Net operating result for the year	31,045	–	(6,236)	24,809

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards
Total comprehensive income	131,870	–	–	131,870

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	–	–	–
Total assets	2,559,128	–	2,559,128
Contract liabilities	–	9,681	9,681
Total liabilities	90,186	9,681	99,867
Accumulated surplus	–	(9,681)	(9,681)
Total equity	2,468,942	(9,681)	2,459,261

Notes to the Financial Statements

for the year ended 30 June 2020

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

(ii) AASB 16 Leases

Council as a lessee

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

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

Practical expedients used on transition

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

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

Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$3,030,871 at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 3.6%.

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	2,997
Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	3,031

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	–	3,031	3,031
Total assets	2,559,128	3,031	2,562,159
Payables – accrued interest on leases (30/6/2019)	–	–	–
Leases	–	3,031	3,031
Total liabilities	90,186	3,031	93,217
Accumulated surplus	–	–	–
Total equity	2,468,942	–	2,468,942

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	15,940	13,687
Balance as per the Statement of Cash Flows		15,940	13,687
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		31,045	22,931
Adjust for non-cash items:			
Depreciation and amortisation		34,794	32,470
Net losses/(gains) on disposal of assets		(479)	(3,940)
Non-cash capital grants and contributions		–	(791)
Adoption of AASB 15/1058		(9,681)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as ‘at fair value’ or ‘held for trading’		(67)	(212)
– Investment property		(3,280)	(9,941)
Share of net (profits)/losses of associates/joint ventures using the equity method		420	(315)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,101)	(2,419)
Increase/(decrease) in provision for impairment of receivables		473	(155)
Decrease/(increase) in inventories		(60)	15
Decrease/(increase) in other current assets		780	162
Increase/(decrease) in payables		4,199	539
Increase/(decrease) in other accrued expenses payable		(550)	(3,075)
Increase/(decrease) in other liabilities		(778)	675
Increase/(decrease) in contract liabilities		3,445	–
Increase/(decrease) in provision for employee benefits		(1,735)	2,364
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		57,425	38,308
(c) Non-cash investing and financing activities			
Other dedications		–	791
Total non-cash investing and financing activities		–	791

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2020	2019	2020	2019
Joint ventures	(420)	315	4,872	5,292
Total	(420)	315	4,872	5,292

(a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2020	2019
CivicRisk Mutual	Joint venture	Equity accounting	612	636
CivicRisk Metro	Joint venture	Equity accounting	4,260	4,656
Total carrying amounts – material joint ventures			4,872	5,292

(b) Details

	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

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2020	2019	2020	2019	2020	2019
CivicRisk Mutual	(11.6)%	8.0%	8.6%	9.2%	5.3%	5.9%
CivicRisk Metro	14.7%	39.8%	33.4%	31.8%	16.7%	16.7%

(d) Summarised financial information for joint ventures

\$ '000	CivicRisk Mutual		CivicRisk Metro	
	2020	2019	2020	2019
Statement of financial position				
Current assets				
Cash and cash equivalents	6,177	1,813	9,281	254
Other current assets	5,924	7,215	5,781	9,901
Non-current assets	5,102	5,368	6,711	12,769
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	5,923	4,827	1,762	312
Other current liabilities	490	346	1,689	1,313
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	3,635	2,279	5,558	6,651

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities (continued)

\$ '000	CivicRisk Mutual		CivicRisk Metro	
	2020	2019	2020	2019
Net assets	7,155	6,944	12,764	14,648
Reconciliation of the carrying amount				
Opening net assets (1 July)	6,944	8,468	14,648	13,548
Profit/(loss) for the period	–	(1,524)	(289)	1,099
Closing net assets	6,944	6,944	14,359	14,647
Council's share of net assets (%)	8.6%	9.2%	33.4%	31.8%
Council's share of net assets (\$)	612	636	4,260	4,657
Statement of comprehensive income				
Income	14,474	11,320	1,845	2,116
Interest income	205	448	271	1,013
Other expenses	(14,468)	(13,291)	(2,405)	(2,030)
Profit/(loss) from continuing operations	211	(1,523)	(289)	1,099
Profit/(loss) for the period	211	(1,523)	(289)	1,099
Total comprehensive income	211	(1,523)	(289)	1,099
Share of income – Council (%)	(11.6)%	8.0%	14.7%	39.8%
Profit/(loss) – Council (\$)	(24)	(122)	(42)	437
Total comprehensive income – Council (\$)	(24)	(122)	(42)	437

Accounting policy for joint arrangements**Joint ventures**

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Commitments

\$ '000	2020	2019
(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	9,436	23,802
Library	–	106
Open Space	8,114	3,165
Office Equipment	84	1,326
Drainage	4,985	1,988
Footpaths	8	1,702
Roads	315	504
Investment property		
– Land	6	50
Total commitments	22,948	32,643
These expenditures are payable as follows:		
Within the next year	22,948	32,643
Later than one year and not later than 5 years	–	–
Later than 5 years	–	–
Total payable	22,948	32,643
Sources for funding of capital commitments:		
Unrestricted general funds	22,948	32,643
Total sources of funding	22,948	32,643

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

Within the next year	–	1,348
Later than one year and not later than 5 years	–	1,649
Total non-cancellable operating lease commitments	–	2,997

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies

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

LIABILITIES NOT RECOGNISED**1. Guarantees****(i) Defined benefit superannuation contribution plans**

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

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

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

Description of the funding arrangements.

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

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

Division B	1.9 times employee contributions for non-180Point Members; Nil for 180 point members
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 for to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$945,649.05. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 30 June 2019, relating to the period ending 30 June 2020.

The amount of additional contributions included in the total employer contribution advised above is \$529,512.02. Council's expected contribution to the plan for the next annual reporting period is \$915,097.96.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$539,500 as at 30 June 2020.

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies (continued)

(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.

ASSETS NOT RECOGNISED

(i) 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	15,940	13,687	15,941	13,687
Receivables	13,913	13,285	13,779	13,285
Investments				
– 'Financial assets at amortised cost' / 'held to maturity'	71,000	95,000	71,000	95,000
Fair value through profit and loss				
Investments				
– Financial assets at fair value through profit or loss -	48,758	41,644	48,758	41,644
Total financial assets	149,611	163,616	149,478	163,616
Financial liabilities				
Payables	32,155	29,284	32,155	29,284
Borrowings	35,984	38,773	35,984	38,773
Lease liabilities	2,187	–	2,187	–
Total financial liabilities	70,326	68,057	70,326	68,057

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Impact of a 10% movement in market values	4,876	4,876	(4,876)	(4,876)
Impact of a 1% movement in interest rates	729	729	(729)	(729)
2019				
Impact of a 10% movement in market values	1,798	1,798	(1,798)	(1,798)
Impact of a 1% movement in interest rates	1,323	1,323	(1,323)	(1,323)

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

charges at higher than market rates which further encourages the payment of debt.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	8,140	–	–	–	–	8,140
2019						
Gross carrying amount	6,580	–	–	–	–	6,580

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	4,123	180	36	47	809	5,195
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	494	494
2019						
Gross carrying amount	4,056	199	805	763	903	6,726
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	2.30%	0.31%
ECL provision	–	–	–	–	21	21

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2020							
Trade/other payables	0.00%	20,027	12,129	–	–	32,156	32,155
Loans and advances	2.70%	–	4,585	19,143	12,257	35,985	35,984
Total financial liabilities		<u>20,027</u>	<u>16,714</u>	<u>19,143</u>	<u>12,257</u>	<u>68,141</u>	<u>68,139</u>
2019							
Trade/other payables	0.00%	21,599	7,685	–	–	29,284	29,284
Loans and advances	2.78%	–	5,995	20,161	17,495	43,651	38,773
Total financial liabilities		<u>21,599</u>	<u>13,680</u>	<u>20,161</u>	<u>17,495</u>	<u>72,935</u>	<u>68,057</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Material budget variations

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

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
User charges and fees	29,646	24,131	(5,515)	(19)% U
User charges & fees had a negative budget variance, mainly due to a drop in Childcare fees and hire revenue during COVID shutdown. Some of this is offset by an increase in government grants during the COVID period.				
Operating grants and contributions	21,431	30,775	9,344	44% F
Operating grants & contributions had a positive variance attributable to new grants received during the COVID period and the rerecognition of Stronger Communities grants as a result of a change in accounting standards.				
Capital grants and contributions	18,567	16,728	(1,839)	(10)% U
The amount of capital developer contributions (s7.11) Council received in 2019/20 was down against original budget.				
Interest and investment revenue	4,977	3,477	(1,500)	(30)% U
Interest revenue had a negative budget variance due to multiple drops in interest rates and a fall in Council's available cash balance to place investments.				
Net gains from disposal of assets	550	479	(71)	(13)% U
Council reduced capital spend on new plant items during 2019/20. Consequently Council did not dispose of as many old assets as budgeted, resulting in a smaller gain on asset disposals compared to the original budget.				
Rental income	3,088	2,461	(627)	(20)% U
Property rental income was down on the original budget due to rental deferrals through the Covid period and vacancies in some Council properties during the year.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement

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

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

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

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

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

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

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

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

2020	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
Recurring fair value measurements					
Financial assets					
Investments					
Fair Value through profit and loss	30/06/20	–	–	48,758	48,758
Total financial assets		–	–	48,758	48,758
Investment property					
Investment Property	30/06/20	–	70,285	–	70,285
Total investment property		–	70,285	–	70,285
Infrastructure, property, plant and equipment					
Operational land	30/06/18	–	380,564	–	380,564
Community land	30/06/20	–	–	406,578	406,578
Land under roads (post 30/6/08)	30/06/17	–	–	143	143
Open Space / Recreational Assets	30/06/20	–	–	117,588	117,588
Buildings	30/06/17	–	–	209,368	209,368
Roads	30/06/18	–	–	628,006	628,006
Bridges	30/06/17	–	–	42,424	42,424
Footpaths	01/06/20	–	–	103,228	103,228
Stormwater drainage	30/06/17	–	–	476,991	476,991
Swimming pools	30/06/20	–	–	8,226	8,226
Total infrastructure, property, plant and equipment		–	380,564	1,992,552	2,373,116

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

2019	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
Recurring fair value measurements					
Financial assets					
Investments					
Fair Value through profit and loss	30/06/19	–	–	41,644	41,644
Total financial assets		–	–	41,644	41,644
Investment property					
Investment Property	30/06/19	–	66,811	–	66,811
Total investment property		–	66,811	–	66,811
Infrastructure, property, plant and equipment					
Operational land	30/06/18	–	380,564	–	380,564
Community land	30/06/17	–	–	372,294	372,294
Land under roads (post 30/6/08)	30/06/17	–	–	143	143
Open Space / Recreational Assets	30/06/17	–	–	39,209	39,209
Buildings	30/06/17	–	–	195,905	195,905
Roads	30/06/18	–	–	636,096	636,096
Bridges	30/06/17	–	–	42,982	42,982
Footpaths	30/06/17	–	–	105,777	105,777
Stormwater drainage	30/06/17	–	–	478,509	478,509
Swimming pools	30/06/17	–	–	21,249	21,249
Total infrastructure, property, plant and equipment		–	380,564	1,892,164	2,272,728

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

(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 and Covered Bonds. 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 Reuters 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 had been valued 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 2019.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

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.

(3) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Related party disclosures

Key management personnel

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

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	2,321	1,956
Termination benefits	373	–
Total	2,694	1,956

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Contributions received during the year					Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
Open space	28,536	4,831	–	534	(2,130)	566	32,337	–
Community facilities	14,188	1,518	–	265	(504)	–	15,467	–
Public domain	12,874	1,853	–	237	(1,520)	–	13,444	–
Merrylands town centre	2,788	–	–	51	–	–	2,839	–
Woodville Ward	1,031	1,361	–	26	–	–	2,418	–
Administration	1,355	233	–	23	(549)	16	1,078	–
Accessibility and traffic	1,064	318	–	21	–	–	1,403	–
Traffic facilities	–	154	–	1	–	–	155	–
Parking	(1,568)	–	–	(11)	–	–	(1,579)	–
Drainage	(2,379)	123	–	(58)	–	–	(2,314)	–
S7.11 contributions – under a plan	57,889	10,391	–	1,089	(4,703)	582	65,248	–
S7.12 levies – under a plan	4,058	571	–	77	–	–	4,706	–
Total S7.11 and S7.12 revenue under plans	61,947	10,962	–	1,166	(4,703)	582	69,954	–
SEPP 59 agreements	4,701	(9)	–	86	–	–	4,778	–
Total contributions	66,648	10,953	–	1,252	(4,703)	582	74,732	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S7.11 Contributions – under a plan								
CONTRIBUTION PLAN No. 2 (former Holroyd)								
Parking	(1,728)	–	–	(14)	–	–	(1,742)	–
Open space	28,536	4,619	–	533	(2,130)	566	32,124	–
Community facilities	11,782	920	–	218	(504)	–	12,416	–
Public domain	8,464	680	–	158	–	–	9,302	–
Drainage	(3,060)	29	–	(71)	–	–	(3,102)	–
Administration	427	104	–	7	(275)	–	263	–
Total	44,421	6,352	–	831	(2,909)	566	49,261	–
MERRYLANDS TOWN CENTRE (former Holroyd)								
Merrylands town centre	2,788	–	–	51	–	–	2,839	–
Total	2,788	–	–	51	–	–	2,839	–
2007 Section 94 Contribution Plan (former Auburn)								
Drainage	681	94	–	13	–	–	788	–
Parking	160	–	–	3	–	–	163	–
Community facilities	2,406	521	–	47	–	–	2,974	–
Accessibility and traffic	1,064	318	–	21	–	–	1,403	–
Public domain	4,410	1,153	–	79	(1,520)	–	4,122	–
Administration	928	122	–	16	(274)	16	808	–
Total	9,649	2,208	–	179	(1,794)	16	10,258	–
Woodville Ward								
Woodville Ward	1,031	1,361	–	26	–	–	2,418	–
Total	1,031	1,361	–	26	–	–	2,418	–
Cumberland Council New								
Traffic facilities	–	154	–	1	–	–	155	–
Open space	–	212	–	1	–	–	213	–
Community facilities	–	77	–	–	–	–	77	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
Public domain	–	20	–	–	–	–	20	–
Administration	–	7	–	–	–	–	7	–
Total	–	470	–	2	–	–	472	–
S7.12 Levies – under a plan								
CONTRIBUTION PLAN (former Auburn)								
Other	4,058	295	–	76	–	–	4,429	–
Total	4,058	295	–	76	–	–	4,429	–
Cumberland Council Plan								
Other	–	276	–	1	–	–	277	–
Total	–	276	–	1	–	–	277	–

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	2,811	1.36%	(5.28)%	(5.25)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	206,395				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	175,620	78.71%	80.88%	73.72%	>60.00%
Total continuing operating revenue ¹	223,123				
3. Unrestricted current ratio					
Current assets less all external restrictions	70,371	2.14x	4.49x	4.31x	>1.50x
Current liabilities less specific purpose liabilities	32,896				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	47,035	8.32x	14.93x	11.20x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	5,655				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	8,347	5.88%	4.96%	3.34%	<5.00%
Rates, annual and extra charges collectible	141,843				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	86,940	6.39	7.59	7.33	>3.00
Monthly payments from cash flow of operating and financing activities	13,597	mths	mths	mths	mths

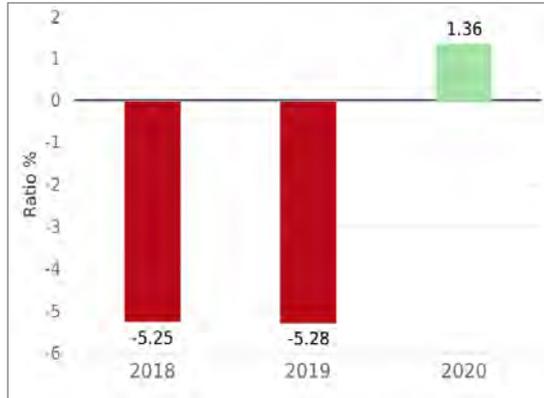
(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets, net share of interests in joint ventures and associates using the equity method, Grant income reported in prior years due to changes in accounting standards and includes pensioner rate subsidies

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

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

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2019/20 result

2019/20 ratio 1.36%

This indicates Council's ability to contain operating expenditure within operating revenue.

Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2019/20 result

2019/20 ratio 78.71%

This indicates that Council is less reliant on grants and contributions. Given that grants and contributions include s7.11 contributions, which is not an operating source of revenue, there was a decline in revenue received from s7.11.

Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio 2.14x

Council continues to be above the industry benchmark of 1.5. This indicator shows Council has good liquidity and ability to repay its debts.

Benchmark: — > 1.50x

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

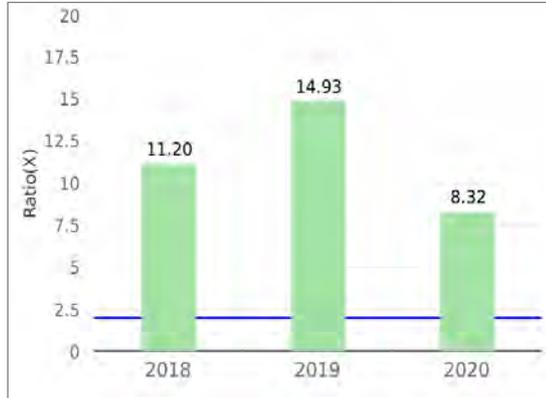
Ratio achieves benchmark

Ratio is outside benchmark

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

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 8.32x

This ratio indicates the ability for Council to meet debt repayments.

Benchmark: — > 2.00x

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

■ Ratio achieves benchmark

■ Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 5.88%

This ratio increased due to slower collections throughout the year due to the COVID impact on ratepayers.

Benchmark: — < 5.00%

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

■ Ratio achieves benchmark

■ Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 6.39 mths

Council's Cash Expense Cover Ratio is above benchmark of 3 months. This shows that Council continues to pay for its immediate expenses without additional cash flow requirements.

Benchmark: — > 3.00mths

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

■ Ratio achieves benchmark

■ Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Financial review

One-Off Adjustment Considerations in Council's financial result

	2020	2019
	\$'000	\$'000
Non-Recurring Adjustments		
Profit on Sale	(479)	(3,940)
Fair Value Interest	(67)	(212)
Fair Value Investment Property	(3,280)	(9,941)
Operating Grants Recognised	(7,170)	
Fair Value Employee Provisions		1,100
Operating Grants Reversals		2,905
Bond Income	(3,764)	
Total Non-Recurring Adjustments	(14,760)	(10,088)

Significant Financial Impact Considerations from COVID-19 Pandemic

Council's income, as a result of the COVID-19 pandemic, was negatively impacted by \$5.3m in 2019-20.

The following significant transactions were recognised:

	\$'000
Childcare fees	3,100
Fines	1,100
Function Centres	680
Hall Hire	300
Inspections	200
Interest	449
Leases	653
Park Hire	258
Parking	108
Pools	297
Certificates	100
Pandemic Leave	488
Additional impairment of receivables specifically due to COVID-19	480
Reduction in interest revenue relating to rates (est.)	30
Commonwealth Childcare Grant	(2,900)
Total	5,343

Other Considerations

A portion of the 2020-21 Financial Assistance Grant was prepaid to Council in 2019/20, totalling \$3.9m.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29. 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

Telephone: 02 8757 9000

Facsimile: 02 9840 9734

Opening hours:

8:00am - 4:30pm
Monday to Friday

Internet: www.cumberland.nsw.gov.au

Email: council@cumberland.nsw.gov.au

Officers

General Manager

Hamish McNulty

Responsible Accounting Officer

Richard Sheridan

Auditors

Grant Thornton

Elected members

Mayor

Steve Christou

Deputy Mayor

Eddy Sarkis

Other information

ABN: 22 798 563 329



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

To the Councillors of Cumberland Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Kenneth Leung
Delegate of the Auditor-General for New South Wales

26 November 2020
SYDNEY



Cr Steve Christou
Mayor
Cumberland Council
16 Memorial Avenue
Merrylands NSW 2160

Contact: Kenneth Leung
Phone no: 02 9275 7257
Our ref: D2027510/1719

26 November 2020

Dear Mayor

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

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

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

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

INCOME STATEMENT

Operating result

	2020	2019	Variance
	\$m	\$m	%
Rates and annual charges revenue	135	130	 3.9
Grants and contributions revenue	47.5	40.5	 17.3
Operating result from continuing operations	31.0	22.9	 35.4
Net operating result before capital grants and contributions	14.3	4.2	 241

The Council's operating result from continuing operations of \$31.0 million (including depreciation and amortisation expense of \$34.8 million) was \$8.1 million higher than the 2018–19 result. This increase was primarily due to a \$3.0 million reduction in employee benefits and on-costs, and \$5.7 million decrease in materials and contracts.

The net operating result before capital grants and contributions of \$14.3 million was \$10.1 million higher than the 2018–19 result. This movement was mainly due to:

- increase in rates and annual charges of \$5.0 million
- increase in other revenue of \$3.1 million
- decrease in total expenses of \$7.3 million.

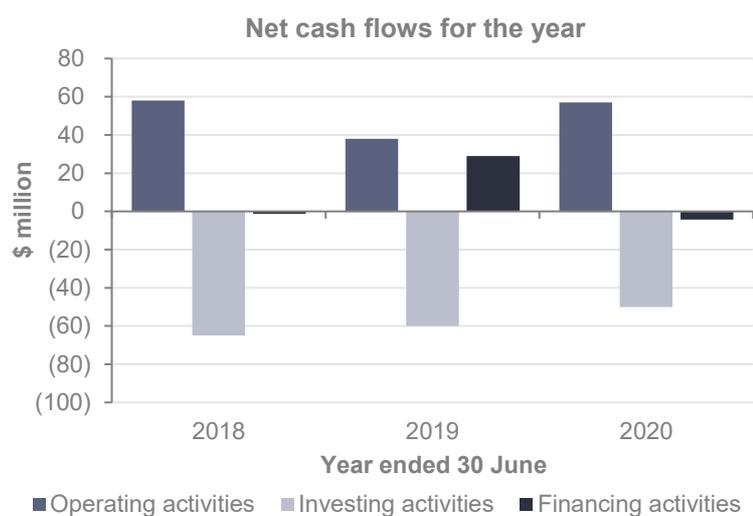
Rates and annual charges revenue (\$134.6 million) increased by \$5 million (3.9 per cent) in 2019–20. It was partly due to \$1.9 million increase in domestic waste management services. The remaining increase was consistent with the 2.6 per cent rate peg increase and growth in the number of rateable properties.

Grants and contributions revenue \$47.5 million increased by \$7.0 million (17.3 per cent) in 2019–20 due to:

- \$7.2 million in 2019–20 Stronger Communities grants received in 2019–20
- \$3.0 million in childcare grants received as a result of the COVID-19 pandemic
- offset by \$3.6 million decrease in Section 7.11 contributions towards amenities/services.

STATEMENT OF CASH FLOWS

- Operating cash inflows increased by \$19.1 million in 2019-20 mainly due to an uplift in grants and contributions (\$5.2 million increase), additional rates and annual charges (\$5.0 million increase) and \$9.2 million reduction in materials and contracts payments.
- Net cash outflows from investing activities decreased in 2019-20 due to increase in the sale of investment securities.
- Net cash outflows from financing activities of \$4.3 million related to repayment of borrowings and advances as well as financial liabilities.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	80.5	74.2	• Externally restricted funds mainly included \$74.7 million in developer contributions.
Internal restrictions	58.6	67.6	• Internally restricted funds decreased in 2019-20 due the Merrylands CBD Reserve of \$23.9 million.
Unrestricted	(3.4)	8.5	
Cash and investments	135.7	150.3	• Unrestricted balances provide liquidity for the Council's day-to-day operations.

Debt

The Council has access to a bank overdraft facility with an approved drawdown limit of \$1.5 million. There was no drawdown as at 30 June 2020.

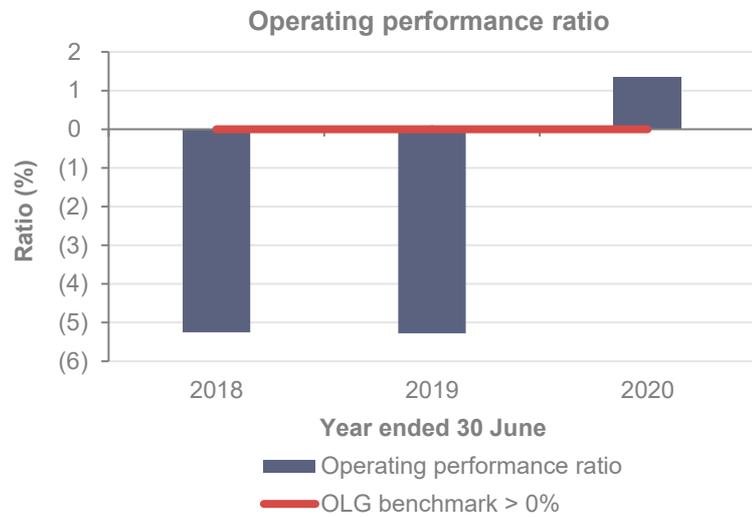
During the current and prior year, there were no defaults or breaches on any loans.

PERFORMANCE

Operating performance ratio

- Council met the benchmark in the 2019-20 financial year.
- Council's net operating result improved in 2019-20, mainly due to a reduction in Council's operating expenses.

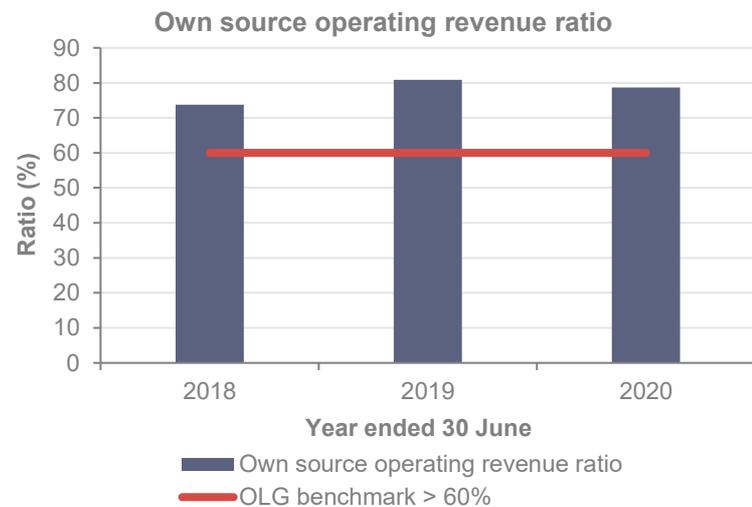
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

- Council met the industry benchmark in the last three financial years.
- No significant change in the current year.

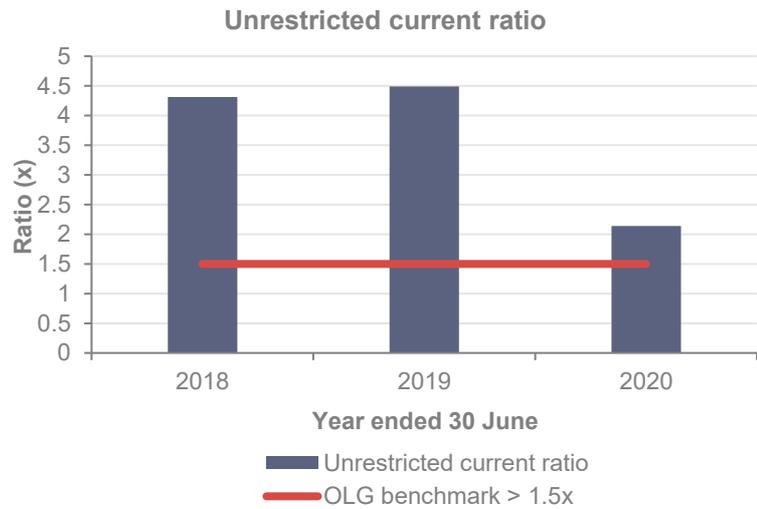
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

- Council continued to exceed the industry benchmark of 1.5 per times.
- The ratio decreased compared to the prior year due to a decrease of \$24.8 in current assets while current liabilities increased by \$5.5 million.
- The reduction in the current year was as a result of the reductions in investment assets to fund capital expenditure.

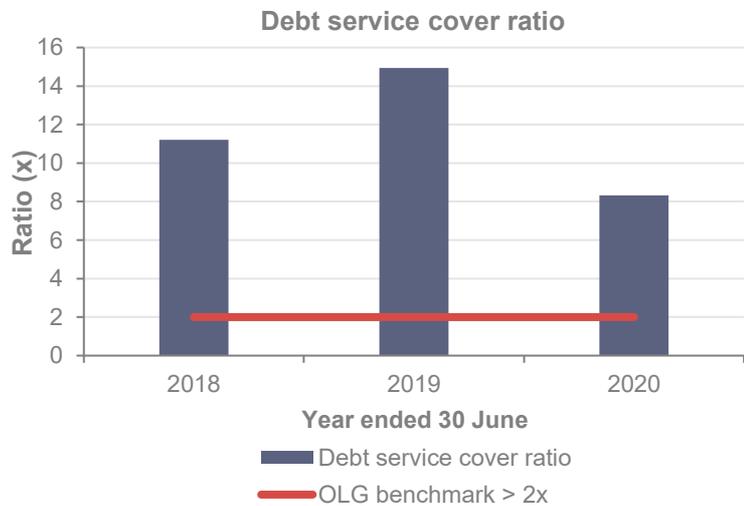
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

- Council continued to exceed the industry benchmark over the last three years.
- The ratio has decreased in 2019-20 due to higher principal repayments and borrowing costs in the current year.

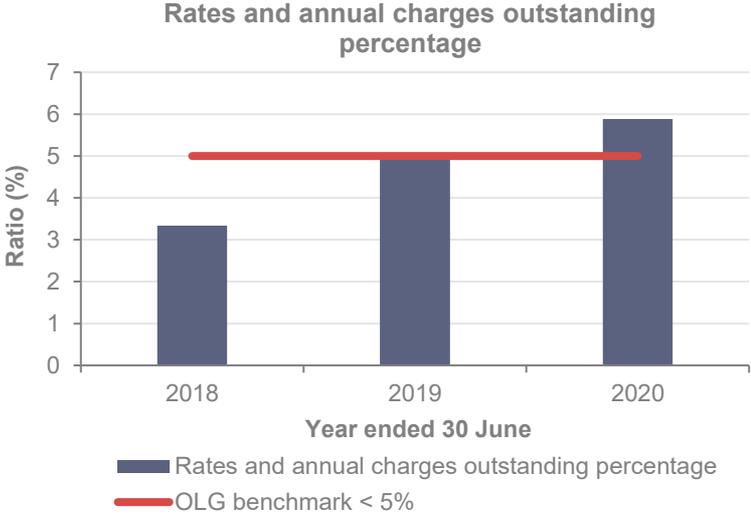
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

- Council did not meet the industry benchmark in 2019-20.
- The ratio increased this year due to slower debtor collections in the 2019-20 period.

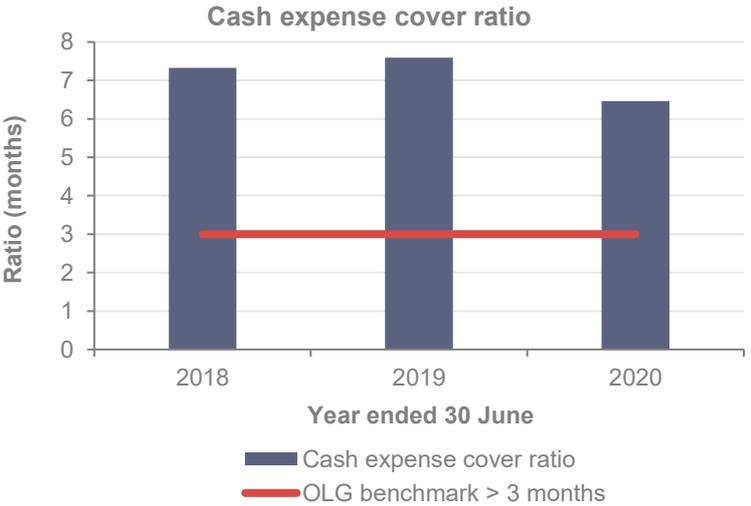
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

- Council continued to meet the industry benchmark for the past three years.
- The ratio indicates that Council has the capacity to cover over six months of expenditure without additional cash inflows at 30 June 2020.

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.



Infrastructure, property, plant and equipment renewals

Council's asset renewals are similar to the prior year at \$63.2 million, mainly in capital works in progress. When projects are complete, they are recognised as transfers to various asset classes in future periods. \$25.8 million was transferred in the current year from capital work in progress to various asset classes.

OTHER MATTERS

Impact of new accounting standards

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

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

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

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

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

AASB 16 'Leases'

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

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

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

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

Legislative compliance

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

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



Kenneth Leung
Delegate of the Auditor-General for New South Wales

cc: Mr Hamish McNulty, General Manager
Mr Stephen Horne, Chair of Audit, Risk and Improvement Committee
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment

Cumberland City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



Special Purpose Financial Statements

for the year ended 30 June 2020

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Background

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

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Special Purpose Financial Statements

for the year ended 30 June 2020

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

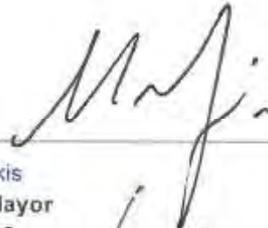
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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

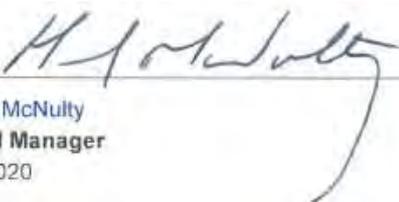
Signed in accordance with a resolution of Council made on 18 November 2020.



Steve Christou
Mayor
18/11/2020



Eddy Sarkis
Deputy Mayor
18/11/2020



Hamish McNulty
General Manager
18/11/2020



Richard Sheridan
Responsible Accounting Officer
18/11/2020

Income Statement – Golf Course

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
User charges	1,143	838
Total income from continuing operations	1,143	838
Expenses from continuing operations		
Employee benefits and on-costs	594	549
Materials and contracts	245	269
Depreciation, amortisation and impairment	61	58
Other expenses	8	16
Internal Overhead Expenses	27	22
Total expenses from continuing operations	935	914
Surplus (deficit) from continuing operations before capital amounts	208	(76)
Surplus (deficit) from continuing operations after capital amounts	208	(76)
Surplus (deficit) from all operations before tax	208	(76)
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(57)	–
SURPLUS (DEFICIT) AFTER TAX	151	(76)
Plus accumulated surplus	18,789	18,795
Plus/less: prior period adjustments	2,044	70
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	57	–
Closing accumulated surplus	21,041	18,789
Return on capital %	1.0%	(0.4)%
Subsidy from Council	–	327

Income Statement – Aged Care Units

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
User charges	346	342
Total income from continuing operations	346	342
Expenses from continuing operations		
Materials and contracts	195	183
Depreciation, amortisation and impairment	250	245
Total expenses from continuing operations	445	428
Surplus (deficit) from continuing operations before capital amounts	(99)	(86)
Surplus (deficit) from continuing operations after capital amounts	(99)	(86)
Surplus (deficit) from all operations before tax	(99)	(86)
SURPLUS (DEFICIT) AFTER TAX	(99)	(86)
Plus accumulated surplus	21,835	13,710
Plus/less: prior period adjustments	–	8,346
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	21,736	21,970
Return on capital %	(0.5)%	(0.4)%
Subsidy from Council	290	376

Income Statement – Function Centres

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
User charges	469	762
Other income	39	45
Internal Income	403	524
Total income from continuing operations	911	1,331
Expenses from continuing operations		
Employee benefits and on-costs	713	826
Materials and contracts	322	481
Depreciation, amortisation and impairment	170	169
Other expenses	21	58
Internal Overhead Expenses	283	278
Total expenses from continuing operations	1,509	1,812
Surplus (deficit) from continuing operations before capital amounts	(598)	(481)
Surplus (deficit) from continuing operations after capital amounts	(598)	(481)
Surplus (deficit) from all operations before tax	(598)	(481)
SURPLUS (DEFICIT) AFTER TAX	(598)	(481)
Plus accumulated surplus	5,381	5,463
Plus/less: prior period adjustments	361	399
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	5,144	5,381
Return on capital %	(11.1)%	(8.6)%
Subsidy from Council	645	555

Income Statement – Swim Centres

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
User charges	1,267	1,868
Other income	177	103
Total income from continuing operations	1,444	1,971
Expenses from continuing operations		
Employee benefits and on-costs	1,968	2,040
Materials and contracts	818	1,209
Depreciation, amortisation and impairment	433	758
Calculated taxation equivalents	61	65
Other expenses	406	635
Internal Overhead Expenses	945	728
Total expenses from continuing operations	4,631	5,435
Surplus (deficit) from continuing operations before capital amounts	(3,187)	(3,464)
Surplus (deficit) from continuing operations after capital amounts	(3,187)	(3,464)
Surplus (deficit) from all operations before tax	(3,187)	(3,464)
SURPLUS (DEFICIT) AFTER TAX	(3,187)	(3,464)
Plus accumulated surplus	24,183	27,164
Plus/less: prior period adjustments	(3,042)	418
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	61	65
Closing accumulated surplus	18,015	24,183
Return on capital %	(17.5)%	(14.1)%
Subsidy from Council	3,347	3,787

Income Statement – Long Day Care

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	6,091	7,715
Grants and contributions provided for non-capital purposes	2,273	387
Other income	35	20
Total income from continuing operations	8,399	8,122
Expenses from continuing operations		
Employee benefits and on-costs	7,390	7,365
Materials and contracts	237	314
Depreciation, amortisation and impairment	187	147
Calculated taxation equivalents	356	355
Other expenses	39	29
Internal Property & Overhead Expenses	4,518	3,484
Total expenses from continuing operations	12,727	11,694
Surplus (deficit) from continuing operations before capital amounts	(4,328)	(3,572)
Surplus (deficit) from continuing operations after capital amounts	(4,328)	(3,572)
Surplus (deficit) from all operations before tax	(4,328)	(3,572)
SURPLUS (DEFICIT) AFTER TAX	(4,328)	(3,572)
Plus accumulated surplus	18,427	13,366
Plus/less: prior period adjustments	10,068	8,278
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	356	355
Closing accumulated surplus	24,523	18,427
Return on capital %	(16.5)%	(15.1)%
Subsidy from Council	4,558	3,927

Statement of Financial Position – Golf Course

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	21,250	18,988
Total non-current assets	<u>21,250</u>	<u>18,988</u>
TOTAL ASSETS	<u>21,250</u>	<u>18,988</u>
LIABILITIES		
Current liabilities		
Payables	25	27
Provisions	62	60
Total current liabilities	<u>87</u>	<u>87</u>
Non-current liabilities		
Provisions	122	112
Total non-current liabilities	<u>122</u>	<u>112</u>
TOTAL LIABILITIES	<u>209</u>	<u>199</u>
NET ASSETS	<u>21,041</u>	<u>18,789</u>
EQUITY		
Accumulated surplus	21,041	18,789
<u>TOTAL EQUITY</u>	<u>21,041</u>	<u>18,789</u>

Statement of Financial Position – Aged Care Units

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
ASSETS		
Current assets		
Receivables	19	3
Total current assets	<u>19</u>	<u>3</u>
Non-current assets		
Infrastructure, property, plant and equipment	21,717	21,967
Total non-current assets	<u>21,717</u>	<u>21,967</u>
TOTAL ASSETS	<u>21,736</u>	<u>21,970</u>
NET ASSETS	<u>21,736</u>	<u>21,970</u>
EQUITY		
Accumulated surplus	21,736	15,461
Revaluation reserves	–	6,509
<u>TOTAL EQUITY</u>	<u>21,736</u>	<u>21,970</u>

Statement of Financial Position – Function Centres

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
ASSETS		
Current assets		
Receivables	(25)	62
Total current assets	(25)	62
Non-current assets		
Infrastructure, property, plant and equipment	5,395	5,564
Total non-current assets	5,395	5,564
TOTAL ASSETS	5,370	5,626
LIABILITIES		
Current liabilities		
Payables	1	9
Provisions	80	107
Total current liabilities	81	116
Non-current liabilities		
Provisions	145	130
Total non-current liabilities	145	130
TOTAL LIABILITIES	226	246
NET ASSETS	5,144	5,380
EQUITY		
Accumulated surplus	5,144	5,380
TOTAL EQUITY	5,144	5,380

Statement of Financial Position – Swim Centres

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	18,233	24,499
Total non-current assets	18,233	24,499
TOTAL ASSETS	18,233	24,499
LIABILITIES		
Current liabilities		
Payables	24	61
Provisions	72	78
Total current liabilities	96	139
Non-current liabilities		
Provisions	122	177
Total non-current liabilities	122	177
TOTAL LIABILITIES	218	316
NET ASSETS	18,015	24,183
EQUITY		
Accumulated surplus	18,015	24,183
<u>TOTAL EQUITY</u>	<u>18,015</u>	<u>24,183</u>

Statement of Financial Position – Long Day Care

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	26,164	23,632
Total non-current assets	26,164	23,632
TOTAL ASSETS	26,164	23,632
LIABILITIES		
Current liabilities		
Provisions	599	619
Total current liabilities	599	619
Non-current liabilities		
Provisions	1,042	1,102
Total non-current liabilities	1,042	1,102
TOTAL LIABILITIES	1,641	1,721
NET ASSETS	24,523	21,911
EQUITY		
Accumulated surplus	24,523	22,896
Revaluation reserves	–	(985)
TOTAL EQUITY	24,523	21,911

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies

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

These financial statements are SPFS prepared for use by Council and the Office of Local Government. 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 2093 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

National Competition Policy

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

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

The *Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality* issued by the Office of Local Government 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

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

b. Aged Care Units

Provision of accommodation for aged services

c. Function Centres

Hall Hire for functions, including catering

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

Note 1. Significant Accounting Policies (continued)

d. Swimming Centres

Provision of Swimming Centre Activities

Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one 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 – 27.5%

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$850,000.

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

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

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

The rate applied of 27.5% is 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.

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.

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

Note 1. Significant Accounting Policies (continued)

(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:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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



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

To the Councillors of Cumberland Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Cumberland Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activities declared by Council.

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 statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2020, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code).

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

Emphasis of Matter - Basis of Accounting

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Kenneth Leung
Delegate of the Auditor-General for New South Wales

26 November 2020
SYDNEY

Cumberland City Council

SPECIAL SCHEDULES
for the year ended 30 June 2020



Special Schedules

for the year ended 30 June 2020

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Permissible income for general rates

\$ '000	Notes	2020/21	2020/21	2020/21	2020/21	2019/20	2019/20	2019/20	2019/20
		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	26,126	57,365	14,428	97,919	25,631	55,917	14,165	95,713
Plus or minus adjustments ²	b	(255)	(384)	124	(515)	283	599	(71)	811
Notional general income	c = a + b	25,871	56,981	14,552	97,404	25,914	56,516	14,094	96,524
Permissible income calculation									
Or rate peg percentage	e	2.60%	2.60%	2.60%		2.70%	2.70%	2.70%	
Or plus rate peg amount	i = e x (c + g)	673	1,482	378	2,533	700	1,526	381	2,607
Sub-total	k = (c + g + h + i + j)	26,544	58,463	14,930	99,937	26,614	58,042	14,475	99,131
Plus (or minus) last year's carry forward total	l	(137)	340	126	329	(226)	264	79	117
Sub-total	n = (l + m)	(137)	340	126	329	(226)	264	79	117
Total permissible income	o = k + n	26,407	58,803	15,056	100,266	26,388	58,306	14,554	99,248
Less notional general income yield	p	27,207	59,701	14,463	101,371	26,126	57,365	14,428	97,919
Catch-up or (excess) result	q = o - p	(801)	(899)	593	(1,107)	262	941	126	1,329
Less unused catch-up ⁵	s	—	—	—	—	(399)	(601)	—	(1,000)
Carry forward to next year ⁶	t = q + r + s	(801)	(899)	593	(1,107)	(137)	340	126	329

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.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT
Special Schedule - Permissible income for general rates
Cumberland Council

To the Councillors of Cumberland Council

Opinion

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

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

My opinion should be read in conjunction with the rest of this report 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 (including Independence Standards)' (APES 110).

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



Kenneth Leung
Delegate of the Auditor-General for New South Wales

26 November 2020
SYDNEY

Report on Infrastructure Assets
as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
(a) Report on Infrastructure Assets - Values													
Buildings	Buildings	4,379	4,379	1,065	6,785	204,145	273,483	45.4%	38.9%	14.1%	1.1%	0.5%	
	Car Parks	161	161	43	–	5,223	6,748	35.3%	36.4%	25.9%	2.4%	0.0%	
	Sub-total	4,540	4,540	1,108	6,785	209,368	280,231	45.1%	38.8%	14.4%	1.1%	0.5%	
Roads	Sealed roads	29,383	29,383	2,950	3,459	502,636	642,513	77.2%	7.3%	10.9%	4.3%	0.2%	
	Bridges	599	599	235	–	42,425	49,388	25.2%	53.2%	20.5%	1.1%	0.1%	
	Kerbs	–	–	2,043	–	118,822	168,124	6.9%	32.3%	60.7%	0.0%	0.0%	
	Footpaths	227	227	1,421	231	103,228	152,783	5.6%	48.1%	46.2%	0.1%	0.0%	
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Retaining Walls	–	–	–	–	1,026	1,050	100.0%	0.0%	0.0%	0.0%	0.0%	
	Public Transport Shelters	–	–	–	–	39	71	0.0%	100.0%	0.0%	0.0%	0.0%	
	Signs	32	32	7	115	396	710	40.3%	17.9%	37.2%	3.6%	0.9%	
	Street Furniture	–	–	–	–	355	446	78.4%	21.4%	0.2%	0.0%	0.0%	
	Traffic Management Devices	263	263	26	231	4,731	5,896	67.4%	18.9%	9.3%	3.7%	0.8%	
Sub-total	30,504	30,504	6,682	4,036	773,658	1,020,981	52.3%	19.8%	24.9%	2.8%	0.2%		
Stormwater drainage	Stormwater drainage	22,455	22,455	6,264	850	434,427	516,555	9.3%	37.7%	48.6%	3.9%	0.4%	
	Stormwater GPT	–	–	94	–	5,108	7,570	36.3%	2.0%	61.8%	0.0%	0.0%	
	Stormwater Pits	16,292	16,292	1,120	–	37,456	63,976	13.5%	38.0%	23.0%	25.1%	0.4%	
	Sub-total	38,747	38,747	7,478	850	476,991	588,101	10.1%	37.3%	46.0%	6.2%	0.4%	
Open space / recreational assets	Swimming pools	–	–	68	771	8,226	10,936	25.0%	44.0%	31.0%	0.0%	0.0%	
	Park Infrastructure	4,080	4,080	748	4,391	75,463	103,005	25.0%	48.4%	22.6%	2.4%	1.5%	
	Park active Areas	1,445	1,445	278	–	35,206	42,605	22.7%	51.9%	22.0%	2.5%	0.9%	
	Bins	13	13	4	–	697	697	10.5%	65.4%	22.3%	1.4%	0.4%	
	Open Space Furniture	229	229	71	–	6,222	7,831	12.6%	48.3%	36.2%	2.2%	0.8%	
	Sub-total	5,767	5,767	1,169	5,162	125,814	165,074	23.8%	49.1%	23.6%	2.3%	1.2%	
TOTAL - ALL ASSETS		79,558	79,558	16,437	16,833	1,585,831	2,054,387	37.0%	29.8%	29.4%	3.5%	0.4%	

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

Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	28,670	101.93%	139.87%	176.14%	>=100.00%
Depreciation, amortisation and impairment	28,127				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	79,558	5.02%	5.50%	5.34%	<2.00%
Net carrying amount of infrastructure assets	1,585,831				
Asset maintenance ratio					
Actual asset maintenance	16,833	102.41%	133.99%	115.35%	>100.00%
Required asset maintenance	16,437				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	79,558	3.87%	2.29%	2.20%	
Gross replacement cost	2,054,387				

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

(1) Excludes Work In Progress (WIP)

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

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

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

19/20 ratio 101.93%

Council continues to spend greater than what is required in order to maintain assets in a satisfactory condition and to stop the growth of infrastructure backlog. This is impacted by SRV and Councils decision to invest heavily in renewal.

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

Asset maintenance ratio



Asset maintenance ratio

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

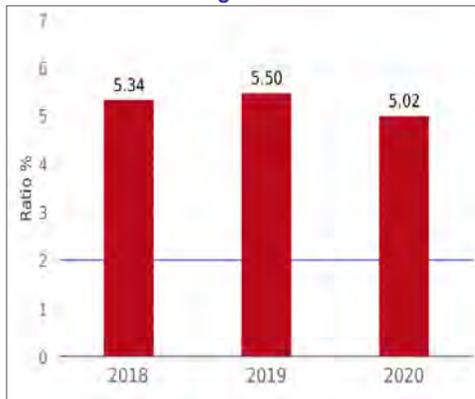
Commentary on result

19/20 ratio 102.41%

Council continues to invest sufficient funds towards asset maintenance. Maintaining a ratio above 100% ensures assets do not deteriorate faster and increase Council's infrastructure backlog.

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

Infrastructure backlog ratio



Infrastructure backlog ratio

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

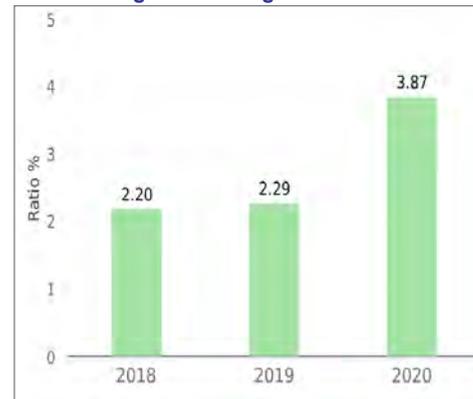
Commentary on result

19/20 ratio 5.02%

Indicates the proportion of Council assets that have reached the intervention level set by Council. Cumberland's sustainability policy is to ensure that condition 3 assets are assigned to work programs in the four year operational plan. There was a small decrease in 2019/20.

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

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

19/20 ratio 3.87%

The level of asset renewals throughout the year reflects the cost required to bring assets to an agreed service level ratio.